

**ITEM 1. COVER PAGE**

**FORM ADV PART 2A**

**PERELLA WEINBERG PARTNERS CAPITAL MANAGEMENT LP**

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**MARCH 31, 2012**

**Important Disclosure:**

This Brochure provides information about the qualifications and business practices of Perella Weinberg Partners Capital Management LP (“**Adviser**”), an investment adviser registered with the United States Securities and Exchange Commission (“**SEC**”) under the Investment Advisers Act of 1940. If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer, at 212-287-3200. Registration with the SEC does not imply that the Adviser or its employees possess a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

This Brochure contains certain material information in the manner and format promulgated by the SEC. Additional information, which must be read and considered with the information in this Brochure, may be found in other documents including, as applicable, registration statements, offering memoranda and/or investment management agreements, among others. Please also read and understand the entire Brochure as responses to certain Items also may respond to or provide additional or fuller information regarding the responses to other Items.

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

## **ITEM 2. MATERIAL CHANGES**

This document serves as our Brochure and is dated as of March 31, 2012. It amends and restates, in full, our Brochure dated as of July 8, 2011.

We have updated this ADV Part 2A to reflect in greater detail the Adviser's policies with respect to: (a) allocation of investment opportunities among client accounts, internal cross transactions, and certain related conflicts of interest (Items 6, 10 and 12); (b) side letters, disclosure of portfolio and other information, gifts and entertainment and political contributions (Item 11); (c) best execution (including considerations in determining the broker or dealer to be used and the commission rates to be paid), trade errors, step-out transactions, cross trades, investment by and in broker-dealers and complex institutional relationships (Item 12); and (d) client referrals and other compensation (Item 14).

A copy of our Brochure may be requested by contacting Client Services at [clientservices@pwpartners.com](mailto:clientservices@pwpartners.com), at (212) 287-3111.

Additional information about Perella Weinberg Partners Capital Management LP is also available via the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or on our website at [www.pwpartners.com](http://www.pwpartners.com).

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## ITEM 4. ADVISORY BUSINESS

### OUR FIRM

Perella Weinberg Partners Capital Management LP (the “**Adviser**”) is a limited partnership organized under the laws of the State of Delaware that was formed in February 2007. The Adviser has been registered with the United States Securities and Exchange Commission (“**SEC**”) as an investment adviser under the Investment Advisers Act of 1940 (the “**Advisers Act**”) since April 18, 2007. The Adviser also is registered with the Securities and Exchange Board of India as a Foreign Institutional Investor.

Perella Weinberg Real Estate UK LLP (“**UK Adviser**”) is an affiliate of the Adviser that provides investment advisory services in the United Kingdom and is authorized and regulated in the United Kingdom by the Financial Services Authority. The UK Adviser has filed to register with the SEC as an exempt foreign reporting investment adviser.

### PRINCIPAL OWNERS OF OUR FIRM

Perella Weinberg Partners Capital Management GP LLC serves as the Adviser’s general partner. The Adviser and its general partner are controlled by Perella Weinberg Partners Group LP (“**Perella Weinberg Partners**”), a privately-owned financial services firm that provides corporate advisory and asset management services to clients around the world through its affiliates and subsidiaries. Certain senior officers of the Adviser also are senior officers of Perella Weinberg Partners.

### CLIENT TYPES

The Adviser furnishes discretionary and non-discretionary investment advisory and other services, directly and indirectly, to private investment funds, including partnerships and companies (collectively referred to as the “**Funds**”). In addition, the Adviser also furnishes discretionary and non-discretionary investment advisory and other services to certain clients through managed accounts (each, a “**Managed Account**”). The Adviser also provides advisory services to investment management companies that are registered with the SEC under the Investment Company Act of 1940 (the “**1940 Act**”), unit investment trusts and collective investment schemes, in some cases by acting as a sub-adviser (each, a “**Sub-advisory Client**”). The Funds, Managed Accounts and Sub-advisory Clients are collectively referred to in this Brochure as “**Clients**.” Persons and entities that invest in the Funds or Sub-Advisory Clients, or own a Managed Account, are referred to in this Brochure as “**investors**.” With respect to the Funds and Sub-advisory Clients, the Adviser provides investment advice and other services directly to the Funds and Sub-advisory Clients and not individually to the investors in such Funds or Sub-advisory Clients.

### TYPES OF SERVICES OFFERED

The Adviser provides investment advice with respect to a broad range of domestic and foreign financial securities and instruments, and other assets, in a variety of forms. The Adviser manages client accounts on both a discretionary and non-discretionary basis. The Adviser offers advice with respect to, without limitation: (1) equity securities, including exchange-listed and over-the-counter securities, of both domestic and foreign issuers; (2) warrants; (3) corporate debt securities; (4) commercial paper; (5) municipal securities, (6) investment company securities and variable annuities; (7) United States government securities; (8) options contracts on securities and commodities; (9) futures contracts on

securities and commodities; and (10) interests in partnerships, including those investing in real estate and oil and gas interests.

The Adviser also may provide investment advice with respect to the following, without limitation: foreign currencies; foreign currency forward contracts; foreign currency futures and related options; options on foreign currencies; repurchase agreements; reverse repurchase agreements; forward commitments; swap contracts and derivatives of all types; loan participations and assignments; index and other structured notes; investment companies of all types (including exchange traded funds and notes, registered investment companies, business development companies, collective investment schemes and unit investment trusts); depository receipts; sovereign debt instruments; asset-backed securities; structured finance securities; distressed corporate bonds; bank debt; mezzanine debt; convertible securities; trade receivables; private investment vehicles, including, but not limited to, hedge funds, private equity funds and special purpose vehicles; secured and unsecured loans; commercial and consumer receivables; leases; litigation and arbitration claims; leveraged loans; mortality-related assets; property and casualty insurance; and interests in, or related to, equipment, commodity lending, partnerships, intellectual property, project finance, infrastructure, trade finance, and commercial and residential mortgage asset classes. Other types of investments with respect to which the Adviser may provide investment advice include: ownership of real (directly and indirectly) and personal property, corporate and personal obligations or contracts (in cash or synthetic structures); equipment trust certificates, private trust certificates and other trust certificates; investments in residential value insurance; joint ventures; and investments in or involving loan servicing operations, among others.

Clients may ask the Adviser to, and the Adviser may, provide investment advice and other services with respect to other investment securities and instruments as is consistent with each respective Client's investment objective.

#### **ABILITY TO TAILOR SERVICES AND ADHERENCE TO GUIDELINES/RESTRICTIONS**

The investment management agreement and, as applicable, offering or other documents for any Client generally set out the investment guidelines, restrictions and/or types of investments in which the Client's assets may or may not, as applicable, be invested. Such documents may call for a Client to specifically approve each investment or investment type prior to investment. The Adviser also may be permitted to invest Client assets in all other types of investments, provided they are not specifically prohibited by the applicable investment guidelines or other restrictions, such as applicable law.

#### **CLIENT ASSETS MANAGED BY ADVISER**

As of December 31, 2011, the Adviser manages Client assets on a discretionary basis in the amount of approximately \$7.7 billion and on a non-discretionary basis in the amount of approximately \$42.3 million.

As of December 31, 2011, the Adviser's regulatory assets under management on a discretionary basis were approximately \$8.7 billion and on a non-discretionary basis were approximately \$42.3 million.

## **ITEM 5. FEES AND COMPENSATION**

### **FEE SCHEDULE**

The Adviser generally receives management fees and the Adviser (or its affiliates) generally receives performance-based compensation for its investment advisory services. The rate of the Adviser's management fees may vary depending upon factors such as, among others, the type of account, the asset classes being managed, the amount of assets being managed, the investment horizon or time period associated with the assets being managed and the investment strategies being employed by the Adviser. The Adviser's management fees generally are asset-based and calculated at an annual rate as a percentage of the value of the assets managed by the Adviser. Management fees are typically paid by deducting the amount of the fee from the applicable account.

Management fees typically are up to 2.00% per annum of the assets managed by the Adviser (or, for certain periods and types of Clients, at a rate up to 2.00% per annum of aggregate commitments or funded commitments) for a particular Client and payable monthly or quarterly in arrears. Management fees may vary and in some cases may be negotiable, and may be payable more or less frequently or in advance depending on the Client and the arrangement. The rate of the management fee for fund-of-funds strategies is generally lower than direct investing strategies. The amount of the management fee is usually prorated for periods of less than a full billing period.

With respect to certain Clients, including, for example, those for which the Adviser may act as sub-adviser, the Adviser may enter into fee-sharing or other similar arrangements with the other adviser or other parties.

The Adviser, or an affiliate of the Adviser, is typically paid performance-based compensation in addition to management fees. Such performance-based compensation (including incentive allocations, incentive fees, carried interest or other fees, as the case may be) may be calculated in several different ways depending on the nature of the Client's strategy, any applicable lock-up periods, performance benchmarks and performance hurdles, and may be assessed on unrealized appreciation. Performance-based compensation is typically up to 30.0% of the realized and unrealized net profits allocated to each Client's (or investor's) account for a fiscal year and payable annually in arrears or upon redemption. The rate of the performance-based compensation may vary and, in some cases, may be negotiable, and may be payable more or less frequently depending on the Client or the arrangement. For example, performance-based compensation for fund-of-funds strategies is generally lower than direct investing strategies. Performance-based compensation generally is subject to loss recovery provisions, sometimes referred to as a "high water mark" but may, in certain situations, not be subject to a high water mark. Performance-based compensation is typically paid directly to the Adviser or an affiliate of the Adviser from the applicable Client (or investor). To the extent that the Adviser charges performance-based compensation, such performance-based compensation will comply with the requirements of Section 205 and Rule 205-3 under the Advisers Act and such other provisions as are applicable, including but not limited to the 1940 Act.

The management fees and the performance-based compensation that the Adviser (or its affiliate) will receive may not have been established on the basis of an arm's-length negotiation between the Client and the Adviser (or its affiliate). Moreover, with respect to funds-of-funds strategies, the management fees and performance-based compensation received by the managers of the issuers (regardless of type, e.g., private funds, mutual funds, exchange traded funds) in which a Client invests may not have been established in an arm's-length negotiation between such managers and the respective issuers. For

example, certain of the Funds or Managed Accounts managed by the Adviser invest in underlying private investment funds, the affiliated managers of which receive management fees and performance-based compensation that may not have been negotiated in an arm's-length negotiation.

The Adviser may agree to different fees or allocations, including performance-based compensation with respect to a Client(s), and each Client is expected to indirectly bear performance-based compensation with respect to investments in applicable issuers. The existence of such performance-based compensation arrangements may create an incentive for the Adviser or a manager of an issuer in which a Client invests to approve and cause the Client, or an issuer in which a Client invests, respectively, to make more speculative investments than it would otherwise make in the absence of such performance-based compensation.

The Adviser intends to reduce or waive management fees or fees in respect of performance based compensation for certain affiliates of the Adviser, including employees or partners of the Adviser and/or its affiliate (including members of the applicable investment team) and strategic investors of affiliates of the Adviser, and certain investors in multi-strategy vehicles that the Adviser may sponsor.

The Adviser's investment management agreements generally provide that the Client and/or the Adviser may terminate the contract upon proper advance notice to the other party. As permitted by applicable law, the terms of an investment management agreement, including fee schedules, terms of payments, performance fees and termination provisions, are generally negotiated and may vary.

#### **OTHER FEES AND EXPENSES**

Certain organizational and offering expenses, brokerage commissions, placement fees and similar expenses, transaction fees, expenses related to short sales, clearing and settlement charges, custodial fees, interest expenses, servicing and syndication fees, costs of joint ventures or other entities (including operating platforms), costs of third-party compliance products and services, costs and expenses incurred in connection with any indebtedness, including, without limitation, the costs of establishing such indebtedness, the costs of monitoring compliance therewith (including, without limitation, the costs of any computer software used for such purposes) and other fees and compensation, investment-related travel expenses, professional fees relating to investments and other related costs and expenses may be incurred by Clients. Clients may incur other fees and charges imposed by brokers and other third parties, such as but not limited to wire transfer fees and other taxes and fees on brokerage accounts and investment transactions.

The Adviser and its affiliates may compensate third parties, including brokers and placement agents and others, in connection with the solicitation of prospective Clients and investors. Such referral fees may be a percentage of such Client's assets under management, management fees and/or performance-based compensation earned by the Adviser (or its affiliates), or any other fee arrangement agreed to by the Adviser (or its affiliate) and such third party. To the extent applicable, such arrangements will conform to Rule 206(4)-3 under the Advisers Act and, as applicable, appropriate provisions/guidance under the Employee Retirement Income Security Act of 1974.

Please see Item 12 below for further discussion of brokerage fees and the factors that the Adviser considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g., commissions).

The Adviser, or an affiliate, may charge, in certain situations, other fees and expenses to a Client in connection with its services in respect of (i) the management and servicing of certain portions of the Client's portfolio or other investments and (ii) asset management for the Client's investments, which services may include monitoring covenant compliance by borrowers, tenants and other obligors, monitoring their financial condition and other relevant operating data and tracking borrowings and cash payments. The Adviser, or an affiliate, may perform some or all of such functions, or additional services, such as legal and/or compliance services, in-house if it believes it can provide such services more effectively and at a cost that is comparable to prevailing market rates for such services. Such fees and expenses would be in addition to the management and performance fees and allocations and could be used by the Adviser or its affiliates in engaging personnel and in incurring other overhead costs to provide some or all services that may be deemed necessary in connection with investment and/or transaction support in lieu of hiring an unaffiliated third-party service provider to provide these services. The Adviser also may decide to hire external service providers to assist in certain functions, such as valuation and proxy voting services, whose expenses may be charged to the relevant Clients or *pro rata* across applicable Clients.

The Adviser and its affiliates may from time to time incur fees and expenses on behalf of Clients or alternative investment vehicles created for the benefit of Clients, which fees and expenses will ultimately be expensed to Clients. The Adviser will attempt to allocate such expenses on a basis that it considers fair and equitable over time.

Each Client and investor must review the applicable registration statements, offering memoranda and investment management agreements, among other documents, for a fuller discussion and understanding of all the fees, expenses and other compensation the Adviser and other parties may obtain or receive from, or in connection with, Clients and investors.



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

As generally described in Item 5, the Adviser, or an affiliate of the Adviser, is typically paid performance-based compensation (which may take the form of an incentive allocation, incentive fee, carried interest or other fees) in addition to asset-based management fees.

The Adviser may agree to different performance-based compensation with respect to Clients or with respect to an investor or investors in a Client, and a Client also may bear performance-based compensation with respect to its investments in certain issuers (in the case of a fund-of-funds strategy, for example). The existence of the performance-based compensation may create an incentive for the Adviser or a manager of an issuer in which a Client invests to make more speculative or riskier investments than it would otherwise make in the absence of such performance-based compensation. In addition, the fact that the Adviser has varying compensation arrangements among Clients that are managed in a substantially similar fashion could lead to a conflict of interest if the Adviser is viewed as being incentivized to manage such Clients differently due to such different compensation arrangements.

The Adviser sponsors or manages multiple Funds and Managed Accounts, some of which have objectives that are similar to, or which overlap with, those of other Clients. Additionally, the Adviser and its affiliates typically own interests in the Funds. In certain circumstances, particularly when the Adviser sponsors a new Fund, such new Fund may be wholly or majority owned by the Adviser and/or its affiliates.

The Adviser may give advice and recommend securities to Clients which differs or conflicts with advice given to, or securities recommended or bought for, other Clients, even though the investment objectives of the respective Clients are the same or similar. There may be certain situations in which a Client has a specific geographical, sector or strategy focus, or situations where an agreement exists with another Client, such that investment opportunities that may be appropriate for one Client are first referred to and/or allocated to another Client, with any remaining portions allocated to other Clients, as appropriate. Client accounts that receive investment opportunities in priority to other Clients may have been initially seeded by the Adviser or its affiliates, and, at the time of a referral or priority allocation, may, to the extent there has been only limited investment by third party investors, remain wholly or principally owned by the Adviser or its affiliates. If a Client does not receive an investment opportunity, it will not benefit from, and will have no right to profits arising out of, investments made by Clients that did receive the investment opportunity.

As described generally in Items 12 below, the Adviser seeks to allocate investment opportunities fairly and equitably over time across Clients to the extent such opportunities are appropriate for such Clients. In addition, the Adviser has adopted specific allocation policies and procedures for certain types of investment opportunities, including follow-on investments and certain investment opportunities that have been sourced by, or offered to, the Adviser's investment team responsible for the asset-based value products offered by the Adviser, each of which seeks to allocate such investment opportunities on a fair and equitable basis among the Clients over time.

In addition, the Adviser or its affiliates, because of differing investment objectives, different investment teams or other factors, may cause a Client to take investment positions that are different from or adverse to those taken by another Client, including positions contrary to those held by such other Client or senior or junior to those held by such other Client. To the extent that a Client holds interests that are different from (or more senior or junior to) those held by another Client, the Adviser and its affiliates may be presented with decisions involving circumstances where the interests of one Client are in conflict with

those of another Client, including with respect to the operation of a company, the expected returns for the investment and the timeframe for and method of exiting the investment. Furthermore, it is possible that (in a bankruptcy proceeding or otherwise) a Client's interest may be subordinated or otherwise adversely affected relative to another Client or otherwise by virtue of such Client's involvement and actions relating to its investment. For example, a Client that is a debt holder of a company may be better served by the company's liquidation, in which case it may be paid in full, whereas a Client that is an equity holder of a company may prefer a reorganization that could create value for the Client and other equity holders. The Adviser may have varying compensation arrangements among Clients that could incentivize the Adviser to manage such Clients differently. There will be no obligation to purchase, sell or exchange any security or financial instrument for a Client if the Adviser or its affiliates believe in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for the particular Client. In allocating investment opportunities among Clients, the Adviser or its affiliates may take into account factors including, among other things, the relative amounts of capital available for new investments and the investment programs and portfolio positions of the Client and such other Clients and investment vehicles. However, situations may arise in which the activities of the Adviser or its affiliates may be disadvantageous to a Client, such as the inability of the market to fully absorb orders for the purchase or sale of particular investments placed by the Adviser for a Client and other Clients or at prices and in quantities which may be obtainable if the same were being placed only for the Client.

Sometimes, following an investment by a Client, the Adviser has the opportunity to make an additional or follow-on investment in the same portfolio company or a related company. Occasionally, rather than allocate these additional or follow-on investment opportunities to the Client(s) that made the original investment, the Adviser may allocate the opportunity in a different manner, including but not limited to amongst other Clients (including Clients that may be wholly or principally owned by the Adviser or its affiliates) and one or more strategic investors (which may include third parties and/or Fund investors). Typically, the Adviser makes these allocations in circumstances where the additional investment opportunity or follow-on investment could not, because of available capital, risk limits, size, tax considerations, concentration or other reasons, be allocated in the same manner as the original investment to which it relates. Additional investment opportunities and follow-on investments may be more or less profitable than the original investment to which they relate.

From time to time, a Client may make commitments to provide capital for investments at a certain date in the future. At the time any such investment requires funding, the Adviser may allocate the investment opportunity among such Client, other Clients eligible to participate in the investment (including other Clients that may be wholly or principally owned by the Adviser or its affiliates) and/or one or more strategic investors (which may include third parties and/or Fund investors). In addition, the Client and its affiliates may establish investment vehicles to facilitate the investment of Clients in certain opportunities. To the extent that any other Clients make an initial investment in or increase their investment in such an investment vehicle, such investment will dilute the existing interest holders (and the underlying investments therein) unless the Adviser determines to increase the other interest holders' commitment to the platform on a proportionate basis. Accordingly, Clients may be disadvantaged if the Advisor allocates profitable opportunities away from them or if the Advisor allocates unprofitable opportunities to them.

As described generally in Item 11 below, there may be situations in which one Client (or affiliate of a Client) makes or otherwise acquires an investment that is later sold to another Client. Such transactions are referred to as "Internal Cross Transactions." The Client making the initial investment will bear the investment risk related to the investment if and until such time as an Internal Cross Transaction is effected with another Client. The Client making the initial investment may be paid interest or other compensation

from the Client purchasing the investment in such circumstances if believed to be necessary and appropriate by the Adviser.

The portfolio strategies we and our affiliates use for certain Clients could conflict with the transactions and strategies we employ in managing other Clients and may affect the prices and availability of the securities and other financial instruments in which Clients invest. For example, the use of overlay strategies may result in investments for certain Clients that are contrary (economically or otherwise) to the investment positions taken by the Adviser on behalf of another Client and may result in higher or lower returns and greater or less downside or other risk for a Client. Although the investment team may pursue overlay strategies with respect to a particular Client, any such overlay strategies are likely to differ, and potentially significantly, from the overlay strategies (if any) employed with respect to another Client. Furthermore, the investment team for one Client may have greater access to information regarding a particular investment than another investment team managing the same investment for another Client.

Client investments may include investments in vehicles that are directly or indirectly affiliated with the Adviser, such as the Funds. The Client may bear management fees and performance fees that are paid to, or performance allocations that are made to, the managers, general partners or members of such affiliates. The Adviser will endeavor to make investment decisions for the benefit of the Client in good faith and to treat each of the Funds and all of its Clients in a fair and equitable manner over time. There can be no assurance, however, that certain investment decisions made for a Client or for any other Fund will not adversely affect other Funds or Clients, even if such investment decisions are made in good faith.

## ITEM 7. TYPES OF CLIENTS

As described in Item 4, the Adviser furnishes discretionary and non-discretionary investment advisory and other services, directly and indirectly, to Funds, Managed Accounts and Sub-advisory Clients (as previously noted, collectively referred to in this Brochure as “**Clients**”). With respect to the Funds and Sub-advisory Clients, investment advice and other services are provided directly to the Funds and Sub-advisory Clients, as adviser or sub-adviser, and not individually to any of the investors in the Funds or Sub-advisory Clients.

Persons and entities that invest in the Funds or Sub-Advisory Clients are referred to herein as “**investors**”, as previously noted. Investors may include individuals, pension and profit-sharing plans, funds-of-funds, sovereign wealth funds, insurance and financial institutions, family offices, union plans, trusts, endowments, foundations, charitable organizations and other types of entities.

Perella Weinberg Partners Capital Management GP LLC serves as the Adviser’s general partner. The Adviser and its general partner are controlled by Perella Weinberg Partners, a privately-owned financial services firm that provides corporate advisory and asset management services to clients around the world through its affiliates and subsidiaries. Perella Weinberg Partners’ asset management clients include, among others, multiple alternative investment products, funds-of-funds products based on the “large endowment” or other investment models, college or university foundations, private-equity investment products, an investment company that is registered under the 1940 Act, and collective investment schemes such as UCITS funds.

The minimum investment for a Client or an investor generally will be determined by the Adviser, or the general partner, managing member and/or board of directors, as applicable, of the Client and will generally be set out in the offering documents and/or investment management or other agreements. Such minimum investment amounts may be waived by the Adviser, general partner, managing member, or board of directors, as applicable, if permissible under relevant law. Minimum investment amounts generally are negotiated on a case-by-case basis with a Client or an investor.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **METHODS OF ANALYSIS**

Investment ideas are usually generated internally, through research and analysis, and are based primarily upon the research and analytical experience and expertise of each of the investment and other professionals that supervise and review the applicable accounts. The Adviser may obtain information regarding investment opportunities through industry participants, broker-dealers and business and other relationships. The Adviser may, from time to time, engage the services of consultants and third parties to provide investment ideas, source potential investments, or gather further research or information.

The Adviser's investment analysis methods may include, depending upon the investment strategy and circumstances, charting, fundamental, technical and cyclical methods. In addition, the Adviser's methods of analysis may include quantitative and computer-aided analysis of investments and market attributes, and computer application of models applying proprietary evaluation criteria to investments, among others. The Adviser also may use risk-generated analysis and reports or other such information as it believes is advisable in connection with its investment strategies.

### **INVESTMENT STRATEGIES**

The Adviser may employ a variety of investment strategies for its Clients. The investment strategies used to implement any investment advice given to Clients include long term purchases (investments held at least a year), short term purchases (investments sold within a year), trading (securities or other investments sold within 30 days), short sales, margin transactions, option writing, including covered options, uncovered options, or spreading strategies, and all types of derivative transactions.

#### ***Diversified Equities Strategy***

The principal investment objective of this strategy is to achieve attractive absolute returns across a diversified set of equities while actively managing risk to preserve capital, minimize volatility, and maintain liquidity. This strategy generally seeks to accomplish its objective by investing primarily in equity (including "new issues") and equity-related securities (e.g., common and preferred stock, options, warrants and financial instruments and derivatives of companies) across a diversified range of industries. This strategy may also invest in cash and cash equivalents.

#### ***Healthcare Strategy***

The principal investment objective of this strategy is to achieve attractive risk-adjusted, absolute returns with limited correlation to the equity markets generally and healthcare-related indices in particular. This strategy invests primarily in equity securities (including "new issues"), equity-related securities (e.g., preferred stock, options, warrants and convertible debt), and other financial instruments and derivatives of companies engaged in the various sub-sectors of the healthcare industry, including, but not limited to, companies engaged in the delivery, distribution, wholesaling and outsourcing of healthcare products and services, medical technology and equipment, pharmaceuticals, specialty pharmaceuticals, biotechnology, genomics, diagnostics and life sciences. In addition to holding cash and cash equivalents, this strategy may invest a certain percentage of its net assets (measured at the time of investment) in non-healthcare related securities or assets.

### ***Real Assets and Financial and Other Assets Strategy***

This strategy aims to achieve high risk-adjusted returns with low volatility and low correlation to the equity and fixed income capital markets by investing in targeted asset based opportunities across a broad spectrum of real and financial assets. The strategy has an emphasis on capital preservation, generating cash flow from assets purchased at attractive current cash yields, and generating equity-like upside optionality from targeted assets. Assets targeted for investment are (i) real assets, including equipment (railcars, aircraft, vessels and specialty vehicles), real estate (commercial and residential real estate), working interests in oil and gas, and (ii) financial assets, including consumer-related assets (auto loans/leases, student loans, and credit card receivables), commercial-related assets (small business loans, trades and accounts receivables, commercial and industrial loans, and dealer floorplan loans), insurance assets, and litigation receivables (structured settlements and judgments on appeal). While the majority of assets may have current/periodic cash returns, a portion of the assets may generate most, or potentially all, of their cash flow on the scheduled maturity or sale date of the asset. This strategy seeks to uncover mispriced asset based investment opportunities through fundamental analysis and in-depth understanding of asset valuation. Current market dislocation, including illiquidity, re-pricing of assets, deleveraging, and regulatory changes create the investment opportunities.

### ***Thematic Multi-Asset Class Strategy***

This strategy's investment objective is to generate attractive absolute risk-adjusted returns from investments in a full range of corporate securities and macro asset classes. The investment process seeks to integrate top-down macro themes and hedging with bottom-up asset selection, using a diverse range of products and instruments. The strategy's investment framework captures long term global themes, including (among others) the movement of capital and balance sheet strength from the developed debtor nations to the developing creditor nations; transformative technologies; and the interplay of government policy and financial markets. Corporate investments generally target distressed credit, event driven equity opportunities and special situations across various asset classes and industries.

### ***Sustainable Resources and Infrastructure Strategy***

This strategy focuses on absolute returns, with the objectives of long-term growth and capital preservation, through global investment in sustainable resources, principally energy, water, agriculture, materials and the service and supply chain companies that support them. The strategy includes long and short positions in listed and unlisted U.S. and non-U.S. securities and financial instruments, which may include, but not be limited to, equities (including "new issues"), debt, project financing, convertibles, preferred stock, warrants, index contracts and other financial instruments. In executing the strategy, the Adviser may employ leverage and from time to time use derivative securities and instruments, both over-the-counter and listed, including options (whether written or purchased), futures, forwards and swaps.

### ***Income Strategy***

The principal objective of this strategy is to seek investment returns over various market cycles, with a meaningful percentage of such returns derived from income. The strategy also seeks, over time, to preserve the "real purchasing power" of an investment through capital appreciation in an amount that is equal to or exceeds the rate of inflation (as measured by the consumer price index). The strategy invests primarily in pooled investment vehicles, including, but not limited to, mutual funds, private investment funds and exchange traded products. Exchange traded products may include exchange traded funds as

well as commodity pools and other commodity-based vehicles that seek to track a commodity index or benchmark and are traded on an exchange. The strategy may also include invests in exchange traded notes.

### ***Comprehensive Solutions Strategy***

The investment objective of this strategy is to consistently earn a rate of return that exceeds various benchmarks by creating an investment portfolio that is (i) broadly diversified by asset class and geography and (ii) suited to hold a significant portion of a shareholder's investment assets. The Adviser will typically make investments through three primary means: (i) investments in or alongside asset class-specific funds-of-funds managed by the Adviser or its affiliates (the "**Fund of Funds Investments**"), (ii) long and short positions in various financial instruments including, but not limited to, swaps, exchange traded funds, options, index contracts, futures, forwards and other securities, derivatives or financial instruments (collectively, "**Overlay Investments**") and (iii) other investments including, but not limited to, investments in short-term cash investment funds.

Fund of Funds Investments will be used to implement strategic asset allocations and will typically constitute most of the value of this strategy. Fund of Funds Investments are expected to consist of asset class-specific funds-of-funds managed by the Adviser or its affiliates that provide exposure to various asset classes, including global equities, global fixed income, absolute return, private capital, real return assets and other strategies that may be offered from time to time. Overlay Investments will generally be employed in the form of derivatives to reduce or magnify particular exposures and to achieve risk management targets.

### ***Absolute Return Strategy***

This strategy's investment objectives are (i) to build a diversified portfolio of absolute return investment strategies and (ii) to consistently earn a rate of return that exceeds the London Inter-bank Offered Rate. The Adviser will make investments by two primary means: (i) by investing directly or indirectly in absolute return oriented hedge funds through pooled investment vehicles and separately managed accounts and (ii) by directly trading complementary long and short positions including, but not limited to, public markets instruments such as swaps, exchange traded funds, options, index contracts, futures, forwards and other securities, derivatives or financial instruments.

### ***Global Fixed Income Strategy***

This strategy's investment objective is to outperform the total return of the Barclays Capital Global Aggregate Bond Index by investing in a diversified portfolio of primarily fixed income securities from developed and emerging markets around the world. The Adviser will make investments by two primary means: (i) by investing in pooled investment vehicles and separately managed accounts and (ii) by directly investing in and trading long and short positions including, but not limited to, public markets instruments such as swaps, exchange traded funds, options, index contracts, futures, forwards and other securities, derivatives or financial instruments.

### ***Global Equities Strategy***

This strategy's investment objective is to outperform the MSCI All Country World Total Return Net Index, published by Morgan Stanley Capital International Inc., by investing in a diversified portfolio of primarily equity-oriented securities from developed and emerging markets around the world. The Adviser makes investments by two primary means: (i) by investing in pooled investment vehicles and separately managed accounts and (ii) by directly investing in and trading long and short positions including, but not limited to, public market instruments such as swaps, exchange traded funds, options, index contracts, futures, forwards and other securities, derivatives or financial instruments.

### ***Real Return Assets Strategy***

This strategy's investment objectives are (i) to build a diversified portfolio of Real Return Assets (as defined below) and (ii) to consistently earn a rate of return that exceeds the annual percentage change in the Consumer Price Index for All Urban Consumers plus 2%. In order to achieve its investment objectives, the Adviser will seek exposure to privately held and publicly traded real return assets ("**Real Return Assets**"), including, but not limited to, commercial real estate, commodities, energy-related assets, timber, infrastructure assets, inflation-protected securities and other similar assets. The Adviser will make investments by two primary means: (i) by investing, directly or indirectly, in pooled investment vehicles and separately managed accounts and (ii) by directly trading long and short positions in public Real Return Assets or directly investing in private market Real Return Assets.

### ***Private Capital Strategy***

The investment objectives of this strategy are to (i) create a diversified portfolio of private capital holdings and (ii) generate long-term net returns of at least 15% that also exceed the public equity market returns over a twelve- to fifteen-year period. To achieve its investment objectives, the Adviser will commit to, and invest in, approximately eight to ten of the industry's premier private capital funds. The Adviser may also execute co-investments alongside those funds, as well as alongside other leading private capital funds and may make certain other investments. The Adviser expects to invest primarily in U.S. and European funds and intends to provide investors with exposure to buyout, growth equity and distressed debt opportunities.

### **RISK OF LOSS**

Investing involves substantial risks, including the risk of total loss of capital, and may not be suitable for all investors. Different investment strategies are subject to different types and degrees of risk and existing and prospective Clients and investors should become familiar with the risks associated with the particular investment strategy they intend to invest in. Interests in any Fund or strategy likely will be very illiquid and investors should be able to bear the financial risks of an investment for an indefinite period of time. There is no secondary market for interests in any of the Funds and none is expected to develop. For certain strategies, a Fund or other Client will hold investments and conduct certain activities through investment vehicles managed by external investment advisers. All references in this Brochure to investments also refer, as the context requires, to investments by such externally managed vehicles. References in this section to actions taken or investments made by a "Client" should be understood to mean, as context requires, that such actions may be taken or investments made by the Adviser or its affiliates acting on behalf of a Client.



In addition to the more detailed risks discussed below, prospective Clients and investors should be aware of the following general risks:

- The Adviser's strategies are speculative and involve a high degree of risk.
- A Client's investments may be leveraged.
- The investment performance of a Client can be volatile.
- An investor could lose all or a substantial amount of his or her investment.
- The Adviser and its affiliates likely will have total trading authority on behalf of a Client. The use of a single adviser applying generally similar trading programs could mean lack of diversification and, consequentially, higher risk.
- There will be restrictions on transferring interests in a Fund.
- High fees and expenses may offset a Client's trading profits, if any.
- A substantial portion of the transactions executed for a Client may take place on foreign exchanges.

### ***Risks Applicable to Various Strategies***

#### ***Investment Activities***

Each of the Adviser's strategies involves a significant degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation can be made that any investment program will be successful, that an investment objective will be achieved or that there will be any return of capital to investors. The strategies may involve the active trading of securities and other financial instruments using investment techniques with significant risk characteristics, including risks arising from the volatility of the global equity, currency and fixed income markets, the risks of short sales, the risks of leverage, the potential illiquidity of derivative instruments, the risk of loss from counterparty defaults and the risk of borrowing to meet redemption or withdrawal requests. The investment programs implementing a particular strategy may use such investment techniques such as margin transactions, option transactions, swap and other derivative transactions, short sales and forward and futures contracts, which practices involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which a Client may be subject. In addition, the performance of the investments is subject to numerous factors that are neither within the control of nor predictable by the Adviser. Such factors include a wide range of economic, political, competitive and other conditions (including acts of terrorism and war and natural disasters) that may affect investments in general or specific industries or companies. In recent years, the securities markets have become increasingly volatile, which may adversely affect the ability of a strategy to realize profits. As a result of the nature of the investing activities, it is possible that financial performance of a strategy may fluctuate substantially from period to period.

#### ***Limited or No Operating History***

A Fund sponsored by the Adviser may have limited or no operating history, on which prospective investors can base an evaluation of future performances. The prior performances of the Adviser and the investment team may not be construed as an indication of future results. There can be no assurance that the Adviser or the investment team will be able to successfully implement the investment objective of a particular strategy.

### *Lack of Diversification*

The implementation of a strategy may involve a limited number of investments. A consequence of the limited number of investments is that the aggregate returns may be substantially affected by the unfavorable performance of a small number of such investments.

### *Limited Liquidity of Investments*

The strategies generally are intended for long-term investors who can accept the risks associated with an indirect investment primarily in instruments that involve a high degree of financial risk and are potentially illiquid. There is no public market for the interests in certain of the Funds, and no such market is expected to develop in the future. It is possible that the strategies will not return any of an investor's capital, and prospective investors should not invest unless they can readily bear the consequences of such a loss.

A significant portion of a Client's assets may be directly or indirectly invested in securities and other financial instruments or obligations for which no market exists and/or which are restricted as to their transferability under federal or state securities laws in the United States and elsewhere. Such investments may be segregated from other investments. Because of the absence of any trading market for these investments, it may take longer to liquidate these positions than would be the case for publicly traded or actively brokered or syndicated investments. Although such assets may be resold in privately negotiated transactions, the prices realized on these sales could be less (including substantially less) than those originally paid. Further, companies the securities of which are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

### *Illiquid Securities*

A Client may invest in illiquid and restricted, as well as thinly traded, investments (including privately placed securities), and investors may have exposure to the performance of such investments even if they have do not participate in such investments. In certain cases, there can be no assurance that these restrictions will be released or that a more efficient market will develop. The market prices, if any, for such investments and financial instruments tend to be volatile and a Client may not be able to sell them at a desirable time or to realize their fair value in the event of a sale. The markets for these investments can be expected to involve wider price spreads and more sensitivity to buying and selling pressure than is found in more active markets. The sale of restricted or illiquid investments often requires more time and results in lower sale prices and higher brokerage charges or dealer discounts and other selling expenses than does the sale of investments eligible for trading on national securities exchanges or in the over-the-counter markets. These considerations may adversely affect the ability to respond in a timely manner to changes in the financial condition or prospects of the issuer of the investments or financial instrument or other factors that may affect its value and may ultimately adversely affect a Client's return on investment in such investments and financial instruments.

The Adviser or its designee values the illiquid investments in a Client's portfolio in accordance with the Adviser's valuation policies. Although there can be no assurance that these valuations will accurately predict the price at which an arm's-length buyer or seller would be willing to purchase or sell the investments, these valuations are part of the calculation of the net asset value for a Client. Such net asset value is the basis on which investors invest in, or withdraw from, the Funds (as well as the basis for calculating management fees and performance-based compensation).

## *Leverage*

The Adviser's strategies may involve the use of leverage. Such leverage may take the form of loans for buying investments (*e.g.*, margin loans) or derivative investments and instruments that are inherently leveraged, including options, futures, forward contracts, swaps and repurchase agreements. The use of leverage can substantially increase the market exposure (and market risk) to which a Client's investment portfolio may be subject. Trading on leverage will result in interest charges or costs, which may be explicit (in the case of loans) or implicit (in the case of many derivative instruments) and, depending on the amount of leverage, such charges or costs could be substantial. The level of interest rates generally, and the rates at which a Client can leverage in particular, can affect operating results.

The use of short-term margin borrowings may result in certain additional risks. For example, should the investments pledged to brokers to secure a Client's margin accounts decline in value, such Client could be subject to a "margin call," pursuant to which it would be required either to deposit additional funds with the broker or to suffer mandatory liquidation of the pledged investments to compensate for the decline in value. In the event of a sudden precipitous drop in the value of a Client's assets, the Client may not be able to liquidate assets quickly enough to pay off its margin debt.

In the U.S. futures markets, margin deposits typically range between 1% and 15% of the value of the futures contracts purchased or sold. In the forward, currency and certain other derivative markets, margin deposits may be even lower or may not be required at all. Such low margin deposits are indicative of the fact that any trading in these markets typically is accompanied by a high degree of leverage. Low margin deposits mean that a relatively small adverse price movement in a futures or forward contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase, 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. In addition, like other leveraged investments, any purchase or sale of a futures, forward or other commodity contract may result in losses in excess of the margin deposit.

When a Client purchases an option in the United States, there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on foreign exchanges may be paid for on margin. When a Client sells an option or a futures contract, it may be required to deposit margin in an amount that may be determined by the margin requirement established for the futures contract underlying the option and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Whether any margin deposit will be required for over-the-counter ("**OTC**") options and other OTC instruments, such as currency forwards, swaps and certain other derivative instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

## *Equity Securities*

A number of the strategies are based on attempting to predict the future price level of different equity or equity-related securities. Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous political, climate-related and terrorism-related factors, influence the cost of equities and equity-related securities; there can be no assurance that the Adviser or its affiliates will be able to predict future price levels correctly or at all. Directional equity and

equity-related positions may be leveraged, and even comparatively minor adverse market movements can result in substantial losses.

#### *Debt Securities*

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

#### *Non-Control Oriented Investments*

A Client may make toehold investments in companies, typically with the intent to subsequently acquire a larger, and potentially "blocking" or controlling, position. Unless and until such a position is acquired, the Client will have a very limited ability to protect its position in such companies. Even if such a position is acquired, the Client may still have significant limits on its ability to protect its position in such companies.

#### *Co-Investments with Third Parties*

A Client may co-invest with third parties through joint ventures or other entities. Such investments may involve risks not present in investments where a third party is not involved. Further, a co-venturer or partner of a Client may at any time have economic or business interests or goals which are inconsistent with those of the Client, or may be in a position to take (or block) action in a manner contrary to the Client's investment objectives. In addition, a Client may be liable for actions of its co-venturers or partners. When a Client engages in such indirect investments, fees, including performance-based fees or allocations and/or asset-based fees, may be payable to such third parties by the Client, in addition to the management fees and other fees payable to the Adviser or its affiliates by the Client and any performance-based fees or allocation payable to the Adviser or its affiliates. Such compensation arrangements would reduce the returns to participants in the investments.

#### *High Yield Securities*

A Client may invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

### *Troubled Assets*

A Client may make indirect investments in non-performing or other assets utilizing leveraged capital structures. By their nature, these investments will involve a high degree of financial risk, and there can be no assurance that a Client's rate of return objectives will be realized or that there will be any return of capital. Furthermore, investments in properties operating in workout modes or under Chapter 11 of the U.S. Bankruptcy Code are, in certain circumstances, subject to additional potential liabilities which may exceed the value of a Client's original investment. For example, under certain circumstances, lenders who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to a Client and distributions by a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

### *Consumer Receivables*

A Client may acquire an interest, either directly or indirectly, through asset-backed investments in certain receivables, including, without limitation, credit card receivables and automobile, boat and recreational vehicle installment sales contracts. Certain receivables in which a Client may acquire an interest may be unsecured. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of state and federal consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Also, most issuers of automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related automobile receivables. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the automobile receivables may not have a proper security interest in all of the obligations backing such receivables. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in asset-backed securities is ultimately dependent upon payment of consumer loans by the debtor.

### *Intellectual Property*

A Client may invest in intellectual property rights, such as patents, copyrights, trademarks and franchise rights. Investments in intellectual property related assets involve a high degree of business, financial, technological, regulatory and litigation risk, which can result in substantial losses. Some of these risks relate to the assets themselves, although many of the risks relate to the products utilizing these assets and to the companies that manufacture or market these products. A Client may also invest in companies or investment vehicles which own valuable intellectual property rights. The companies which own these intellectual property rights and/or manufacture and market the products related to these rights may have limited operating histories, or insufficient management or marketing personnel. Additionally, a Client may invest in intellectual property rights or companies who own intellectual property rights that are governed by non-U.S. jurisdictions, which may provide significantly less protection than the United States.

### *Investment in Highly Leveraged Companies*

Certain of the strategies are expected to include investments in companies whose capital structures may have significant leverage (including substantial leverage senior to a Client's investment), a considerable

portion of which may be at floating interest rates. The leveraged capital structure of such companies will increase their exposure to adverse economic factors such as rising interest rates, downturns in the economy or further deteriorations in the financial condition of the company or its industry. A Client's investment may be among the most junior financing in a company's capital structure. In the event such company cannot generate adequate cash flow to meet debt service, a Client, particularly in light of what, under certain circumstances, may be the subordinated position of the Client's investment, may suffer a partial or total loss of capital invested in the company, which, dependent upon the size of the Client's investment, could adversely affect the return of the Client.

### *Royalty Streams*

A Client may invest in royalty streams in certain sectors or industries, including the energy and pharmaceutical industries. The selling entity of a royalty stream typically negotiates a sale of all or part of its royalty payments for a specified timeframe, usually coinciding with the remaining life of an underlying asset. With respect to royalty streams generated by energy sources such as oil and gas, a Client's cash flow fluctuates with the income realized from the sale of the underlying assets, which have historically experienced unpredictable price movements. As energy prices decline, some projects may become uneconomic and either be delayed or abandoned, as determined by the operators often without regard to the royalty owner. In the healthcare sector, to the extent an underlying product has not yet received all applicable governmental approvals, there is a risk that the product will not obtain such approvals or, if obtained, such approvals may be revoked. Also, government policies and regulations may change in ways that adversely affect the companies or their products' marketability. There can be no assurance that anticipated royalty payments will be realized.

### *Small Companies*

Certain of the strategies may include investments in small companies. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, investments in smaller companies may be subject to wider price fluctuations. When making large sales, a Client may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of smaller company investments.

### *Special Situations*

A Client may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by the Client of its entire investment in such companies. In connection with such transactions (or otherwise), a Client may purchase investments on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or

debt restructuring. The purchase price or interest rate receivable with respect to a when-issued investment can be fixed when a Client enters into the commitment. Such investments are subject to changes in market value prior to their delivery.

### *Synthetic Securities*

In addition to credit risks associated with holding non-investment grade loans and high yield debt securities, with respect to synthetic securities, a Client may have a contractual relationship only with the counterparty of such synthetic securities, and not the Reference Obligor (as defined below) on the Reference Obligation (as defined below). A Client generally will have no right to directly enforce compliance by the Reference Obligor with the terms of the Reference Obligation nor any rights of set-off against the Reference Obligor, nor have any voting rights with respect to the Reference Obligation. A Client will not benefit directly from the collateral supporting the Reference Obligation or have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. In addition, in the event of insolvency of the counterparty, a Client will be treated as a general creditor of such counterparty, and will not have any claim with respect to the credit risk of the counterparty as well as that of the Reference Obligor. As a result, concentrations of synthetic securities in any one counterparty may subject the synthetic securities to an additional degree of risk with respect to defaults by such counterparty as well as by the Reference Obligor. A “Reference Obligor” is the obligor on a Reference Obligation. A “Reference Obligation” is the debt security or other obligation upon which the synthetic security is based.

### *Structured Finance Securities*

A Client may invest in structured finance securities such as, for example, equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Structured finance securities may present risks similar to those of the other types of investments in which a Client may invest and, in fact, such risks may be of greater significance in the case of structured finance securities. Moreover, investing in structured finance securities may entail a variety of unique risks. Among other risks, structured finance securities may be subject to prepayment risk. In addition, the performance of a structured finance security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets.

### *Investments in Undervalued Instruments*

One of the primary strategies for certain Clients is to invest in undervalued instruments. The identification of investment opportunities in undervalued instruments is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued instruments offer the opportunity for above-average capital appreciation, these investments may involve a high degree of financial risk and can result in substantial losses. Returns generated from a Client’s investments may not adequately compensate for the business and financial risks assumed.

### *Loan Origination*

Certain Clients may engage in certain loan origination activities and may take a larger position in a particular lending or similar opportunity if the Adviser perceives a possibility of selling, issuing

participations or otherwise transferring in the future all or part of such loans or opportunities to other persons. If a Client is unable to sell, issue participations in or otherwise transfer loans or opportunities that it originates, the Client will be forced to hold an excess interest in such loans for an indeterminate period of time.

#### *Competition and Supply for Loan Investment*

A Client may purchase loans. A Client's success in the area of loan investing will depend, in part, on its ability to obtain loans on what it believes to be advantageous terms. In purchasing loans, a Client will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

#### *Bank Loans and Participations*

A Client, directly or indirectly through separate investment entities, may invest a portion of its assets in bank loans and participations. The special risks associated with these obligations include, among others, (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws, (ii) environmental liabilities that may arise with respect to collateral securing the obligations, (iii) adverse consequences resulting from participating in such instruments with other institutions with lower credit quality, (iv) limitations on the ability of a Client to directly enforce its rights with respect to participations and (v) illiquidity. A Client generally will balance the magnitude of these risks against the potential investment gain prior to entering into each such investment. Successful claims by third parties arising from these and other risks, absent bad faith, may be borne by a Client.

In recent years, a number of judicial decisions in the United States have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to a borrower or has assumed a degree of control over the borrower resulting in a creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. Because of the nature of certain investments and the activities of the other Clients managed by the Adviser and its affiliates with other investments in a borrower, a Client could be subject to allegations of lender liability.

#### *Claims of Lender Liability and Equitable Subordination*

A Client could be subject to allegations of lender liability or "equitable subordination." A particular Client's investments may involve investments in which the Client will not be the lead creditor. Accordingly, it is possible for claims of lender liability or equitable subordination to affect the Client's investments without the Client being directly involved.

#### *Non-U.S. Investments*

Certain of the strategies involve investments outside the United States. Investments outside the United States pose risks that could include, depending on the country involved, expropriation, confiscatory taxation, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding non-U.S. issuers and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers. Transaction costs of investing outside the United States are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers



and issuers than there is in the United States. A Client might have greater difficulty taking appropriate legal action in non U.S. jurisdictions or courts. Non-U.S. markets also have different clearance and settlement procedures that in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect a Client's performance.

#### *Non-U.S. Currency Transactions*

A Client may invest in securities and instruments denominated in non-U.S. currencies. Such investments are subject to the risk that the value of a particular currency will change in relation to the U.S. dollar. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. A Client may seek to hedge these risks by investing directly in non-U.S. currencies and buying and selling options, futures or forward contracts thereon. There can be no assurance, however, that those strategies, if implemented, will be effective.

#### *Foreign Exchange*

A Client may engage in foreign exchange transactions in the spot and forward markets to hedge or amplify their equity or fixed-income currency denominated positions in non-U.S. dollar currencies, if any. A forward currency exchange contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days from the date of the contract as agreed by the parties, at a price that is fixed at the time the contract is entered into. In addition, a Client may maintain short positions in forward currency exchange transactions, in which the Client agrees to exchange a specified amount of a currency it does not currently own for another currency at a future date in anticipation of a decline in the value of the currency sold relative to the value of the currency the Client agreed to purchase. A forward currency exchange contract offers less protection against defaults by the counterparty to the contract than is the case with exchange-traded currency futures contracts. Forward currency exchange contracts are also highly leveraged, in some cases requiring little or no original margin deposit. A Client may also purchase and sell put and call options on currencies and currency futures contracts and options on currency futures contracts.

#### *Derivative Instruments*

Derivative instruments, or "derivatives," include instruments and contracts which are derived from and are valued in relation to one or more underlying investments, financial benchmarks or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of a particular investment, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many, if not all, of the risks applicable to trading the underlying asset are also applicable to trading in derivatives. However, there are a number of additional risks associated with trading in derivatives. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Additional risks associated with trading in derivatives include:

*Tracking.* When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment may prevent a Client from achieving the intended hedging effect or expose it to risk of loss.

*Liquidity.* Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets a Client may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which a Client may conduct its transactions in derivative instruments may prevent profitable liquidation of positions, subjecting such entities to the potential of greater losses.

*Operational Leverage.* Trading in derivative instruments can result in large amounts of operational leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by a Client and could cause the value of its investments to be subject to wider fluctuations than would be the case if the Client did not use the leverage feature of derivative instruments.

*Over-the-Counter Trading.* A Client may purchase or sell derivative instruments not traded on an exchange. The risk of nonperformance by the obligor on such an instrument may be greater than, and the ease with which a Client can dispose of or enter into closing transactions with respect to such an instrument may be less than, the risk associated with an exchange traded instrument. In addition, significant disparities may exist between “bid” and “ask” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges also are not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with the transactions.

*Call Options.* A Client may engage in the use of call options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option that is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security 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 security 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. However, if the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

*Put Options.* A Client may engage in the use of put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option that is covered (*i.e.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the short position for values of the underlying security 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 security 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. However, if the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

*Forward Contracts.* A Client may enter into forward contracts that are not traded on exchanges and are generally not regulated. There are no limitations on daily price moves of forward

contracts. Banks and other dealers with which Client accounts are maintained may require the Client to deposit margin with respect to such trading, although margin requirements are often minimal or nonexistent. A Client's counterparties are not required to continue to make markets in such contracts. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which the Adviser or its affiliates would otherwise recommend, to the possible detriment of a Client.

*Swap Agreements.* A Client may enter into swap agreements. Like other derivatives, swap agreements are individually negotiated and structured to increase or decrease exposure to a variety of different types of investments or market factors, including securities prices, long- or short-term interest rates (in the United States or other countries), foreign currency values, corporate borrowing rates, or other factors such as security price indexes, baskets of securities, or inflation rates. Swap agreements can take many different forms and are known by a variety of names. A Client may not be limited to any particular form of swap agreement. Swap agreements bear risks associated with the underlying or reference assets as well as those associated with derivative contracts generally.

Swap agreements will tend to shift investment exposure from one type of investment to another. For example, if a Client agrees to exchange payments in dollars for payments in foreign currency, the swap agreement would tend to decrease its exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Client's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from a party to the swap agreement. If a swap agreement calls for payments by a Client, the Client must be prepared to make such payments when due. In addition, if the counterparty's creditworthiness declines, the value of a swap agreement would be likely to decline, potentially resulting in losses by the Client.

*Repurchase and Reverse Repurchase Agreements.* A Client may borrow or lend investments by entering into repurchase and reverse repurchase agreements. When a Client enters into a repurchase agreement, it "sells" investments to a broker-dealer or financial institution, and agrees to repurchase such investments on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Client "buys" investments from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such investments at the price paid by the Client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Client involves certain risks. For example, if the seller of investments to a Client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying investments, as a result of its bankruptcy or otherwise, the Client may encounter costs or delays in liquidating those investments and it may incur a loss if the amount realized does not equal or exceed its investment. In the event of the seller's bankruptcy, the Client may not be able to substantiate its interest in the underlying investments, or its ability to dispose of the underlying investments may be restricted. Similar elements of risk arise in the event of the bankruptcy or insolvency of a purchaser of the Client's investments in a repurchase agreement.

*Hedging Transactions and Instruments.* A Client may employ hedging techniques. These techniques could involve a variety of derivative transactions, including swaps, futures contracts, exchange-listed and over-the-counter put and call options on investments or on financial indices, forward foreign currency contracts, and various interest rate and foreign-exchange transactions (collectively, “**Hedging Instruments**”). Hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of Hedging Instruments and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of a Client’s positions. In addition, certain Hedging Instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, a Client may not be able to close out a transaction in certain of these instruments without incurring losses substantially greater than the initial deposit. Although the contemplated use of Hedging Instruments should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time the use of these instruments tends to limit any potential gain that might result from an increase in the value of such position. The ability of a Client to hedge successfully will depend on the ability to predict pertinent market movements, which cannot be assured. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of investments denominated in non-U.S. currencies because the value of those investments is likely to fluctuate as a result of independent factors not related to currency fluctuations. Finally, the daily variation margin requirements in futures contracts that may be sold by a Client would create an ongoing greater potential financial risk than would options transactions, where the exposure is limited to the cost of the initial premium and transaction costs paid by the Client.

*Exchange Traded Funds.* Because exchange traded funds (which are investment companies registered under the 1940 Act) are effectively portfolios of securities, the Adviser believes that the unsystematic risk associated with investments in exchange traded funds is generally very low relative to investments in ordinary securities of individual issuers. Although a Client may invest in broad-based exchange traded funds, there may be certain risks to the extent a particular exchange traded fund is concentrated in a particular sector, and is not as diversified as the market as a whole.

It should be noted that the Investment Company Act of 1940, as amended, places certain restrictions on the percentage of ownership that a private investment fund may have in a registered investment company.

*Liquidity of Futures Contracts.* A Client may use futures at some future time as part of their investment programs. In connection with the use of futures, the Adviser intends to determine and pursue all steps that are necessary and advisable to ensure compliance with the U.S. Commodity Exchange Act of 1922, as amended, and the rules and regulations promulgated thereunder. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be entered into nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved beyond the daily limits for several consecutive days with little or no trading. Over-the-counter instruments generally are not as liquid as instruments traded on recognized exchanges. These constraints could prevent a Client from promptly liquidating unfavorable positions and subject them to substantial losses. In addition, the Commodity Futures Trading Commission (the “**CFTC**”) and various exchanges impose

speculative position limits on the number of positions that a Client may indirectly hold or control in particular commodities.

#### *Non-U.S. Futures Transactions.*

Foreign futures transactions involve the execution and clearing of trades on a foreign exchange. This is the case even if the foreign exchange is formally “linked” to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, a Client may not be afforded certain of the protections that apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the foreign option contract is liquidated or exercised.

#### *Insolvency Considerations with Respect to Issuers of Indebtedness*

Various laws enacted for the protection of creditors may apply to debt instruments, including convertible debt, in which a Client may invest. The information in this paragraph is applicable with respect to U.S. issuers subject to U.S. federal bankruptcy law. Insolvency considerations may differ with respect to other issuers. If a court in a lawsuit brought by an unpaid creditor or representative of creditors of an issuer of a debt instrument, 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, 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 such issuer, or to permit such issuer to recover amounts previously paid by such issuer in satisfaction of such indebtedness. The measure of insolvency for these purposes will vary. Generally, an issuer would be considered insolvent at a particular time if the sum of its debts were then greater than all of its property at a fair valuation, or if the present fair saleable value of its assets were 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 in which a Client invested 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 indebtedness in which a Client invests, payments made on such indebtedness 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 indebtedness are avoidable, whether as fraudulent conveyances or preferences, such payments can be recaptured from a Client.

Frequently, a debtor seeking to reorganize under U.S. federal bankruptcy law will obtain a “first day” order from the bankruptcy court limiting trading in claims against, and shares of, the debtor in order to maximize the debtor’s ability to utilize net operating losses following a successful reorganization. Such

an order could in some circumstances adversely affect a Client's ability to successfully implement an investment strategy with respect to a bankrupt company.

Indebtedness consisting of obligations of non-U.S. issuers may be subject to various laws enacted in the countries of their issuance for the protection of creditors. These insolvency considerations will differ depending on the country in which each issuer is located or domiciled and may differ depending on whether the issuer is a non-sovereign or a sovereign entity.

### *Counterparty Risk*

Purchases, sales, financing arrangements, securities lending transactions and derivative transactions in which a Client may engage are likely to involve instruments that are not traded on an exchange but are instead traded between counterparties based on contractual relationships. A Client may be subject to the risk that a counterparty will not perform its obligations under the related contracts. Although the Adviser will seek to enter into transactions for a Client only with counterparties that the Adviser believes to be creditworthy, there can be no assurance that a counterparty will not default and that the Client will not sustain a loss on a transaction as a result.

In situations where a Client is required to post margin or other collateral with a counterparty, the counterparty may fail to segregate the collateral or may commingle the collateral with the counterparty's own assets. As a result, in the event of the counterparty's bankruptcy or insolvency, such Client's collateral may be subject to the conflicting claims of the counterparty's creditors and the Client may be exposed to the risk of a court treating it as a general unsecured creditor of the counterparty, rather than as the owner of the collateral.

A Client may be subject to the risk that issuers of the instruments in which they invest and trade may default on their obligations under those instruments and that certain events may occur that have an immediate and significant adverse effect on the value of those instruments. There can be no assurance that the issuer of an instrument in which a Client invests will not default, or that an event that has an immediate and significant adverse effect on the value of an instrument will not occur and that the Client will not sustain a loss on a transaction as a result.

Transactions entered into on behalf of a Client may be executed on various U.S. and non-U.S. exchanges and may be cleared and settled through various clearing houses, custodians, depositories and prime brokers throughout the world. Although the Adviser will attempt to execute, clear and settle transactions through entities the Adviser believes to be sound, there can be no assurance that a failure by any such entity will not lead to a loss to a Client.

### *Custody and Prime Brokerage Risk*

A Client's cash and securities held by prime brokers may be used by a prime broker in the course of its investment business, and the Client will therefore rank as one of such prime broker's unsecured creditors in relation thereto or in relation to the Client's right to the return of equivalent assets. In the event of an insolvency of such prime broker, the Client might not be able to recover such equivalent assets in full.

There are risks involved in dealing with the custodians or prime brokers who settle Clients' trades. Although the Adviser monitors the prime brokers and believes that they are appropriate custodians, there is no guarantee that the prime brokers, or any other custodian that a Client may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure,

or liquidation of a broker-dealer, it is likely that, in the event of a failure of a broker-dealer that has custody of a Client's assets, the Client would incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

A Client and/or any of the prime brokers may appoint sub-custodians in certain non-U.S. jurisdictions to hold the assets of the Client. The prime brokers may not be responsible for cash or assets which are held by sub-custodians in certain non-U.S. jurisdictions, nor for any losses suffered by a Client as a result of the bankruptcy or insolvency of any such sub-custodian. A Client may therefore have a potential exposure on the default of any sub-custodian and, as a result, many of the protections that would normally be provided to a client by a custodian may not be available to the Client. Under certain circumstances, including certain transactions where a Client's assets are pledged as collateral for leverage from a non-broker-dealer custodian or a non-broker-dealer affiliate of the prime broker, or where a Client's assets are held at a non-U.S. custodian, the securities and other assets deposited with the custodian or broker may not be clearly identified as being assets of the Client and hence the Client could be exposed to a credit risk with regard to such parties. Custody services in certain non-U.S. jurisdictions remain undeveloped and, accordingly, there is a transaction and custody risk of dealing in certain non-U.S. jurisdictions. Given the undeveloped state of regulations on custodial activities and bankruptcy, insolvency, or mismanagement in certain non-U.S. jurisdictions, the ability of a Client to recover assets held by a sub-custodian in the event of the sub-custodian's bankruptcy or insolvency could be in doubt, as the Client may be subject to significantly less favorable laws than many of the protections that would be available under U.S. laws. In addition, there may be practical or time problems associated with enforcing a Client's rights to its assets in the case of a bankruptcy or insolvency of any such party.

### *Fraud*

Of paramount concern in purchasing or originating loans and other assets is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or other asset, or may adversely affect the ability of a Client to perfect or effectuate a lien on the collateral securing the loan or other assets. A Client may rely upon the accuracy and completeness of representations made by borrowers or other counterparties to the extent reasonable, but cannot guarantee that such representations are accurate or complete. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

### *Short Selling*

A Client may engage in short selling. Short selling involves selling securities that may or may not be owned by the seller and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and any costs of borrowing the securities. However, if the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that a Client will be able to maintain the ability to borrow securities sold short. If it is unable to do so, the Client can be forced to repurchase securities in the open market to return them to the lender. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Securities may be sold short in a long/short strategy to hedge a long position to enable a Client to express a view as to the relative value between the long and short positions, or as part of an outright short position. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long position will not decrease in value and the securities underlying the short position will not increase in value, causing the Client losses on both components of the transaction, or that the securities underlying an outright short position will not increase in value. If the underlying securities increase in value, the short position decreases in value and the Client sustains a loss. In addition, when a Client effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

New legal or other restrictions on the short selling of investments could interfere with the ability of a Client to execute certain aspects of their investment strategies, including their ability to hedge certain exposures and execute transactions to implement their risk management guidelines, and any such limitations may adversely affect the performance of the Client.

#### *Securities Lending*

Some of the securities held by a Client may be pledged as collateral for margin accounts, which subjects such Client to the risks associated with such pledging arrangements. A Client also may engage in additional programs of securities lending. To the extent a Client engages in securities lending, there may be risks of delay and costs involved in the recovery of securities or even losses should the borrower of the securities have financial difficulty or otherwise fail to meet its obligations under the securities lending arrangement.

While a Client is expected to receive collateral in connection with the lending of securities, there is the risk that the price of the securities could increase while they are on loan and that the collateral will be inadequate to cover their value. In general, it is expected that a Client's securities lending agents will seek to consider all relevant facts and circumstances, including the creditworthiness of the broker, dealer or other borrower, in making decisions with respect to the lending of securities, although this cannot be assured.

#### *Quantitative Model Risks*

A Client may employ quantitatively-based financial/analytical models to aid in the selection of their investments, to allocate investments across various strategies, sectors and risks and to determine the risk profile of the Client. If any such quantitative models are employed, the success of a Client's investment and trading activities will depend, in large part, on the viability of these models. There can be no assurance that the models are currently viable or, if the models are currently viable, that they will remain viable during the term of any Fund. Also, there can be no assurance that the investment professionals utilizing the models will be able to (i) determine that any model is or will become not viable or not completely viable or (ii) notice, predict or adequately react to any change in the viability of a model. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of a Client.

#### *Private Equity Investments*

The private equity investment vehicles or strategies in which certain Clients may invest will be subject to significant legal or contractual restrictions on transferability or other special considerations (such as the



lack of a liquid market) that restrict or limit the ability of the Client to dispose of such investments without impairing their value. A Client's participation in such investments may significantly restrict the ability of an investor to make withdrawals. An investor may be required to continue to participate in such investments irrespective of whether such investor has withdrawn the balance of its capital accounts available for withdrawal, and the Client may be required to hold such investments indefinitely, even if such investments become completely illiquid or unprofitable.

#### *Control Positions*

Certain Clients may take control positions in issuers. The exercise of control over an issuer imposes risks of liability for environmental damage, product defects, failure to supervise management and other types of related liability. If such liabilities were to occur, the Client likely would suffer losses in such investments.

#### *Leveraged Transactions*

Investments made by certain Clients may include leveraged buyouts, which by their nature require companies to undertake a high ratio of leverage to available income. Leveraged portfolio companies are inherently more sensitive to declines in revenues and to increases in expenses.

#### *Investments in Troubled or Highly Leveraged Companies*

Certain Clients may invest in securities of financially troubled companies or companies involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and securities of highly leveraged companies. While these investments may offer the potential for high returns, they also bring with them correspondingly greater risks. Under certain circumstances, payments to a Client from an investment may be reclaimed if any such payment is later determined in a bankruptcy proceeding to have been a preferential payment.

#### *Distressed Investments*

Certain Clients may invest in distressed investments. Distressed investments generally entail greater risks due to such things as sensitivity to general economic and capital market conditions, interest rates, risks associated with leveraged companies and risks inherent in investing in companies experiencing financial and operating distress (e.g., issuer credit risk). Distressed investments generally have very low credit ratings or are unrated by credit rating agencies.

*Greater Risk of Loss.* These investments are regarded as highly speculative. There is a greater risk that issuers of lower-rated investments will default than issuers of higher-rated investments. Issuers of lower-rated investments generally are more vulnerable to real or perceived economic changes, political changes or adverse industry developments. In addition, distressed debt investments are frequently subordinated to the prior payment of senior indebtedness or have claims that are otherwise junior in priority with regard to the issuer's assets. If an issuer fails to pay principal or interest, the relevant Client would experience a decrease in income and a decline in the market value of its investments. These investments carry a much greater risk of default and loss, which could include the loss of the entire amount of the investment.

*Valuation Difficulties.* It is often more difficult to value distressed and other lower-rated investments than higher-rated investments. If an issuer's financial condition deteriorates, accurate financial and business information may be limited or unavailable. In addition,

lower-rated investments may be thinly traded and there may be no established secondary market. Because of the lack of market pricing and current information for investments in some distressed and lower-rated investments, valuation of such investments is much more dependent on judgment than is the case with higher-rated investments.

*Liquidity.* There may be no established secondary or public market for investments in distressed and other lower-rated investments. Such investments generally are traded in markets that are less liquid than the market for higher-rated investments. In addition, relatively few institutional purchasers may hold a major portion of an issue of lower-rated investments. As a result, a Client may be required to sell investments at substantial losses, or may be unable to sell investments.

#### *Venture Capital Investments*

Certain Clients may make venture capital investments. Such investments involve a high degree of business and financial risk that can result in substantial losses. The most significant risks are the risks associated with investments in: (i) companies in an early stage of development or with little or no operating history, (ii) companies operating at a loss or with substantial fluctuations in operating results from period to period and (iii) companies with the need for substantial additional capital to support or to achieve a competitive position.

#### *Seed Capital Investments*

The investments of a Client may include investments in third-party investment managers and may entail the provision of seed capital to third-party investment managers who are new and inexperienced. Such investments involve a high degree of business and financial risk that can result in substantial losses. Typically, the most significant of such risks are the risks associated with investments in investment managers that are in an early stage of development, have little or no operating history and need substantial additional capital to support or to achieve a competitive position.

#### *Risks upon Disposition of Investments*

In connection with the disposition of certain investments made by a Client, such Client may be required to make representations about the business and financial affairs of such investment typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. The Client may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by investors.

#### *Accounting Standards*

Certain Clients may invest in countries where generally accepted accounting standards and practices differ significantly from those practiced in the United States. The evaluation of potential investments and the ability to perform due diligence may be affected. The financial information appearing on the financial statements of a company operating in one or more countries outside the United States may not reflect its financial position or results of operations in the way that they would be reflected if the financial statements had been prepared in accordance with U.S. Generally Accepted Accounting Principles.

### *Credit Standards*

Overall credit standards have worsened as the senior debt, second lien and subordinated debt markets have facilitated the increase in purchase price multiples by providing private capital borrowers with increased amounts of debt for acquisitions. Tightening of credit standards could have an adverse impact on the ability of a Client to execute private capital deals, and on the returns of their investments.

### *Restrictions on Repatriation of Investment Income, Capital and Profits*

The countries in which certain Clients invest may have laws or regulations that currently limit or preclude the repatriation of capital and profits that result from foreign investment. Repatriation of investment income, capital and the proceeds from sales of investments by foreign investors may require governmental registration and approval in some countries, and the process of obtaining these approvals may require a significant expenditure of time and resources. Investments by such Clients could be adversely affected by delays in or a refusal to grant required governmental registration or approval for any such proposed repatriation. In addition, in certain countries such laws and regulations have been subject to frequent and unforeseen change, potentially exposing a Client to restrictions, taxes and other obligations that were not anticipated at the time the initial investment was made.

### *Exit Strategies*

A number of factors may complicate exit strategies pursued by a Client. Aggregate trading volumes on non-U.S. investments markets are substantially lower than trading volumes in the United States. Investments of many non-U.S. companies in which a Client may invest will be less liquid and more volatile than investments of comparable U.S. companies.

### *Emerging Markets*

A Client may invest in assets in emerging markets. Investing in emerging markets involves additional risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include: (i) increased risk of nationalization or expropriation of assets or confiscatory taxation, (ii) greater social, economic and political uncertainty, including war, (iii) higher dependence on exports and the corresponding importance of international trade, (iv) greater volatility, less liquidity and smaller capitalization of securities markets, (v) greater volatility in currency exchange rates, (vi) greater risk of inflation, (vii) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars, (viii) increased likelihood of governmental involvement in and control over the economies, (ix) governmental decisions to cease support of economic reform programs or to impose centrally planned economies, (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers, (xi) less extensive regulation of the securities markets, (xii) longer settlement periods for investment transactions and less reliable clearance and custody arrangements and (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and protection of investors.

### *Regional Market Exposure*

Certain of the Clients may have a substantial percentage of their portfolio exposure in key international regions (including Europe, Southeast Asia, China, Latin America, South Asia, Australia, the Middle East and Africa). Although the Adviser may mitigate certain market risks by hedging against a particular

market exposure when it deems it necessary, there can be no assurance that the Adviser will be successful doing so and a significant portion of a Client's portfolio may be exposed to a particular market.

#### *Small and Medium Capitalization Companies*

A Client may invest a portion of its assets in the securities of companies with small to medium-sized market capitalizations. While the Adviser believes such securities often provide significant potential for appreciation, the securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small capitalization and even medium-capitalization securities are often more volatile than prices of large capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

#### *Equity Index Futures*

A Client may invest in equity index futures. The price of equity index futures contracts may not correlate perfectly with the movement in the underlying equity 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. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of equity index futures contracts by a Client is also subject to the Adviser's ability to correctly predict movements in the direction of the market.

#### ***Risks Related to Certain Industries and Sector-Based Strategies***

##### *The Railcar Industry*

A Client may acquire interests in railcars and related assets. The highly cyclical nature of the competitive railcar industry and restricted credit markets may result in lower revenues during economic downturns. The railcar industry is subject to a significant amount of law and regulation with respect to rates and practices, railroad operations and a variety of health, safety, labor, environmental and other matters. Increased economic regulation of the rail industry could negatively impact the ability to determine prices for rail services. Certain changes to laws and regulations, or regulatory actions, could result in the obsolescence of various assets or impose compliance costs that render such assets economically obsolete. In addition, the industry may be adversely impacted by general changes in the preferred method used to ship products or other changes in demand for particular products. The fluctuating cost of raw materials and components used to manufacture railcars, which are often only available from a limited number of suppliers, may also adversely affect a Client's performance.

##### *Risk of Investing in the Healthcare Sector*

Investing in securities and other instruments of healthcare companies involves substantial risks, including (but not limited to) the following: certain companies in the portfolio of a Client may have limited

operating histories; scarcity of management and marketing personnel with appropriate scientific or medical training may slow or impede companies' growth; companies in this sector often are involved in litigation related to patents or products; obsolescence of products; change in government policies; changing investor sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky) may have an adverse effect on the price of underlying investments; volatility in stock markets affecting the prices of healthcare company investments may cause the performance of a Client to experience substantial volatility; and many companies in the healthcare sector are subject to extensive government regulation. In addition, obtaining approval for new products from governmental agencies can be lengthy, expensive and uncertain and may be (and often is) challenged by competitors.

### *The Aviation Industry*

A Client may acquire interests in aircraft and/or aircraft leases. Aircrafts are long-lived assets, requiring long lead times to develop and manufacture and tend to become obsolete and less in demand over time, when newer more advanced and efficient aircraft are manufactured. Participation in the aircraft leasing industry generally consists of (i) aircraft acquisition, (ii) leasing or re-leasing of aircraft and (iii) aircraft sales. Aircraft and engine values and lease rates may suffer from a number of uncontrollable factors, such as sudden decreases in demand, increases in fuel costs, government regulations and increases in interest rates. Success in this highly competitive industry turns primarily on the negotiation of terms, reputation, management expertise, aircraft condition, specifications and configuration and aircraft inventory. If a Client is unable to lease or re-lease an aircraft at favorable rates, it may be required to attempt to sell the aircraft to provide adequate funds for debt payments and to otherwise finance operations. A Client may experience increased maintenance costs for leased aircraft and engines associated with a lessee's failure to properly maintain the aircraft or engine or pay supplemental maintenance rent, resulting in a decline in market value and lower revenues from a subsequent lease or sale. Additionally, a Client may be required in some instances to obtain specific licenses, consents or approvals for different aspects of a lease. Competitors with greater resources than a Client, its affiliates, partners and joint-venturers may also place the Client at a competitive disadvantage.

### *Energy Related Assets*

A Client may acquire interests in certain energy related assets, such as oil and gas wells and reserves, exploration and production of oil and natural gas; oil services; energy storage; royalty streams; transportation of energy commodities by pipeline, shipping or other methods; generation of electricity from fossil fuels, nuclear energy, renewable sources, or solar energy; design and manufacture of technology for the generation of solar power; transportation and distribution of electricity; and petroleum refining. Energy-related industries are inherently uncertain, volatile, very complex and multi-faceted, and require esoteric knowledge. Due to the depleting nature of most sources of energy and the finite lifespan of equipment used to extract, transport, and process energy, energy-related industries consistently require new capital. Energy-related assets are sensitive to fluctuations in global and regional economic growth, fuel supply and demand, interest rates, currency exchange rates, investment and trading activities in commodities markets, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation. Not all risks can presently be foreseen or quantified. Examples of such risks may include, without limitation: (i) the risk that technology employed in an energy project will not be effective or efficient; (ii) uncertainty about the availability or efficacy of energy sales agreements or fuel supply agreements that may be entered into in connection with a project; (iii) risks that regulations affecting the energy industry will change in a manner detrimental to the industry (e.g., pollution control regulation); (iv) environmental liability risks related to energy properties and

projects; (v) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, decreases or escalations in power contract or fuel contract prices, bankruptcy of key customers or suppliers, labor disputes, tort liabilities in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, acts of God and other catastrophes; (vi) uncertainty about the extent, quality and availability of oil and gas reserves; (vii) risks that interest rate increases may make project financing more difficult to obtain, or impair the cash flow of projects that are leveraged; (viii) political, social and economic uncertainties affecting energy producing regions and countries; (ix) weather conditions; (x) changes in the competitive position of any particular source of energy as compared with other energy sources; (xi) the refining capacity of oil purchasers; (xii) the risk of change in tax or royalty policy; (xiii) global or regional political, economic or financial events; (xiv) the extent of domestic production and importation of oil in certain relevant markets; and (xv) the level of consumer demand. The occurrence of events related to the foregoing could have a material adverse effect on a Client and its investments. In addition, estimates of hydrocarbon reserves by qualified engineers are often a key factor in valuing certain energy assets. These estimates are subject to wide variances based on changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such reserve estimates to be significantly revised from time to time, creating significant changes in the value of the company owning such reserves. The energy industry is subject to comprehensive Federal, state and local laws and regulations including environmental, health and safety, taxation, land access and other regulations. Present, as well as future, statutes and regulations could cause additional expenditures, restrictions and delays that could materially and adversely affect the prospects of a Client.

#### *Natural Resource Investments Generally*

A Client may invest in natural resources, the rights to such assets, such as metals, hydrocarbons, timber, water and mineral resources and related operating companies. The costs associated with the development, production, transportation, and marketing of natural resources are subject to many risks and an investment that depends upon the continued and long-term success of these activities is inherently uncertain. Investments in such sectors may be affected by a number of factors not present with other investments, including, without limitation, local and global commodity price fluctuations, government regulation, environmental issues, shifts in supply and demand for such resources, land use and title issues, import and export duties and other trade issues, changing macroeconomic conditions, changes in fuel and other input prices and labor issues.

The costs associated with the exploration, development, production, transportation, and marketing of energy-related resources, such as hydrocarbons, are subject to many risks and an investment that depends upon the continued and long-term success of these activities is inherently uncertain. Many energy-related resources are also subject to governmental regulations that can change over time. The natural resources industry can be significantly affected by events relating to international political developments, energy and resource conservation, the success of exploration projects, commodity prices, and tax and government regulations, as well as extraordinary events, such as the BP oil spill in the Gulf of Mexico.

#### *Automotive Industry*

Various factors, many of which are beyond the control of the Adviser or any particular automotive dealer, will affect dealers and may indirectly impact a Client, including: (i) adverse international, national, regional and local economic conditions, including high unemployment levels, trade restrictions, exchange rate fluctuations and company relocations; (ii) increased local competition from other automotive dealerships; (iii) increased competition from other industries and industry segments, such as automotive repairs and parts industries; (iv) negative consumer perceptions of the quality of a dealership or brand; (v)

adverse changes in demographics and consumer tastes in product design and/or performance that may negatively impact the appeal of the product line offered by the automotive dealership; (vi) failure to obtain and retain capable management and sales personnel; (vii) uncompetitive terms and availability of financing for automotive sales; (viii) increased operating expenses; (ix) adverse changes in laws and government regulations; (x) adverse changes in zoning or tax laws; (xi) potential environmental liabilities or other legal liabilities and (xii) changes in prevailing market rates of interest. Material increases in the price of crude oil have, historically, been a contributing factor to the periodic reduction in the global demand for and use of automobiles and higher energy costs may increase freight.

### *Shipping Industry*

A Client may acquire assets in the shipping industry, which are subject to the following, non-exhaustive risks including: (i) extensive and changing safety, environmental protection and other international, national, state and local governmental laws and regulations, compliance with which may require ship modifications and changes in operating procedure that have a materially adverse affect on a Client; (ii) severe weather and natural disasters, which may cause serious damage to vessels, any cargo and other equipment and loss of life or physical injury; (iii) increased operational and maintenance costs over the life of a shipping vessel; and (iv) drydocking costs for periodic maintenance and repairs that are difficult to predict with certainty and can be substantial. Additionally, Section 27 of the Merchant Marine Act of 1920 (the “**Jones Act**”), requires that vessels transporting cargo between U.S. ports must, among other requirements, be owned and operated by U.S. organized companies that are controlled and 75% owned by U.S. citizens. Consequently, the Jones Act restrictions on foreign ownership interests may substantially limit the potential purchasers of a shipping vessel, resulting in a sale that may not reflect the value that could be obtained in an unregulated market.

### *Restaurant Industry*

The restaurant industry and franchises in particular may be impacted by a number of factors, including without limitation: (i) the termination of the franchise agreement; (ii) changes in consumer preferences or discretionary consumer spending; (iii) changes in public health concerns; (iv) complaints or litigation (regardless of whether the complaint or claim is founded); (v) government regulations concerning restaurant operations and (vi) the addition of new restaurants or business relocations.

### *General Real Estate Considerations*

A Client may make direct and indirect investments in real estate and real estate-related assets. Real estate investments, in general, may be relatively illiquid and, therefore, may limit a Client’s ability to vary its portfolio promptly in response to changes in economic or other conditions. In addition, real estate investments are subject to a variety of inherent risks that may have an adverse impact on the values of, and returns (if any) from, such investments, including, without limitation, changes in the general economic climate, local conditions (such as an oversupply of space or a reduction in demand for space), the quality and philosophy of management, competition based on rental rates, attractiveness and location of properties, the financial condition of tenants, buyers and sellers of properties, the quality of maintenance, insurance and management services, changes in operating costs, government regulations (including those governing usage, improvements, zoning and taxes), interest rate levels, the availability of financing, potential liability under environmental and other laws, energy prices, the ongoing need for capital improvements, tenant default or distress, construction risks, as well as natural catastrophes, acts of war or terrorism, civil unrest, uninsurable losses and other factors beyond the control of the Adviser and its affiliates.

### *Tenants*

The real estate investments made by a Client may not be able to attract credit-worthy tenants for its properties or replacement tenants at rental rates equal to or greater than the rents paid under previous leases. Increased competition for tenants may require a Client to make capital improvements to properties which would not have otherwise been planned. Any unbudgeted capital improvements that are undertaken may divert cash from that which would otherwise be available for distributions to investors or may require a Client to make unanticipated borrowings. Furthermore, at any time, a tenant may seek the protection of bankruptcy or insolvency laws, which could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the distributable cash flow of a Client.

### *Development, Redevelopment and Renovation*

A Client may invest in properties in need of substantial renovation or redevelopment or in new properties. New project development, redevelopment and major renovation work are subject to a number of risks, including risks of construction delays or significant cost overruns that may increase project costs, risks that the properties will not achieve anticipated sales prices or occupancy levels or sustain anticipated rent levels, and new project commencement risks, such as the failure to obtain entitlement, zoning, occupancy and other required governmental permits and authorizations and the incurrence of development costs in connection with projects that are not pursued to completion. Newly developed or newly renovated properties do not have the operating history that would allow a Client to make objective pricing decisions in making decisions to invest in these properties. For all of these reasons, development, redevelopment and renovation projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. In addition, it is likely that any such projects may be financed under lines of credit or other forms of secured or unsecured financing.

### *Investments in Real Estate Loans*

Certain Clients may invest in real estate loans which may be at the time of their acquisition, or may become after acquisition, non-performing loans. Non-performing real estate loans may require workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and/or a substantial write-down of the original principal amount of such loans. Further, even if a restructuring were successfully accomplished, a risk exists that upon maturity of such loans, replacement financing will not be available and such loans may not be repaid. It is possible that the Adviser or its affiliates may find it necessary or desirable to foreclose on collateral securing one or more investments in real estate loans that they have purchased. The foreclosure process can be lengthy and expensive, and may be adversely affected by the operation of laws governing the foreclosure process as well as other creditor's rights provided in the governing loan instruments. Borrowers often resist foreclosure actions by asserting numerous claims including, without limitation, lender liability claims, and may also file for bankruptcy at any time during the foreclosure process. The foreclosure process also tends to create a negative public image of the collateral property and may result in the disruption of ongoing leasing and management of the property.

### *Competitive Market for Real Estate Investment Opportunities*

The activity of identifying, completing and realizing attractive real estate investments is highly competitive and involves a high degree of uncertainty. The availability of investment opportunities may be subject to market conditions. A Client may be competing for investments with other investment vehicles, including, but not limited to, real estate investment vehicles, as well as individuals, financial



institutions and other institutional investors, who may have substantially greater financial and other resources. In particular, large REITs may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. There can be no assurance that any Client will be able to locate and complete real estate investments that would help it achieve its investment objective, or that a Client will be able to fully invest its capital available for real estate investments.

### *Leasing*

A Client may invest in various types of leases, including, without limitation, equipment leases. If a lessee goes bankrupt, its bankruptcy trustee may repudiate a lease and return the equipment or other property to the lessor.

### *Sub-Prime Mortgage Loans and RMBS Collateralized by Sub-Prime Residential Mortgage Loans*

A Client may acquire residential mortgage-backed securities (“**RMBS**”), including RMBS backed by sub-prime residential mortgage loans. RMBSs generally bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one to four family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower’s equity in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

### *Commercial Mortgage-Backed Securities*

A Client may invest in commercial mortgage-backed securities (“**CMBS**”). Performance of a commercial mortgage loan depends primarily on the net income generated by the underlying mortgaged property. The market value of a commercial property similarly depends on its income-generating ability. As a result, income generation will affect both the likelihood of default and the severity of losses with respect to a commercial mortgage loan. Any decrease in income or value of the commercial real estate underlying an issue of CMBS could result in cash flow delays and losses on the related issue of CMBS.

Most commercial mortgage loans underlying mortgage-backed securities (“**MBS**”) are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower’s assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement, restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property’s location, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the

obligations with respect to the related MBS. Revenues from the assets underlying such MBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court appointed receiver to control collateral cash flow.

### *Real Estate Tax*

Real property owned by a Client will likely be subject to real property taxes and, in some instances, personal property taxes. Such real and personal property taxes may increase as property tax rates change and as the properties are assessed or reassessed by taxing authorities. An increase in property taxes on a Client's real property could decrease the value of that real property and adversely affect the Client's returns.

### *Terrorism*

In the current environment, there is a risk that one or more of the real estate investments held by a Client will be directly or indirectly affected by a terrorist attack. Premier, high-profile assets in 24-hour urban gateway markets may be particularly attractive targets for such attacks. Such an attack could have a variety of adverse consequences for the Client, including risks and costs related to the destruction of the property, inability to use one or more properties for their intended uses for an extended period of time, decline in rents or property value, and injury or loss of life, as well as litigation related thereto.

### *Investments in Commodities*

A Client may invest, directly or indirectly, in commodities, commodity futures contracts, options on futures, options on commodities and other commodity-linked derivative instruments that may be subject to highly volatile prices. Price movements of commodities and related instruments are influenced by, among other things: changing supply and demand relationships; trade, fiscal, monetary, and exchange control programs and policies of governments; political and economic events and policies; changes in interest rates and rates of inflation; currency devaluations and revaluations; and emotions of the marketplace.

A Client may not be able to execute trades at favorable prices if little trading in the instruments involved is taking place. Under some circumstances, a Client may be required, or may elect, to accept or make delivery of the underlying commodity relating to a physically settled commodity-linked instrument if the position cannot be liquidated prior to its expiration date. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, impose position limitations, order the immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Because of the low margin deposits normally required in commodity trading (typically between 1% and 15% of the value of the contract purchased or sold), an extremely high degree of leverage is typical of a commodity trading account. As a result, a relatively small price movement in a commodity contract may result in immediate and substantial losses to the investor.

In addition, commodity-related securities and other instruments may be cyclical in nature. During periods of economic or financial instability, commodity-related securities and other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic material prices and possible instability of supply of various commodities. Commodity-related securities and other instruments may also experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such

securities and other instruments may rise at a faster rate; and conversely, in times of falling commodity prices, such securities and other instruments may suffer a greater price decline.

### *Exploration*

The business of resource exploration involves a high degree of risk. Few properties that are explored are ultimately developed into commercial quantities of precious metals, minerals, oil or gas. At the time of investment by a Client, it may not be known if properties contain a known body of commercial grade mineral or commercial quantities of oil or gas.

Unusual or unexpected formations, formation pressures, fires, explosions, power outages, labor disruptions, flooding, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labor are all risks which may occur during exploration for and development of mineral, oil and gas deposits. Substantial expenditures are required in order to establish reserves through drilling, to develop metallurgical processes to extract minerals and metal from ore, to develop the mining, production, gathering or processing facilities and infrastructure at any site chosen for mining or to determine if a property contains commercial quantities of minerals, oil or gas. Although substantial benefits may be derived from the discovery of a major mineral, oil or gas deposit, no assurance can be given that minerals, oil or gas will be discovered in sufficient quantities in which a Client may invest to justify commercial operations.

The economics of developing resource properties are affected by many factors, including the cost of operations, variations in the grade of ore mined, fluctuations in the prices of ore that can be obtained on the metal markets, fluctuations in commodity prices, demand for commodities and demand costs of processing equipment and such other factors as aboriginal land claims and governmental regulations, including regulations relating to royalties, allowable production, importing and exporting and environmental protection.

### *Precious Metals*

A Client may invest in precious metal bullion (including silver, platinum, and palladium). Precious metals incur storage costs that are higher than the custody fees paid on financial assets. Precious metals trading is a speculative activity. Prices of precious metals are affected by factors such as cyclical economic conditions, political events, and monetary policies of various governments and countries. Gold and other precious metals are also subject to governmental action for political reasons. Markets are, therefore, at times volatile, and there may be sharp fluctuations in prices even during periods of rising prices.

### *Timber*

An entity engaged in the timber industry in which a Client invests may suffer losses from natural causes for which such entity is not insured. Such losses could cause substantial economic depreciation in the value of the investment. Fire, insect infestation, severe weather, disease, natural disasters and other causes beyond the control of the relevant investment team may reduce the volume and value of timber. Entities in which a Client invests may not have insurance to cover any losses in timber, including losses due to these causes. A Client may thus have to bear the entire risk of loss resulting from natural disasters or other similar events beyond the control of the relevant investment team.

### *Environmental Regulation*

A Client's investments in natural resources may be subject to environmental regulations enacted by government agencies from time to time. Environmental laws and regulations provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain natural resource industry operations, which would result in environmental pollution. A breach of such laws and regulations may result in the imposition of fines and penalties, the costs of which could be passed along to the Client. Environmental regulation is evolving in a manner which leads to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with governmental regulations may reduce the profitability of an investment.

Under various federal, state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such enactments often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of any required remediation and the owner's liability therefore as to any property is generally not limited under such enactments and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell such property or to borrow using such property as collateral. Certain real estate investments may not be, at all times, in complete compliance with such laws, ordinances and regulations or other permits required by governmental authorities and, if a Client violates or fails to comply with these laws, ordinances, regulations or permits, it could be fined or otherwise sanctioned by regulators. A Client could also be held liable for any and all consequences arising out of past and future releases of, or exposure to, such hazardous or toxic substances or other environmental damage.

### *Infrastructure Feasibility Risks*

A Client may be presented with the opportunity to invest in a range of new infrastructure projects. While the Adviser may have experience in the assessment and structuring of direct and indirect investments in infrastructure projects, it is likely that the final investment decision will place considerable reliance upon a range of independent experts reports, *e.g.*, forecasts of expected traffic volume which, if underestimated, could result in materially adverse expenses for the project. Given the difficulty associated with forecasting variables often many years into the future, investors ultimately bear the risk of whether the project is well conceived and the underlying investment assumptions are realized. New technologies can either improve the profitability of a project or adversely affect any project that uses older technology. Investments will be subject to general changes in market sentiment toward infrastructure assets, including low demand for, and patronage of, infrastructure assets.

### *Investments in Infrastructure*

Infrastructure assets may be subject to a variety of risks, not all of which can be foreseen or quantified, including: (i) the burdens of ownership of infrastructure; (ii) local, national and international political and economic conditions; (iii) the supply and demand for services from and access to infrastructure; (iv) the financial condition of users and suppliers of infrastructure assets; (v) changes in interest rates and the availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impracticable; (vi) changes in environmental laws and regulations, planning laws and other governmental rules; (vii) environmental claims arising in respect of infrastructure acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; (viii) changes in energy prices; (ix) changes in fiscal and monetary policies; (x) negative developments in the economy that depress travel; (xi) uninsured casualties; (xii) under-insured or

uninsurable losses, such as force majeure acts and terrorist events and (xiii) other factors which are beyond the reasonable control of the Adviser. Many of the foregoing factors could cause fluctuations in usage, expenses and revenues, causing the value of investments to decline and a material adverse effect on a Client's performance. In acquiring or attempting to acquire infrastructure investments, a Client may need to participate in competitive bidding and may incur significant expenses in doing so. Many infrastructure investments are subject to substantial governmental regulation that could negatively impact the investment. Infrastructure investments may rely on government permits, licenses, concessions, leases or contracts. Government entities generally have significant influence over infrastructure investments and may exercise their authority in a manner that causes delays in the operation of the business of a Client's investments, obstacles in the pursuit of a Client's investment strategy or increases in administrative expenses.

### *Investments in Banking Organizations*

A Client may invest in financial institutions, including banks and thrifts and their holding companies (collectively, "**banking organizations**"). Banking organizations are subject to an extensive framework of Federal and/or state laws and regulations and pervasive supervision by one or more Federal and/or state regulators. Pursuant to this framework, the Federal and/or state banking agencies have broad investigatory powers over banking organizations, including the authority to require detailed periodic reports and to conduct extensive periodic examinations, as well as broad enforcement powers, including the power to impose substantial fines and other significant penalties (up to, and including, seizure of a depository institution) for violations of law or unsafe and unsound practices. The impact of this regulatory environment often puts banks and thrifts at a competitive disadvantage compared to less regulated competitors such as finance companies, mortgage banking companies and leasing companies. Moreover, the supervision and regulation of banking organizations is intended primarily for the protection of depositors, the deposit insurance funds of the Federal Deposit Insurance Corporation and the banking system as a whole, but not for the protection of the financial institution's shareholders.

The ability of a banking organization to pay dividends or make capital distributions is limited by Federal and/or state laws, by regulations of applicable bank regulatory agencies, and by principles of prudent bank management. As a result, banking organizations have less latitude to issue dividends than non-banking entities. Banking organizations are subject to strict regulatory capital requirements, which require the organization to maintain certain core capital and risk-based capital ratios and limit the type of assets that qualify as capital. While these regulatory capital requirements protect the financial security of banking organizations, they may also cause organizations to forgo growth and potentially profitable opportunities because of the impact (real or potential) on their capital ratios. Reserve and liquidity requirements could also cause depository institutions to forgo potentially profitable opportunities because of the impact (real or potential) on their reserve or liquidity ratios. Federal law requires all banking organizations that are depository institutions to demonstrate that they are meeting the credit needs of low- and moderate-income borrowers in their communities, as well as investing in, and providing services to, low and moderate income level neighborhoods. Institutions that are deemed by an applicable banking regulator to have failed to satisfy these requirements may face significant difficulty in securing approval for new activities or acquisitions. Thus, depository institutions are subject to community service requirements that are not applicable to other businesses.

### *Investments in Life Sciences*

Investments in pharmaceutical and other health care related assets involve a high degree of business, financial, technological and regulatory risk which can result in substantial losses. Some of these risks

relate to the assets themselves, although many of the risks relate to the products underlying these assets and to the companies that manufacture or market these products. These risks include, but are not limited to, the following: (i) certain companies that manufacture and/or market the products underlying these assets may have limited operating histories, making it difficult to assess the potential effectiveness of the company's management, and thus the likelihood of the products' commercial success; (ii) certain of these companies may not have sufficient management or marketing personnel with appropriate scientific or medical training in order to adequately produce or market these products, which may slow or impede the revenue stream generated by the related assets held by a Client; (iii) the prices at which these assets will be acquired by a Client will often be based, in part, on sales projections with respect to the related products, which projections may prove to be inaccurate; (iv) to the extent that a Client acquires an asset with respect to which the underlying product has not yet received all applicable governmental approvals, there is a risk that the product will not obtain such approvals and that the product will not be able to be sold to consumers, as obtaining such approvals can often be a lengthy and expensive process the outcome of which can be uncertain; (v) even if all applicable governmental approvals are obtained with respect to such a product, previously unknown or undisclosed side-effects or complications relating to the product may be disclosed, resulting in a loss of market acceptance or a withdrawal of previously-granted approvals, thereby reducing or eliminating the revenue stream generated by the related assets held by a Client; (vi) certain of these companies may become involved in lawsuits with respect to these products, or with respect to intellectual property rights or other rights relating to them, which lawsuits may result in an inability to market these products or may otherwise impair the related revenue stream; (vii) the Adviser may not be successful in structuring these investments in a way that shields a Client from liability in the event of lawsuits relating to any products or rights in which a Client has a direct or indirect interest, thereby potentially resulting in the Client bearing such liabilities and, in such event, the Client may suffer potentially significant losses beyond their investment; (viii) the prices at which these assets will be acquired by a Client may be based, in part, on assumptions that no other products (or a limited number of other products) will compete with the relevant underlying products in the markets in which they are sold, or that the underlying products will otherwise command a pricing premium in these markets, which assumptions may prove to be inaccurate; (ix) some of these underlying products may become obsolete; (x) some of the licensing agreements or other rights relating to the assets held by a Client may be terminated; (xi) government policies and regulations applicable to certain of these companies or their products may change in ways that adversely affect the companies or their products' marketability and, thus, the revenue streams generated by the related assets held by a Client; and (xii) investor sentiments and preferences with regard to life sciences sector investments (some of which are generally perceived as risky) may change, which may have an adverse effect on the price of these assets.

#### *Financing Litigation Claims*

A Client's investments may include financing for the costs associated with litigation, arbitration or other proceedings, which financing may be secured by awards or settlement proceeds that may become payable pursuant to such litigation, arbitration or proceedings. The return on such financings may be limited by professional rules, which may restrict the right of professionals (including legal professionals) to share the profits arising from their practice. These investments may also be affected by unsettled or adverse laws or any changes in law (including, without limitation, tort reform legislation) and changes in the legal system, which may, among other things, limit amounts payable to the underlying claimants or affect the payment in another way (e.g., by causing a delay in the payment) which in turn may impact these investments if such investments are contingent upon the success of the underlying claim or proceeding. Further, laws relating to financing litigation claims are not well settled.

### *Changing of Certain Market Conditions*

A Client may invest in the water, cleantech, alternative energy and infrastructure sectors. Certain changes in the conditions of the market for water, cleantech, alternative energy and ancillary companies and assets could materially reduce a Client's profit potential. Such markets are emerging and rapidly evolving, and their future success is uncertain. Demand for water, cleantech, alternative energy and ancillary companies and assets in the markets and geographic regions may develop more slowly than the relevant investment teams anticipate. Such markets are also more susceptible to general market risks such as disruptions and volatility. Consolidation within these industries may present investment opportunities but may also limit them.

If clean technology proves unsuitable for widespread commercial deployment or if demand for such products fails to develop sufficiently because of various factors including cost-effectiveness, performance and reliability, a Client's investments could be unable to generate enough revenue to achieve or sustain profitability.

The reduction or elimination of governmental support such as tax credits, subsidies and incentives for the cleantech and alternative energy sectors may have an adverse effect on the performance of a Client's investments.

The performance of certain investments by a Client in the alternative energy sector may be dependent upon the prevailing prices of oil, coal and natural gas, which are highly volatile and subject to a wide range of economic and geo-political factors, including the level of consumer product demand, the refining capacity of oil purchasers, weather conditions, domestic and foreign governmental regulations, the price and availability of alternative fuels, political conditions in the Middle East and elsewhere, actions of the Organization of Petroleum Exporting Countries, the foreign supply of oil and natural gas, the price of foreign imports and overall economic conditions. Additionally, if new oil, coal or natural gas deposits or other non-renewable sources are found, or if the cost of producing energy from these non-renewable sources decreases significantly for other reasons, the attractiveness of alternative energy sources would likely decrease.

### *Changing and Stricter Regulatory Standards*

Companies that supply water and cleantech companies are subject to changing and increasingly stringent environmental protection and health and safety laws, regulations and permit requirements. These new and more stringent standards could impose substantial additional operating costs on such companies and could adversely affect their business, results of operations or financial conditions. Companies that supply water may be subject to price limits that are established periodically by public utility regulators. The financial viability of a company that supplies water depends on its ability to recover costs from its customers through the rates that are so fixed by such regulators. Regulatory decisions may also impact prospective revenues and earnings and may overturn past decisions used by the companies in determining their revenue and expenses.

The Adviser believes that the government of the United States, and certain other countries in which a Client may invest, have given high priority to the expansion and upgrading of water infrastructure, cleantech and alternative energy projects in order to achieve economic growth and attract foreign capital. However, there can be no assurance that these governments will continue to implement policies favorable to investment in water infrastructure, cleantech and alternative energy projects or that other governmental policy factors negatively affecting a Client's investments will not develop.

The companies in which a Client invests may not at all times be in compliance with applicable laws, regulations and permits. If these companies violate or otherwise fail to comply with applicable laws, regulations or permits, they could be fined or otherwise sanctioned by regulators. In particular, companies involved in wastewater collection and treatment have a high risk associated with damage to the surrounding environment. Past practices or future operations of companies, including contaminated water use, supply or discharge, could also result in material personal injury or property damage claims.

To the extent that a company holds real property, a governmental entity's use of the power of eminent domain to acquire a significant portion of its assets could result in material, adverse consequences for such company whereby the company would no longer have access to the condemned property and would be denied any revenue generated from the use of such asset going forward. Ownership of real property may also subject a company to substantial environmental liability risks.

### *Risks of Technology-Related Investments*

A Client may invest in the securities of companies that are at an early stage of development or that may have little or no operating history; may offer services or products that are not yet developed or ready to be marketed or that have no established market; may be operating at a loss or have significant fluctuations in operating results; may be engaged in a rapidly changing business; and may need substantial additional capital to set up infrastructure, hire management and personnel, develop product prototypes, support expansion or achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

A Client may invest a portion of its assets in the investments of smaller, less-established companies. Investments in such companies may involve greater risks than are generally associated with investments in more established companies. To the extent there is any public market for the investments of such companies, such investments may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have negative cash flow. There can be no assurance that any such losses will be offset by gains (if any) realized on a Client's other investments.

A Client may make investments in companies in rapidly changing high technology fields. The technology industry is characterized by rapid change, including with respect to market conditions and participants, new competing products and improvements in existing products. Accordingly, alternative energy technology companies may face special risks of product obsolescence. There can be no assurance that products sold by companies in which a Client invests will not be rendered obsolete or adversely affected by competing products or that such companies will not be adversely affected by other challenges inherent in the sector.

### *Risks Related to Manager of Managers Strategies*

#### *Clients Do Not Participate in the Management of Externally Managed Vehicles*

A Client may have no or limited rights and ability to participate in the management or control of the business of any investment vehicles managed by external investment advisers through which certain of the Clients invest (the “**Externally Managed Vehicles**”) and thus must rely substantially upon the ability of the investment managers of such Externally Managed Vehicles (the “**External Managers**”) with



respect thereto and with respect to making and monitoring investments. There is no guarantee that the External Managers will act in accordance with any disclosure documents or descriptive materials given by them to the Client. In addition, the Clients will generally not have an opportunity to evaluate the specific investments made by any External Manager or the terms of such investments.

#### *Reliance on Third-Party Fund Management*

A Client may invest in Externally Managed Vehicles managed by External Managers who are unrelated to the Adviser and its affiliates and, directly or indirectly, in investments selected by such unrelated External Managers. In such case, the success of the Client depends upon the ability of the External Managers to develop and implement strategies that achieve the Client's investment objective. Although the Adviser will attempt to evaluate each Externally Managed Vehicle based on criteria such as its investment strategy and past performance as well as past performance of its External Manager with respect to other investment products, past performance may not be a reliable indicator of future results. External Managers may not be registered as investment advisers with the SEC, making it more difficult for the Adviser to scrutinize such External Managers' credentials. The Adviser will not have an active role in the day-to-day management of the Externally Managed Vehicles in which Clients invest. Moreover, the Adviser will not have the opportunity to evaluate the specific investments made by any unaffiliated Externally Managed Vehicle before they are made, and may not be able to dispose of an investment in an Externally Managed Vehicle if the Adviser or an investment team is dissatisfied with such Externally Managed Vehicle's performance. Accordingly, the returns of a Client will depend on and could be substantially adversely affected by the performance of such unrelated External Managers.

#### *Potential Exposure to Claims; Non-Control Investments*

Although the Adviser does not intend for Clients to control the External Managers, the participation rights in the External Managers could expose the assets of certain of the Clients to claims by an External Manager, its other equity holders and its creditors. In addition, a Client may not be in a position to limit or otherwise protect the value of its investment in an Externally Managed Vehicle, as an External Manager may have economic or business interests or goals that are inconsistent with those of the Client.

#### *Access to Information from External Managers*

The Adviser intends to request information from each External Manager regarding such External Manager's historical performance and investment strategy, among other things. However, the Adviser may not always receive such information because certain of this information may be considered proprietary by the External Manager. An External Manager's use of proprietary investment strategies that are not fully disclosed to the Adviser may involve risks under some market conditions that are not anticipated by the Adviser. Furthermore, this lack of access to information may make it more difficult for the Adviser to select, allocate among and evaluate External Managers.

## **ITEM 9. DISCIPLINARY INFORMATION**

This Item requires the Adviser to disclose legal or disciplinary events that would be material to a Client's evaluation of the adviser's advisory business or the integrity of the adviser's management. The Adviser has no information that is required to be disclosed in response to this Item.

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As noted above in Item 1, the Adviser is indirectly controlled by Perella Weinberg Partners. Perella Weinberg Partners provides (i) investment banking services in the United States and abroad through a wholly-owned subsidiary, Perella Weinberg Partners LP, a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority and Securities Investor Protection Corporation; (ii) investment banking services in the United Kingdom, Europe and China through subsidiaries, including Perella Weinberg Partners UK LLP, an entity authorized and regulated in the United Kingdom by the Financial Services Authority, Perella Weinberg Partners (Europe) LP, a Guernsey limited partnership, an entity regulated in Guernsey, through its general partner, by the Guernsey financial Services Commission and Perella Weinberg Partners Consulting (Beijing) Co., Ltd., a Beijing limited liability company and (iii) investment advisory services in the United Kingdom through Perella Weinberg Real Estate UK LLP, an entity authorized and regulated in the United Kingdom by the Financial Services Authority. Perella Weinberg Partners and its affiliates may be involved with the activities of, or through, these and other Perella Weinberg Partners entities and, in such case, Perella Weinberg Partners may allocate costs and certain overhead expenses across such entities, including the Adviser. Neither the Adviser nor any of its management persons are registered as a futures commission merchant, commodity pool operator or commodity trading advisor, although it is possible that they may do so in the future pursuant to applicable law.

### CONFLICTS OF INTEREST

Potential or actual conflicts of interest may arise from time to time between the Adviser and its affiliates, on the one hand, and its Clients, on the other hand. The Adviser provides additional disclosure to investors in the Funds and Sub-advisory Clients regarding the potential conflicts of interest and the risks associated with the operation of its Funds and Sub-advisory Clients in each Fund's and Sub-advisory Client's respective offering or other documents. In addition, the Adviser seeks to provide disclosure to investors in the Managed Accounts regarding the risks and conflicts of interest associated with the operation of the Managed Accounts through this Brochure or other means.

*Affiliates of Perella Weinberg Partners.* The Adviser and its general partner are controlled by Perella Weinberg Partners, a privately-owned financial services firm. Various potential or actual conflicts of interest may arise from the overall activities of Perella Weinberg Partners and its affiliates. As a diversified financial services business, Perella Weinberg Partners engages in a broad spectrum of activities, including, without limitation, corporate advisory and asset management services, as well as with Special Purpose Acquisition Companies ("SPACs"). The Adviser's Clients may benefit from these activities and the relationships that arise incidental to such activities, which could generate investment and other opportunities and wider industry expertise. However, situations could arise in which the activities of Perella Weinberg Partners or its affiliates conflict with the interests of the Adviser's Clients and investors. It is possible that any of these conflicts could materially and adversely affect the Adviser's ability to manage a Client and thus a Client's or an investor's return. The following discussion enumerates certain conflicts of interest that could arise by virtue of the activities of Perella Weinberg Partners and its affiliates but is not, and is not intended to be, exhaustive:

- *Merger and Acquisition Activities.* In connection with merger and acquisition transactions, situations may arise where an issuer, or a related party (collectively referred to as an "issuer"), in which the Adviser's Client has invested engages Perella Weinberg Partners to provide advisory

services or a SPAC with which Perella Weinberg Partners is affiliated seeks to acquire or otherwise transact with such issuer. Perella Weinberg Partners also may act as an adviser to clients (including for the U.S. and other governments, and their agencies or affiliates, collectively referred to herein as “**Governments**”) and other persons (including strategic investors of Perella Weinberg Partners, SPACs and other investment funds that may compete with the Adviser’s Client) with respect to, among other things, investments in, dispositions of, governmental or regulatory actions relating to, or business combinations involving, issuers in which the Adviser’s Client may invest. Further, Perella Weinberg Partners may provide advice with respect to competitors of issuers in which the Adviser’s Client has invested and with respect to issuers that may be suitable for potential investment by the Adviser’s Client. In addition, Perella Weinberg Partners’ advisory business may receive fees from issuers, funds, investors, and/or clients related to placing investments, securities and interests. Perella Weinberg Partners (in connection with its merger and acquisition activities, restructuring activities or private placement activities) also may “pass on” or introduce certain issuers and investment ideas to the Adviser for investment by Clients in exchange for which Perella Weinberg Partners may seek or receive compensation from such issuers or otherwise. Such activities may result in restrictions on the Adviser’s and its Clients’ trading and investment activities. In some of these circumstances, Perella Weinberg Partners will receive fees or other compensation in connection with its advisory services and the Adviser’s Client or investors in the Adviser’s Client will not receive any benefit from such fees or other compensation and activities. Perella Weinberg Partners may give advice to its clients (including Governments and SPACs) and other persons or recommend courses of action that may differ from (or be contrary to) the advice given by the Adviser with respect to a Client. Perella Weinberg Partners may give advice to Governments and persons competing with a Client, or an issuer in which the Adviser’s Client has invested, that is contrary or materially adverse to the interests of such Client or such issuer or its investment. In summary, Perella Weinberg Partners, when acting on behalf of its advisory clients, Governments, SPACs or other persons, may recommend actions that are not in the best interests of, or are materially adverse to, the Adviser’s Client or investors in a Client.

- *Restructuring Activities.* In connection with restructuring transactions, in addition to the types of conflicts set forth above under “Merger and Acquisition Activities” and below under “Private Placement Activities,” situations may arise where an issuer in which the Adviser’s Client has invested engages Perella Weinberg Partners to provide advisory services on corporate restructurings and recapitalizations. Perella Weinberg Partners also may represent creditors, equity holders or debtors in connection with debt restructurings or workouts and with bankruptcy proceedings under the U.S. Bankruptcy Code and similar domestic and foreign laws. Perella Weinberg Partners may serve as adviser to creditor or equity committees (including Ad Hoc and other committees) established prior to or pursuant to such proceedings, and may give advice to such persons or committees that may be contrary or materially adverse to the interests of the Adviser’s Client. Perella Weinberg Partners will receive fees or other compensation in connection with such advisory services and a Client generally will not receive any benefit from such fees or other compensation or activities. Perella Weinberg Partners’ involvement in restructuring transactions may limit or preclude the flexibility that the Adviser’s Client may otherwise have to make, retain or dispose of such investments, securities or interests or cause the Adviser’s Client to make investment decisions it otherwise would not make. Perella Weinberg Partners is under no obligation to decline any engagement, and the Adviser’s Client may have to divest itself of an investment or take other action if and to the extent that such investment may prevent Perella Weinberg Partners from accepting a restructuring or other engagement. In certain circumstances, the Adviser may modify or restructure an investment in an issuer (including, for

example, by transferring all or a portion of such an investment to an independent voting trust) in order to permit Perella Weinberg Partners to issue advice to such persons or entity. Any such restructuring will be at the sole discretion of the Adviser and the fees and expenses of such may be allocated to Clients.

- *Private Placement Activities.* Perella Weinberg Partners may act as placement agent in connection with the offer and sale of securities of, or other interests in, issuers, including the Funds. Perella Weinberg Partners may in some cases act as placement agent for issuers in which the Adviser's Client has invested or is considering investing, or for competitors of issuers in which the Adviser's Clients have invested in or are considering investing. Clients also may seek to acquire securities or other interests from an issuer in an offering for which Perella Weinberg Partners is acting as placement agent, or may seek to acquire securities or other interests from an issuer for which Perella Weinberg Partners is seeking to or has previously acted as placement agent. In certain cases, the opportunity to invest in securities or other interests of an issuer for which Perella Weinberg Partners is acting as placement agent may not be offered to a Client, or the Adviser may cause a Client to decline such an opportunity, even if the securities or other interests being offered would be a suitable investment for the Client. In all of the foregoing cases, among others, Perella Weinberg Partners generally will receive fees and other compensation from the issuer based upon the amount of securities or other interests purchased by investors including Clients, and Clients will not receive the benefit of any such fees or other compensation.

In connection with providing private placement agent services, Perella Weinberg Partners also may conduct due diligence or research regarding an issuer, competitors of an issuer, or an issuer's industry, business and markets, among other things, and may assist in the preparation of offering, marketing and other materials for an issuer. Such information may not be expected to be made available to the Adviser or its Clients. Although Perella Weinberg Partners may, in connection with its placement agent activities, assist an issuer in the offering process, purchasers of the issuer's securities generally will not have any recourse to Perella Weinberg Partners. In certain cases, Perella Weinberg Partners may be entitled to indemnification from the issuer.

- *Material Non-Public Information.* Perella Weinberg Partners will frequently come into possession of material non-public information or other confidential information as a result of its business activities, including its advisory activities, restructuring activities, private placement activities, asset management activities and SPAC activities. Disclosure of such information within Perella Weinberg Partners generally will only be on a need-to-know basis. Therefore, it is not likely that the Adviser will have access to material non-public information or other confidential information in the possession of Perella Weinberg Partners that might be relevant to an investment decision to be made by the Adviser, and the Adviser's Client (subject to the next paragraph) may purchase, retain or sell an investment that, had such information been known to the Adviser, may not have been purchased, retained or sold. In addition, if the Adviser or any of its personnel come into, or are deemed to come into, possession of material non-public information, the Adviser may be restricted from consulting with, or otherwise benefiting from, other Perella Weinberg Partners personnel.

The disclosure or imputed disclosure of material non-public or other confidential information acquired by Perella Weinberg Partners to any personnel of the Adviser, whether in connection with a Client's activities or other activities of the Adviser or Perella Weinberg Partners or any of their affiliates (or otherwise), could result in restrictions on transactions in investments or securities on behalf of the Adviser's Client, affect the prices of its investments or the ability of the

Adviser to make, retain or dispose of such investments on behalf of a Client, or otherwise create conflicts of interest for a Client, any of which could adversely affect the Adviser's ability to conduct a Client's business and thus the return to the Client or its investors. In order to avoid potential conflicts of interest and protect the integrity of confidential information, the Adviser has adopted policies and procedures designed to ensure that its personnel properly safeguard any confidential information provided by Clients, investors and other persons, as well as information that is proprietary to Perella Weinberg Partners or its affiliates.

There may be certain cases where the Adviser may be restricted from effecting purchases and/or sales of financial instruments or investments on behalf of Clients. For example, if the Adviser invests in the debt securities of an issuer on behalf of a Client, the Adviser may have access to material non-public or other confidential information and may be restricted. (Additionally, there may be other instances where the Adviser does not receive material non-public or other confidential information but may be contractually or otherwise restricted by the issuer or its agent, from investing in other investments of the same issuer or other parties.) At times, the Adviser, in an effort to avoid restrictions for a Client may elect not to receive material non-public or other confidential information, which may be relevant to a Client's portfolio, that other market participants are eligible to receive or have received, or may seek to retain a party, at the Client's expense, that could review material non-public or other confidential information in seeking to ensure that the Adviser and its Clients obtain certain benefits without becoming subject to restrictions resulting from the receipt of material non-public or other confidential information.

- *Management of Multiple Clients and Investments in Affiliated Funds.* The Adviser and its affiliates sponsor or manage multiple Funds and Managed Accounts, some of which have objectives that are similar to, or which overlap with, those of other Clients. In general, a Client that is sponsored or managed by the Adviser or its affiliates may invest in the same issuers in which other Clients may invest. Such activities raise potential conflicts of interest, including the determination of whether and to what extent investment opportunities should be allocated among Clients. Further, a Client's investments may include investments in vehicles that are directly or indirectly affiliated with the Adviser, such as the Funds. Please see Item 6 for a further discussion of the management of multiple Clients and investments in Affiliated Funds and Items 6 and 12 for a discussion of allocation of investment opportunities among Clients.
- *Investments, Directorships or Similar Roles with Issuers.* Officers, members, partners, affiliates and employees of the Adviser, Perella Weinberg Partners and their affiliates may make personal investments in certain issuers or serve as directors or officers of certain issuers in which a Client invests and, in those capacities, may be required to make decisions that they consider to be in the best interests of their investments or such companies. In certain circumstances, for example, in situations involving the bankruptcy or near-insolvency of a company, actions that may be in the best interest of the issuer or in connection with a personal investment may not be in the best interest of a Client, or actions that may be ultimately found to be in the best interest of a Client may not be in the best interest of the issuer or in connection with a personal investment. In these situations, there may be conflicts between an individual's duties as an officer, affiliate or employee of the Adviser or Perella Weinberg Partners or their affiliates and such individual's personal investments or duties as a director or officer of the issuer.
- *Restrictions Arising under the Securities or Other Laws or Agreements.* Perella Weinberg Partners' activities (including, without limitation, the holding of investment positions or having one of its personnel on the board of directors of a company or as its officer or otherwise) could

result in securities law or other restrictions on transactions in investments held by the Adviser's Client, affect the prices of the Adviser's Client's investments or the ability of the Adviser's Client to purchase, retain or dispose of such investments, or otherwise create conflicts of interest for the Adviser's Client, any of which could have a material adverse impact on the performance of the Adviser's Client and thus the return to the Adviser's Client's investors.

- *Possible Future Activities.* As Perella Weinberg Partners' operations are relatively new, it is expected that Perella Weinberg Partners will expand the range of services that it provides over time. Perella Weinberg Partners will not be, and is not, restricted in the scope of its business or in the performance of any such services (whether now offered or undertaken in the future) even if such activities could give rise to conflicts of interest, and whether or not such conflicts are described herein, in a Fund's or Sub-advisory Client's relevant offering memoranda or any other documents. Perella Weinberg Partners has, and will continue to develop, relationships with a significant number of companies, financial sponsors and their senior managers, including relationships with clients who may hold or may have held investments similar to those intended to be made by a Client of the Adviser. These clients may themselves represent appropriate investment opportunities for a Client of the Adviser or may compete with a Client of the Adviser for investment opportunities.
- *Related Party Transactions.* The Adviser may, if it deems appropriate, select one or more persons who are not affiliated with the Adviser to serve on a committee, the purpose of which is to consider and, on behalf of investors in certain Clients, approve or disapprove, to the extent and in the manner required by applicable law, principal transactions or certain other related party transactions, including approvals required under the Advisers Act (including Section 206(3)). Any approval of such committee of a decision, transaction or other matter will be binding upon a Client and upon each of the Client's investors, as well as upon any intermediate investment vehicles, and master funds and each investor in any such vehicles. The Adviser will have the authority to cause a Client to reimburse members of the committee for their out-of-pocket expenses and to indemnify them to the maximum extent permitted by law.

Further, the Adviser and its affiliates may from time to time invest their own assets in securities or instruments in which the Adviser may determine to invest a Client's assets. The Adviser and its affiliates may buy, sell, or hold securities or other investments for their own accounts while making different investment decisions, where applicable, for a Client. It is expected that, if such investments are made, the size and nature of these investments will vary over time. Certain investments made by the Adviser and its affiliates (including, but not limited to, individuals in the corporate advisory business) may be suitable or appropriate for a Client but may not necessarily be shown, made available or allocated to such Client.

Affiliated Investors, as well as other partners and investors, may invest, directly and indirectly, in certain, but not all, of the Funds or other Clients advised by the Adviser on terms that likely will be more advantageous to those offered to other investors or Clients. It is expected that, if such investments are made, the size and nature of these investments will vary over time. Such Affiliated Investors and/or other partners and investors and other accounts may not be required to keep any minimum investment in any of the Funds or other Clients managed by the Adviser or may not be subject to lock-up or notice periods. The investment of such affiliates and other accounts may constitute a significant portion of the interests of a Fund or other Client, which may create a further conflict and may pose a risk to the Funds or other Client in the event of a significant withdrawal or redemption.

- *Valuation.* The assets and liabilities of the Adviser's Clients will be valued in accordance with the Adviser's valuation policy, which seeks to fairly and accurately value investments based on approved methodologies in accordance with U.S. Generally Accepted Accounting Principles, except as otherwise described herein or in any offering or other document. The Adviser's Clients and investors should be aware that there is a conflict of interest to the extent that the Adviser or an affiliated entity is performing valuations for the Adviser's Clients, including, among others, when the Adviser is expected to receive management fees and performance-based compensation on such valuations.
- *Diverse Investors.* The direct and indirect investors in Clients are expected to include persons or entities organized in various jurisdictions, which may have conflicting investment, tax and other interests. As a result, conflicts of interest may arise in connection with decisions made by the Adviser that may be more beneficial for one type of investor over other types of investors, especially with respect to investors' liquidity rights, individual tax situations (including with respect to the nature or structuring of investments) and other preferential terms. In making decisions, the Adviser intends to consider the investment objectives of each Client as a whole, and not necessarily of the investment objectives of any investor individually.

To avoid potential conflicts, including those described above, personal investment transactions by partners, members, officers and employees of the Adviser and its affiliates are subject to the policies and procedures set out in the Adviser's Manual of Compliance Policies and Procedures and Code of Ethics, Perella Weinberg Partners' Global Code of Business Ethics and Conduct and Perella Weinberg Partners' Personal Trading Accounts Policy (together, the "**Ethics Code**"), which are designed to mitigate conflicts of interest and to detect and prevent misuse of material non-public or inside information. In addition to various trading restrictions, the Adviser's personnel's personal investment transactions are monitored and in some cases pre-cleared by the Adviser's Law and Compliance Department.

In addition, the Adviser determines whether and to what extent investment opportunities should be allocated among Clients on a basis it believes to be fair and equitable over time and has adopted allocation policies designed to address potential conflicts of interest. The Adviser's general policy is to allocate investment opportunities promptly and on a fair and equitable basis after consideration of the relevant circumstances. The Adviser follows a number of broad allocation models which are subject to change from time to time. Generally speaking, the allocation models follow formulas which are aimed at balancing Client portfolios. Although the Adviser generally seeks to allocate investment opportunities on a *pro rata* basis based on the size of each Client account, the selection of an allocation model varies based upon the relevant circumstances including, the investment objectives, strategies and restrictions; portfolio and risk management strategies; tax, legal, regulatory and other considerations; asset levels and cash flow considerations; portfolio liquidity; timing and size of capital contributions and redemptions; market conditions; whether certain accounts would receive nominal or *de minimis* allocation amounts; and other criteria deemed relevant by the Adviser. In addition, the Adviser has adopted specific allocation policies and procedures for certain types of investment opportunities, including initial public offerings, follow-on offerings and certain investment opportunities that have been sourced by, or offered to, the Adviser's investment team responsible for the asset-based value products offered by the Adviser, each of which seeks to allocate such investment opportunities on a fair and equitable basis among the Clients.

The foregoing list of conflicts of interest does not purport to be a complete enumeration or explanation of the conflicts involved in an investment with, or managed by, the Adviser. To the extent that prospective investors would benefit from an independent review, such benefit is not available through the Adviser or



any of its affiliates. In addition, as the Adviser's investment program and Clients develop and change over time, a Client may be subject to additional and different conflicts.

The Adviser or related persons act as general partners and managing members of Funds and Sub-advisory Clients that may invest in U.S. and foreign equity, debt and associated derivatives of companies operating in a wide range of industries, convertible securities, commodity futures, options and warrants, foreign currencies, master limited partnerships, royalty trusts and sovereign fixed-income securities, and may engage in leverage transactions and utilize derivatives. Such Funds and Sub-advisory Clients may be stand-alone funds, funds-of-funds, or Funds and Sub-advisory Clients that invest through a master-feeder fund structure. The applicable offering or other documents of each Fund and Subsidiary Clients generally sets forth the types of investments in which such Fund and Subsidiary Clients may invest. It is anticipated that the Adviser or related persons will act as general partners or managing members of additional Clients in the future.

Several of the senior officers of the Adviser, are also executive officers of the Adviser's parent, Perella Weinberg Partners, as well as other affiliates of the Adviser, and may spend a substantial amount of time on Perella Weinberg Partners' business or the business of other affiliates of the Adviser.

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

Potential or actual conflicts of interest may arise from time to time between the Adviser and its affiliates, on the one hand, and its Clients, on the other hand. The Adviser seeks to provide additional disclosure regarding conflicts of interest and associated risks to investors in the Funds and the Sub-advisory Clients in the respective offering or other documents of each Fund and Sub-advisory Client.

### **CODE OF ETHICS AND PERSONAL TRADING**

The Adviser has adopted a Manual of Compliance Policies and Procedures and Code of Ethics, and Perella Weinberg Partners (for itself and its affiliates) has adopted a Global Code of Business Ethics and Conduct and a Personal Trading Accounts Policy (together, the “**Ethics Code**”). The Ethics Code is applicable to all of the Adviser’s partners, members, officers and employees (and certain advisers and consultants) (collectively referred to as “**access persons**”). The Ethics Code, which is designed to comply with Rule 204A-1 of the Advisers Act, establishes guidelines for professional conduct, to ensure that Adviser’s high ethical standards are maintained and to preclude circumstances that may lead to, or give the appearance of, conflicts of interest, insider trading or unethical business conduct.

The Ethics Code addresses, among other things, the following issues:

- Standards of Business Conduct, including general fiduciary duties of Adviser’s personnel;
- Conflicts of Interest;
- Treatment of Confidential Information;
- Compliance with Federal Securities Laws;
- Prohibitions on Insider Trading;
- Personal Trading Accounts Policy;
- Prohibition on the acceptance or provision of gifts and entertainment that exceed
- Adviser’s policy standards; and
- Political Contributions.

The Personal Trading Accounts Policy generally limits the extent to which access persons may acquire investments in individual companies (including initial public offerings), but permits an access person with a pre-existing investment in an individual company to sell such investment, provided such sale is pre-cleared. Access persons generally are required to also seek pre-clearance with respect to any investment in a private investment vehicle. Each access person also is required to acknowledge that he or she has received, understands and has complied with the Ethics Code. These limitations and pre-clearance requirements may not apply to transactions in investments held in accounts over which the access person has no direct or indirect control.

In addition, the Ethics Code sets out the Adviser’s policies and procedures with respect to gifts and business entertainment received and provided by access persons. Compliance personnel approval of gifts and business entertainment provided or received by access persons may be required in certain instances. Law & Compliance will monitor compliance with the Ethics Code, review and, if applicable, revise the Ethics Code, to ensure compliance with applicable securities laws and regulations.

A Client or prospective Client may obtain a copy of the Ethics Code by making a request in writing to the Chief Compliance Officer at Perella Weinberg Partners, 767 Fifth Avenue, New York, NY 10153.

## PARTICIPATION IN CLIENT TRANSACTIONS

The Adviser may participate or have an interest in Client transactions in several ways: (1) as principal, the Adviser may buy securities and investments for itself from or sell securities and investments it owns to a Client; (2) the Adviser may recommend to a Client that the Client buy or sell securities and investment products in which the Adviser or a related person has some financial interest (such as, but not limited to, private investment funds); and (3) the Adviser may buy or sell for itself securities and investments that it also recommends to clients.

The Adviser may engage in transactions in which it is not “acting as a broker” for purposes of Section 206(3) of the Advisers Act because the Adviser receives no compensation or other transaction-based fee, either directly or indirectly, from a cross trade between two of its Clients (an “**Internal Cross Transaction**”). For these Internal Cross Transactions, the Adviser may seek to use an independent pricing mechanism to value the investments involved in the Internal Cross Transaction. Internal Cross Transactions may involve situations in which, among others, one Client (or affiliate of a Client) makes or otherwise acquires an investment that is later sold to another Client. In such situations, the Client making the initial investment will bear the investment risk related to the investment if and until such time as an Internal Cross Transaction is effected with another Client. The Client making the initial investment may be paid interest or other compensation from the Client purchasing the investment in such circumstances if believed to be necessary and appropriate by the Adviser. There also may be instances in which one Client, due to administrative or other reasons, agrees to make an investment on behalf of another Client. In such instances, the Client making the initial investment may be paid interest or other compensation, as applicable or deemed appropriate, from the Client purchasing the investment in such circumstances.

The Adviser may execute trades for its own account in securities or other investments that it also recommends to Clients (“**Principal Transactions**”). Any such Principal Transactions would be done in accordance with Section 206(3) of the Advisers Act, the Adviser’s “Principal and Internal Cross Trade Policies and Procedures,” and as disclosed to investors in the applicable offering or other documents for such Clients. The Adviser may select unaffiliated persons and/or investors, at its discretion, to serve on a committee, the purpose of which would be to approve or disapprove of certain related party or other transactions on behalf of investors in a Client.

The Adviser’s affiliates also expect to invest in the Funds and Sub-advisory Clients from time to time. Further, the Adviser and its affiliates may from time to time invest their own assets in securities or other investments in which the Adviser may determine to invest a Client’s assets. The Adviser and its affiliates may buy, sell, or hold securities or other investments for their own accounts while making different investment decisions, where applicable, for a Client. It is expected that, if such investments are made, the size and nature of these investments will vary over time. Certain investments made by the Adviser and its affiliates (including, but not limited to, individuals in the corporate advisory business) may be suitable or appropriate for a Client but may not necessarily be shown, made available or allocated to such Client.

Affiliated Investors, as well as other partners and investors, may invest, directly and indirectly, in certain, but not all, of the Clients advised by the Adviser on terms and conditions that may be more advantageous to those offered to other investors. It is expected that, if such investments are made, the size and nature of these investments will vary over time. Such Affiliated Investors and/or other partners and investors and other accounts may not be required to keep any minimum investment in any of the Clients managed by the Adviser; or may increase the amount of their respective investments or withdraw all or any portion of their respective investments pursuant to the terms of the relevant partnership agreement without notice to the other investors or may not be subject to lock-up or notice periods. Affiliated Investors may not be

required to pay or bear any management fees or performance-based compensation or may by virtue of their respective roles or relationships at or with the Adviser have access to more information. The investment of such affiliates and other accounts may constitute a significant portion of the aggregate interests of a Client, which may create a further conflict and may pose a risk to the Client in the event of a significant withdrawal or redemption. The Adviser believes it has adopted standards in its policies and procedures to address these potential conflicts.

## **OTHER RELATED CONFLICTS AND PRACTICES**

- *Side Letters.* The Adviser and/or its affiliates are typically authorized to enter into agreements with investors that have the effect of establishing rights under, or altering or supplementing the terms of, the applicable terms offered to other investors, including, without limitation, arrangements with respect to management fees, incentive fees/allocation, applicable withdrawal charges, the right to make withdrawals on a more frequent basis and the circumstances under which withdrawals may be required, the right to receive reports from the Client or the Advisor on a more frequent basis or to receive reports that include information not provided to other investors and the right to make co-investments with Client or other investment vehicles managed by the Advisor or its affiliates.
- *Disclosure of Portfolio and Other Information.* The Adviser sometimes provides portfolio holdings information to entities that have been retained by investors to evaluate portfolio risk. In addition, by virtue of certain of the Affiliated Investors' relationship with the Adviser and its affiliates, certain Affiliated Investors may have access to more and better information than other investors and Clients, such as, but not limited to, portfolio risk, personnel and/or investment related information. The Adviser provides such information in its sole discretion, and reserve the right to cease providing information at any time. The Adviser makes reasonable efforts to preserve the confidentiality of the information it provides, such as by entering into non-disclosure agreements, but it cannot ensure that the entities to which it provides information will fulfill their confidentiality obligations. In the course of conducting due diligence, investors periodically request information pertaining to their investments, and pertaining to the Adviser and its affiliates. The Adviser may respond to these requests, and may provide information that is not generally made available to other investors. When the Adviser provides this information, it does so without an obligation to update any such information provided.
- *Gifts and Entertainment; Political Contributions.* Brokers, counterparties, service providers and other third parties with whom the Adviser does business occasionally provide gifts and entertainment to the Adviser's partners and employees. The Adviser and its affiliates may enter into business transactions and relationships on behalf of a Client with such entities. Such gifts and entertainment create a conflict of interest in our selection and retention of these donors. To address this conflict, the Adviser has adopted policies and procedures to monitor gifts and entertainment received by its partners and employees. The Adviser also has policies and procedures in place to help in certain cases limit, the political contributions that its partners and employees make to public officials and candidates for elected office.

## **ITEM 12. BROKERAGE PRACTICES**

### **BROKERAGE SELECTION**

The Adviser generally has authority to determine the investments to be bought or sold, the amount of investments to be bought or sold, the broker or dealer to be used and the commission rates paid. Any particular aspect of such authority will be agreed to pursuant to the provisions of the organizational and offering documents of the Funds and/or the investment management agreements of Clients.

### **BEST EXECUTION**

The Adviser will seek to obtain “best execution” for Client transactions, which generally means the Adviser executes investment transactions in a manner such that a Client’s total costs or proceeds in each transaction are most favorable under the circumstances. The concept of “best execution” should not, and is not, determined by “lowest possible commission costs,” but by best “qualitative execution.” Consequently, brokers are selected primarily on the basis of their execution capability and trading expertise consistent with the effective execution of the transaction.

The Adviser, in determining the broker or dealer to be used and the commission rates to be paid, considers, among other things:

- Quality of execution
- Reputation
- Financial strength and stability
- Block trading and block positioning capabilities
- Willingness and ability to execute difficult transactions
- Willingness and ability to commit capital (i.e., loss ratios)
- Access to underwritten offerings and secondary markets
- Ongoing reliability
- Overall cost of trade (including commissions, mark-ups, mark-downs, spreads, and other costs)
- Nature of the security and available market makers
- Desired timing of the transaction
- Desired size of the trade
- Confidentiality of trading activity
- Market intelligence
- Idea generation
- Availability of stocks to borrow
- Sourcing of investment opportunities by the broker and its affiliates
- Quality and timeliness of market information provided
- Provision of research or brokerage services
- Other similar services

Accordingly, the commissions charged by any such broker or dealer may be greater than the amount another firm might charge if the Adviser determines in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage services and research information provided by such brokers or dealers. Investors should expect that securities transactions will generate a substantial amount of brokerage commissions and other costs, all of which is borne by the Client, and not the Adviser. In addition to using brokers as “agents” and paying resulting commissions, the Adviser sometimes causes Client accounts to buy or sell securities directly from or to dealers acting as principals at prices that

include mark-ups or mark-downs, and may also cause Client accounts to buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

Although Adviser may have an incentive to select or recommend a broker or dealer based on its interest in receiving the research or other products and services, Adviser seeks to obtain best execution and, consistent with the requirements of best execution, brokerage commissions may be directed to brokers, dealers or other parties, either directly or indirectly, in recognition of, among other things, investment research and information furnished as well as for services rendered in the execution of orders by such brokers, or dealers. By allocating transactions in this manner, the Adviser is able to supplement its research and analysis with the views and information of brokerage and other firms.

## **RESEARCH AND OTHER SOFT DOLLAR BENEFITS**

The Adviser may enter into arrangements with broker-dealers that provide for the use of brokerage commission dollars to be used to generate soft dollar credits, which, in turn, can be used to pay or provide discounts for “soft dollar” items. Although the Adviser generally seeks to use such soft dollar credits to pay, or receive discounts, for items such as “brokerage and research services” that benefit the Adviser’s Client or Clients, as a whole, the Adviser also may use all or any portion of such credits to pay, or receive discounts, for items that benefit other Clients and itself. In such cases, additional brokerage costs incurred by the Adviser’s Client in connection with these arrangements may not, or not exclusively, benefit such Client.

Section 28(e) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) provides a safe harbor that allows investment managers with discretionary authority over client accounts to pay more than the lowest possible commission in order to obtain “brokerage and research services” without breaching their fiduciary duties to clients. The Adviser seeks to comply with the Section 28(e) safe harbor in connection with its soft dollar arrangements. Research services within the Section 28(e) safe harbor generally include, among other things, advice, analyses, reports, publications and writings that furnish advice as to the value of investments, the advisability of investing in, purchasing or selling investments, and the availability of investments, as well as analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts which the Adviser determines constitute advice, analysis or reports. Research services also may include, among other things, market data such as stock quotes, last sale prices, trading volumes and financial and economic data, pre-trade and post-trade analytics, software and other products that depend on market information to generate market research (including research on optimal execution venues and trading strategies), raw data which the Adviser can use to prepare its own research analytics, conferences and seminars related to research discussions, meetings with corporate executives to obtain reports on, among other things, the performance of a company, publications targeted at a narrow audience, including, without limitation, publications which are directed to readers with specialized interests in particular products, industries or issuers, and software that provides analyses of investment portfolios. Research services and information may be in written, oral or electronic formats. Research services may be provided by third parties or may be proprietary to a broker or dealer.

Brokerage services that meet a “temporal standard” are eligible under the Section 28(e) safe harbor. Under the “temporal standard,” brokerage begins when an investment manager communicates with a broker or dealer for the purpose of transmitting an order for execution and ends when funds or investments are delivered or credited to the advised client. Using this standard, the following items are, without limitation, examples of eligible brokerage services: clearance, settlement and custody services in connection with trades effected by the broker or dealer, post-trade services incidental to executing a

transaction, comparison services that are required by SEC or self-regulatory organization rules, such as the use of electronic confirmation and affirmation of institutional trades, communications services related to execution, clearing and settlement of investment transactions, trading software to route orders to market centers, software that provides algorithmic trading strategies and software used to transmit orders to direct market access systems.

If an expense relates to “mixed-use” services or products that include functions that would generally qualify for soft dollar payment or discount under the Adviser’s policy stated above as well as has functions that the Adviser intends to use that do not so qualify, the Adviser will seek to make a good faith allocation of the cost or discount between qualifying and non-qualifying functions to determine the portion that may be paid or discounted with soft dollars credits. The allocation process will attempt to take into account the principal functions or benefits of the services and products involved, but will not attempt to measure *de minimis* or occasional non-qualified usage. Consequently, it is possible that payments by, or discounts as a result of, a Client relating to mixed-use services or products could inure to the benefit of the Adviser, but it is not expected that the amount of such payments would be material.

In certain circumstances and for certain strategies, the Adviser may retain managers unaffiliated with Perella Weinberg Partners (the “**Unaffiliated External Managers**”) to provide investment management services to its Clients through separate or other accounts and issuers in which a Client invests. The Adviser may request, in instances in which it retains Unaffiliated External Managers to provide investment management services to separate accounts, that such Unaffiliated External Managers seek to direct up to a certain percentage of their brokerage transactions for such separate accounts to brokers and dealers with which Perella Weinberg Partners has, or is seeking to establish, soft dollar arrangements, when consistent with such Unaffiliated External Manager’s fiduciary and best execution obligations under applicable law. In such instances, the separate accounts may pay more than the lowest possible commissions to participate in these soft dollar arrangements.

Unaffiliated External Managers may have their own soft dollar arrangements with broker-dealers that result in their clients, which for these purposes include the separate or other accounts with Client assets, paying more than the lowest possible commissions. In such instances, these Unaffiliated External Managers and their other clients may receive benefits that stem from brokerage transactions conducted for the separate or other accounts.

The Adviser intends to review offering memoranda of issuers in which a Client invests and, as appropriate, other documents relating to the soft dollar arrangements of Unaffiliated External Managers in connection with its determination of whether to invest in such issuers or with such Unaffiliated External Managers. We note, however, that such offering memoranda and other documents may not fully disclose the soft dollar arrangements of Unaffiliated External Managers.

Unaffiliated External Managers may be using the soft dollar credits to pay for items that fall outside the scope of Section 28(e) of the Exchange Act. These other items may include, without limitation, office space, facilities and equipment; administrative and accounting support; supplies and stationery; telephone lines, equipment and other items that might otherwise be treated as expenses of such Unaffiliated External Managers. To the extent an Unaffiliated External Manager utilizes commissions to obtain soft dollar credits that would otherwise be an expense of the Unaffiliated External Manager, such use of these credits in effect constitutes additional compensation to the Unaffiliated External Manager. Finally, since commission rates are generally negotiable, selecting brokers and dealers on the basis of considerations that are not limited to applicable commission rates may result in higher transaction costs than would otherwise be obtainable.

## **BROKERAGE FOR CLIENT REFERRALS**

Please refer to Item 14 below regarding the Adviser's brokerage practices with respect to capital introduction events sponsored by broker-dealers.

## **DIRECTED BROKERAGE**

The Adviser permits Clients that invest through Managed Accounts to select their own counterparties and direct the Adviser to execute transactions through a specified broker-dealer or broker-dealers. However, when acting pursuant to these instructions the Adviser may be unable to achieve most favorable execution, which can result in additional costs and expenses for the Client. For example, Clients may pay higher brokerage commissions and may receive a less favorable price when buying or selling if they cannot participate in an aggregated trade along with other Client orders executed through broker-dealers that we selected. The Adviser does not currently have any directed brokerage arrangements with Clients, although the Adviser may enter into such arrangements in the future.

## **TRADE AGGREGATION AND ALLOCATION PRACTICES**

The Adviser may seek to combine orders for Clients. While the Adviser generally believes combining orders will be advantageous to participants, in some cases the price could be less advantageous to one Client account than if orders had not been combined. When the Adviser combines orders for Clients, the Adviser generally will seek to allocate the investments on a fair and equitable basis over time among the Clients based on, among other things, the following factors with respect to the Clients: the investment objectives, strategies and restrictions; portfolio and risk management strategies; tax, legal, regulatory and other considerations; asset levels and cash flow considerations; portfolio liquidity; timing and size of capital contributions and redemptions; market conditions; whether certain accounts would receive nominal or *de minimis* allocation amounts; the amount of assets then available under management for investment; whether the investment is an initial public offering or follow-on offering; and other criteria believed to be relevant by the Adviser. The Adviser will seek to prevent any Client from being systematically disadvantaged by aggregation and allocation of orders.

The Adviser determines whether and to what extent investment opportunities should be allocated among Clients on a basis it believes is fair and equitable over time. The Adviser's general policy is to allocate investment opportunities promptly and on a fair and equitable basis after consideration of the relevant circumstances. The Adviser follows a number of broad allocation models which are subject to change from time to time. Generally speaking, the allocation models follow formulas that are aimed at balancing Client portfolios or complying with specific portfolio management instructions. Although the Adviser generally seeks to allocate investment opportunities on a *pro rata* basis based on the size of each Client account, the selection of an allocation model may alter such an allocation based upon relevant circumstances including, without limitation: the investment objectives, strategies and restrictions; portfolio and risk management strategies; tax, legal, regulatory and other considerations; asset levels and cash flow considerations; portfolio liquidity; timing and size of capital contributions and redemptions; market conditions; whether certain accounts would receive nominal or *de minimis* allocation amounts; and other criteria believed to be relevant by the Adviser. Additionally, the Adviser may consider if a Client is in its investment period or ramp-up phase or it has received a capital infusion or withdrawal request (including Funds with substantial investments by affiliates of the Adviser), preference may be given to that Client so that it reaches its desired position quickly.



In addition, the Adviser has adopted specific allocation policies and procedures for certain types of investment opportunities, including initial public offerings, follow-on offerings and certain investment opportunities that have been sourced by, or offered to, the Adviser's investment team responsible for its asset-based value products, each of which is aimed at ensuring the allocation of such investment opportunities is made on a fair and equitable basis over time among the applicable Clients.

Notwithstanding the foregoing, there can be no assurance that certain allocation decisions will not directly or indirectly adversely affect the Adviser's Clients, even if such decisions are made in good faith. Allocations are subject to a significant degree of discretion exercised by the Affiliated Investors, including the Adviser, including, but not limited to, in connection with rebalancings, investing in new, different or additional investment strategies and in connection with admissions and withdrawals of investors to and from various Funds. Even allocations designed to mitigate conflicts do not eliminate the possibility that an allocation of assets will not adversely affect the Adviser's Clients.

The Advisor and its affiliates may face conflicts of interest in determining whether to allocate assets of affiliates and/or Clients or investors among various Clients, including, by way of example and not limitation, circumstances that could be construed in hindsight or otherwise, regardless of intent or innocent purpose, as:

- benefits being conferred upon one Client to the detriment of another Client (*e.g.*, increasing the allocation of assets of a multi-strategy fund to one Client, and correspondingly, decreasing the assets allocated to other Clients, in anticipation of a potential liquidity shortfall, to otherwise manage the liquidity of a Client or to make reserves for liabilities that may be incurred by such Client);
- benefits being conferred upon other PWP Funds to the detriment of the Adviser's Client (*e.g.*, reducing a multi-strategy fund's allocation to the Adviser's Client prior to the announcement of a departure of an important member of the Adviser or prior to the realization of a substantial loss from any given investment); or
- benefits being directly or indirectly conferred upon certain Advisor affiliated investors to the detriment of a Client (*e.g.*, partners or Perella Weinberg Partners indirectly receive fee income and performance-based compensation from Clients, and thus, depending on the fee structure charged by Clients, might be construed as being motivated to make any and all investment decisions to maximize their own pecuniary interests, as opposed to maximize returns each Client.

Certain of the investment professionals may be responsible for managing only certain Client accounts. From time to time an investment professional may generate or receive an investment idea or opportunity through his or her own efforts or sources (*e.g.*, a private investment or an investment idea or opportunity not received by the Adviser generally or generated by or with other personnel of the Adviser or its affiliates). In such cases, the investment professional may, but will not necessarily, share the investment idea or opportunity with other investment professionals of the Adviser or with professionals responsible for other Client accounts. There can be no assurance that investment professionals will communicate all investment ideas or strategies to all of the Adviser's investment professionals or that such ideas or strategies will be implemented, in whole or in part, by all investment professionals on any basis.

The Adviser will only allocate appreciation and depreciation from "new issues," as defined under Rule 5130 of the Financial Industry Regulatory Authority, as amended, supplemented and interpreted from

time to time, and other restricted investments, to investors in a Fund and to Managed Accounts in which beneficial owners are eligible to participate therein.

## **TRADE ERRORS**

It is the Adviser's policy that due care be taken with respect to the purchase and sale of investments on behalf of its Clients. This includes seeking to avoid trade errors. Nevertheless, the Adviser may, from time-to-time, make trade errors in managing Client accounts. Trade errors are not errors in judgment, strategy, market analysis, economic outlook, etc., but rather errors in connection with the purchase and sale of securities that the Adviser has determined (rightly or wrongly) to purchase or sell for a Client. Examples of trade errors include buying 10,000 shares of an issue rather than the 1,000 that was intended; or taking a long rather than the intended short position in a particular issue. Trade errors can result from clerical mistakes, miscommunications between the Adviser's personnel and other reasons. Trade errors are not the function of poor strategies, inaccurate valuation models, economic expectations, missed opportunities, undue speculation, unauthorized trades or the like, but rather of the incorrect implementation of specific purchases or sales which the Adviser had decided to make. The Adviser determines whether to have the costs arising from trade errors borne by a Client or the Adviser by applying the same standard of liability that would apply to any other action or omission by the Adviser in the course of such management under the applicable Client agreement. For the Funds, the applicable standard of liability is generally gross negligence, willful misconduct or fraud. Trade errors are evaluated on a case-by-case basis. If the applicable standard is gross negligence, willful misconduct or fraud and the Adviser determines that the breach of such standard was the direct cause of a trade error, the Adviser will compensate a Client for any losses resulting from such trade error.

The Adviser itself determines in good faith whether or not a given trade error is required to be reimbursed under the general liability and exculpation standards applicable to a particular Client. The Adviser has a conflict of interest in determining whether a trade error has occurred, as well as whether the costs of such trade error should be for the account of the Client or the Adviser. Trade error costs can be significant — including market losses resulting from the position incorrectly acquired as well as the additional brokerage costs of closing out or reversing the error. The opportunity cost (lost profits) of not having made the trade intended to be made is not considered a trade error cost. Any gains recognized on trade errors will be for the benefit of the Client; none will be retained by the Adviser.

## **STEP-OUT TRANSACTIONS**

The Adviser sometimes engages in "step-out" brokerage transactions. In a typical step-out trade, the Adviser directs the executing broker to allocate all or a certain number of shares of an executed trade to another broker-dealer (the "stepped-out broker") for clearance and settlement. The executing broker receives a commission on the number of shares of an order that it executes, clears and settles while the stepped-out broker negotiates and receives the commission for the number of shares it clears and settles. The executing broker may not know what commission is paid to the stepped-out broker or what services (other than clearance and settlement) the stepped-out broker provides to us. In a step-out trade, Clients will generally not be paying the lowest commission possible.

## **CROSS TRADES**

As described in Item 11, the Adviser may effect cross transactions between Client accounts, if permitted by applicable law. In a cross transaction, one Client account will purchase securities held by another

Client account. “Inadvertent” cross transactions may also occur when trades cross in the market. For example, when the Adviser periodically rebalances Client accounts, certain accounts may sell securities into the market at the same time that other accounts are purchasing the same securities in the market, resulting in an inadvertent or “deemed” market cross.

#### **INVESTMENT BY AND IN BROKER-DEALERS**

The Adviser permits affiliates of broker-dealers that are selected to effect portfolio transactions for Clients, including the Funds, to invest in the Funds. The Adviser may also establish separately managed accounts for affiliates of broker-dealers. These relationships may create a conflict of interest because there is a risk that we may select a broker-dealer to perform commission-earning services for the Clients as a result of the broker-dealer’s (or its affiliate’s) Client accounts and investments in the Funds. As described above, our selection of broker-dealers is based on a variety of factors and we do *not* consider the investment of assets with us in selecting brokers for Client execution purposes. Nonetheless, a potential conflict of interest exists.

In addition, the Adviser may invest Client accounts in common stock of broker-dealers (or their affiliates) through which Client brokerage is executed. The Adviser makes these investments in the exercise of its investment discretion, when it believes the investment is beneficial to its Clients. The Adviser does not have any pre-arrangement or understanding with any broker-dealer that an investment in the broker-dealer’s (or its affiliate’s) publicly-traded stock is in recompense for business or other services such broker-dealer provides to the Adviser and its Clients.

#### **COMPLEX INSTITUTIONAL RELATIONSHIPS**

The Adviser has a number of relationships, as disclosed above and elsewhere in this brochure, with prime brokers and other counterparties. For example, some counterparties have established platforms to allow some of their own clients and customers to invest in the Funds through feeder funds. A potential conflict of interest exists to the extent that the Adviser and its affiliates have multiple relationships, involving a variety of transactional work with the same or related entities. The Adviser’s relationships with counterparties and other service providers are dynamic and evolve over time.

### ITEM 13. REVIEW OF ACCOUNTS

The Adviser monitors Clients' portfolios and certain risks associated with such portfolios. Each Client portfolio is maintained, supervised and reviewed on a regular basis by the Client's respective portfolio manager and investment team (including partners and analysts) (the "**Investment Professionals**") and also benefits from the resources of the Adviser, including risk, compliance, finance, operations, technology, legal and marketing resources. Investment Professionals and other professionals (*e.g.*, risk management professionals) participate in reviews.

In addition to regular monitoring, factors that may trigger a special review include, but are not limited to: changes in market, economic, or legal or regulatory conditions, changes in information or other factors regarding a particular investment, purchase and sales of investments, and other similar developments and events. General reviews usually involve consideration of investments held, the percentage of assets in various types of asset classes, industry or sector concentrations and the relative and absolute performance of each Client.

With respect to the private investment funds for which the Adviser serves as the investment manager, each investor generally should expect to receive annual audited financial statements of the applicable private investment fund. In addition, investors in these private investment funds generally will receive their transaction confirmations, monthly or quarterly account summaries (as applicable), and other fund-related information that is shared with all investors. With respect to other Clients, the Adviser generally will provide such Clients with reports and statements, the content and frequency of which generally will be as agreed to by the Adviser and such Clients.

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

The Adviser does not have any arrangements, oral or in writing, through which it is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-Client in connection with giving advice to Clients. The Adviser and its affiliates may, however, compensate third parties, including brokers, dealers, placement agents and others, in connection with the solicitation of prospective Clients and investors. Such fees may be a percentage of such Client's assets under management or a portion of the management fees and/or performance-based compensation earned by the Adviser (or its affiliates), or any other fee arrangement agreed to by the Adviser (or its affiliates) and such third party. To the extent applicable, such solicitation arrangements will seek to conform to Rule 206(4)-3 under the Advisers Act and, as applicable, appropriate provisions/guidance under The Employee Retirement Income Security Act of 1974.

The Adviser may execute Client transactions with prime brokers that sponsor events, meetings or other communications between potential investors and the Adviser and its affiliates. These capital introduction services are provided incidental to other brokerage services. The Adviser and its affiliates are not compelled to engage broker-dealers that sponsor these capital introduction programs in order to be included at these events. However, these capital introduction events are typically sponsored by prime brokers that provide necessary services to certain Clients and they may create the appearance of using the execution services of these broker-dealers in order to be invited to their capital introduction programs.

The Adviser does not pay to participate in these programs and does not cause Clients to execute transactions or pay higher commissions or other transaction costs in connection with these programs or services (although Clients will not necessarily pay the lowest possible commission when executing transactions through these broker-dealers—please see Item 12 above for additional information). However, the Adviser does pay to attend certain conferences, seminars and other events that are attended by prospective investors, but are not specifically designed as capital introduction events. Furthermore, broker-dealers or their affiliates may introduce the Adviser to prospective investors and will continue to have business relationships with, and execute brokerage transactions on behalf of, Clients.

In addition, certain counterparties, including affiliates of broker-dealers, have established platforms to allow their clients and customers to invest in Clients through their own feeder funds. The Adviser pays a portion of the management fee to platform sponsors out of the fees the Adviser receives from the Client with respect to the assets invested through each respective platform.

## **ITEM 15. CUSTODY**

Securities and investment transactions for a Client generally are executed by brokers or dealers or other parties selected by the Adviser, in its sole discretion. Clients typically provide consent to the Adviser's selection of such brokers, dealers and other parties under the terms of the investment management or other agreements with the Clients.

With respect to Clients, the Adviser may be deemed to have custody of Client assets pursuant to Rule 206(4)-2 promulgated under the Advisers Act. The Adviser seeks to satisfy the requirements of Rule 206(4)-2 with respect to Funds by engaging an independent public accountant registered with, and regularly examined by, the Public Company Accounting Oversight Board to conduct annual financial audits of such Funds prepared in accordance with U.S. Generally Accepted Accounting Principles and delivering the audited financial statements directly to investors in such Funds. The Adviser also may satisfy the requirements of Rule 206(4)-2 with respect to certain of its Funds or other Clients by undergoing an annual surprise examination performed by an independent public accountant or some other appropriate method for confirming assets.

With respect to a Managed Account, a Client may receive account statements from a broker-dealer, bank or other qualified custodian for the assets of the Managed Account. The Adviser urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, valuation methodologies of certain securities or other factors. As Adviser may not have the ability to deduct fees from its Managed Accounts and does not have possession of client funds or securities in the Managed Accounts, it is not deemed to have custody with respect to such accounts for the purposes of Rule 206(4)-2.

## **ITEM 16. INVESTMENT DISCRETION**

The Adviser usually receives discretionary authority from Clients at the outset of an advisory relationship to select the identity and amount of investments to be bought or sold. Such authority is provided in Adviser's advisory contract with each Client. Such discretion generally is exercised in a manner consistent with the stated investment objectives for the particular Client account. When selecting investments and determining amounts, Adviser seeks to observe the investment policies, limitations and restrictions of the Clients for which it provides advice.

Sub-advisory services may be provided by the Adviser on a discretionary or non-discretionary basis. The Adviser may have discretionary authority to invest, reinvest or manage Client assets, including the authority to (i) direct transactions, (ii) provide instructions to exercise or abstain a right or privilege and (iii) negotiate contracts and agreements on behalf of the Client. A Client may provide the Adviser with certain allocation ranges for specific asset classes as well as place limitations in the form of investment restrictions and guidelines, such as in connection with risk tolerances, leverage limitations, liquidity considerations and diversification requirements. A Client also may restrict investments of certain types. A Client may require its designated agents to execute contracts, agreements or instruments of certain dollar amounts or ranges of amounts. For example, with respect to an investment company registered under the 1940 Act for which the Adviser currently acts as sub-adviser, the Adviser generally is responsible for, among other things, (i) formulating and implementing a continuous investment program for the portfolio assets of the investment company and (ii) monitoring and day-to-day management of the investment company's investment activities. However, in its role as sub-adviser, the Adviser also consults with the adviser to such investment company with respect to each investment recommendation, and the adviser to such investment company, rather than the Adviser in its role as sub-adviser, is responsible for ensuring that investments comply with legal and regulatory requirements applicable to the investment company under the 1940 Act and Subchapter M of the Internal Revenue Code.

The Adviser may, in its sole discretion, enter into arrangements under which the investments held by its Clients are loaned to other parties in connection with investment lending and similar programs. The Adviser will enter into such arrangements when it believes that the terms and conditions are reasonable for such Client and expects the arrangement to provide a benefit for such Client. Relevant facts and circumstances, including the creditworthiness of the other party, will be considered in making decisions with respect to the lending of investments.

## **ITEM 17. VOTING CLIENT SECURITIES**

The Adviser has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. The principles and guidelines of the policies address a broad range of issues and generally are believed to be consistent with Adviser's fiduciary obligations in seeking to maximize long-term investment returns for Clients. Under certain circumstances, when it is believed to be in the best interest of Clients, the Adviser may vote in a manner that is contrary to the proxy voting principles and guidelines or may abstain from voting. In connection with the voting of a proxy, the Adviser's policies generally require identification of potential or actual conflicts of interest so that they may be appropriately addressed. In addition, the Adviser may engage a third party proxy voting service to vote proxies on behalf of Clients and may, if appropriate, generally adopt such third party's proxy voting policies and guidelines; any cost of such may be borne by such Clients, as applicable.

The Adviser may enter into arrangements with Clients or other advisers pursuant to which such Clients or advisers have responsibility to vote proxies according to their own policies and procedures or wishes. For example, with respect to the investment company registered under the 1940 Act for which the Adviser currently acts as sub-adviser, the adviser to such investment company is responsible for voting proxies. The Adviser also may enter into arrangements in which a Client directs the Adviser to vote proxies in a specific manner.

A Client may obtain a copy of the Adviser's proxy policies and procedures, as well as the manner in which proxy votes have been cast on behalf of such Client during the prior annual period with respect to portfolio securities held by such Client, by making a request in writing to the Chief Compliance Officer at Perella Weinberg Partners, 767 Fifth Avenue, New York, NY 10153.



## **ITEM 18. FINANCIAL INFORMATION**

The Adviser does not believe that it has any financial commitments that impair its ability to meet contractual commitments to Clients.