



SPECIALISTS IN
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ITEM 1. COVER PAGE

Pareto New York LLC
200 Park Avenue
New York 10166

Form ADV Part 2

(as of March 30, 2012)

This brochure provides information about the qualifications and business practices of Pareto New York LLC. If you have any questions about the contents of this brochure, please contact us at 212 527 1800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Pareto New York LLC is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training

Additional information about Pareto New York LLC also is available on the SEC's website at www.adviserinfo.sec.gov.



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CURRENCY AND
RISK MANAGEMENT

ITEM 2. SUMMARY OF MATERIAL CHANGES

Following are summaries of our material changes made since our last annual update on [March 31, 2011].

Item 9 has been updated in order to disclose recent civil and administrative complaints against The Bank of New York Mellon Corporation concerning its standing instruction foreign exchange services..



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

Item 3. Table of Contents

<u>Item</u>	<u>Page</u>
Cover Page	1
Material Changes	2
Table of Contents	3
Advisory Business	4
Fees and Compensation	5
Performance-Based Fees and Side-by-Side Management	6
Types of Clients	7
Methods of Analysis, Investment Strategies and Risk of Loss	9
Disciplinary Information	23
Other Financial Industry Activities and Affiliations	24
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	27
Brokerage Practices	30
Review of Accounts	31
Client Referrals and Other Compensation	32
Custody	33
Investment Discretion	34
Voting Client Securities	35
Financial Information	36



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

ITEM 4. ADVISORY BUSINESS

Pareto New York LLC ('PNY' or 'We') is a wholly owned subsidiary of The Bank of New York Mellon Corporation. Pareto New York LLC, a registered investment adviser, is a specialist global investment management firm that provides investment management sub advisory services to Pareto Investment Management Limited (Pareto) for the Global Risk Adjusted Alpha Strategy (GRAA).

Pareto New York LLC also markets Pareto's strategies and provides client services for Pareto's North American clients of the Currency Risk Management Strategy (CRM), Currency Alpha Strategy (CAR) and Currency Multi Strategy (CMS) and Currency Options Alpha Strategy (COA).

PNY is an FSA appointed representative of Pareto. Pareto was established in 1991 and focuses on providing clients with a wide array of currency strategies and overlay solutions. Based in London, Pareto also has an FSA appointed representative in Sydney and a branch in Tokyo. Pareto is a registered investment adviser under the Investment Advisers Act, as amended of 1940 and is authorized and regulated by the Financial Services Authority.

PNY is a wholly owned subsidiary of The Bank of New York Mellon Corporation and has the same ultimate parent as Pareto.

While PNY acknowledges that, for purposes of the Form ADV reporting requirement, by definition, our "regulatory assets under management" are \$0, PNY notes that through our subadvisory agreement with Pareto, PNY provides investment advice for assets totalling approximately USD\$64 million.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

ITEM 5. FEES AND COMPENSATION

The fees that Pareto New York LLC charges Pareto for its sub advisory services are costs plus 10% on a monthly basis.

Fees for products offered by Pareto are detailed in the ADV for Pareto Investment Management Limited.

If the sub-advisory relationship between Pareto New York LLC and Pareto is terminated, fees will be adjusted accordingly.

PNY does not charge or receive compensation in connection with the sale of securities/private funds/mutual funds/or other investment products. However, certain of our employees or employees of our affiliates accept compensation (also referred to as "commissions") for the sale of securities/private funds/mutual funds/or other investment products. Accepting commissions for the sale of securities/private funds/mutual funds/investment products gives rise to a conflict of interest in that it may give our employees an incentive to recommend investment products based on the compensation they will receive, rather than solely on a client's needs. Please refer to Item 6, below, for a discussion of these conflicts of interest,



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

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

Advisers are subject to certain fiduciary standards under federal law and owe clients an affirmative duty of utmost good faith to act solely in the best interests of the client and to make full and fair disclosure of all material facts, particularly where the adviser's interests may conflict with the client's best interest. In this section, we describe our performance based fee arrangements and our side-by-side management activities and the inherent conflicts in such arrangements.

PNY may enter into performance based fee arrangements with certain clients for whom we charge an asset based management fee, based on the market value of the account at specified month or quarter ends, plus a performance fee based on the portfolio's net return in excess of a specified benchmark during a designated period of time. These performance fees will usually be dependent on a high water mark being exceeded (previous highest peak in value that the investment account has reached). Such agreements will be entered into by Pareto directly with the client, and not by PNY.

"Side-by-side management" refers to our simultaneous management of multiple types of client accounts or investment products. For example, we may manage separate accounts and pooled investment vehicles for clients at the same time. Our clients have a variety of investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of separate accounts, managed accounts, and pooled investment vehicles.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our employees and our supervised persons. We discuss these below and describe how we deal with them. Note that certain of our employees are also officers or employees of one or more Firm affiliates ("dual officers"). These dual officers undertake investment management duties for the affiliates of which they are officers. Please see Item 10 for more information on our dual officer arrangements.

Note that we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we have Trading Policies and Procedures which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients. Please see Item 12 for a description of our Trading Policies and Procedures.

Conflicts of Interest Relating to Performance Based Fees When Engaging in Side-by-Side Management

We may sub-advise accounts that are charged a performance-based fee and other accounts that are charged a different type of fee, such as a flat asset-based fee. We have a financial incentive to favor accounts with performance-based fees because we (and our employees and supervised persons) may have an opportunity to earn greater fees on such accounts as compared to client accounts without performance-based fees. Thus, we have an incentive to direct our best investment ideas to client accounts that pay performance-based fees, and to allocate, aggregate or sequence trades in favor of such accounts. We also have an incentive to give accounts with performance-based fees better execution.

Conflicts of Interest Relating to Accounts with Different Strategies



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

We and our affiliates manage numerous accounts with a variety of strategies, which may present conflicts of interest. For example, it is possible for one strategy to take a long position in a currency at the same time that another strategy takes a short position. This may result in a loss for one client and a gain for the other.

Conflicts of Interest Relating to the Management of Multiple Client Accounts

We and our affiliates perform investment advisory services for various clients. We may give advice and take action in the performance of our duties with respect to any of our other clients which may differ from the advice given, or the timing or nature of action taken, with respect another client. We have no obligation to purchase or sell for a client any security or other property which we purchase or sell for our own account or for the account of any other client, if it is undesirable or impractical to take such action. We may give advice or take action in the performance of our duties with respect to any of our clients which may differ from the advice given, or the timing or nature of action taken by our affiliates on behalf of their clients.

Conflicts of Interest Relating to Investment in Affiliated Accounts

To the extent permissible under applicable law, we may decide to invest some or all of our temporary investments in money market accounts advised or managed by a BNY Mellon affiliate. In addition, we may invest client accounts in affiliated pooled vehicles. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates.

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Other Conflicts of Interest

As noted previously, PNY and its affiliates manage numerous accounts with a variety of interests. This necessarily creates potential conflicts of interest for PNY. For example, PNY or its affiliate may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the timeframe for and method of exiting the investment.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

ITEM 7. TYPES OF CLIENTS

PNY's client is Pareto who provides advisory services to various institutional investors including pension funds, and charitable organizations. PNY provide marketing and client servicing activities to these types of clients in North America. Clients contract directly with Pareto as Investment Manager.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

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

i) Methods of Analysis and Investment Strategies

PNY, as sub advisor to Pareto, provide portfolio management and research activities for the following Pareto strategy:

GLOBAL RISK ADJUSTED ALPHA (GRAA)

GRAA is a multi- strategy offering employing currency and interest rate instruments to target a range of market environments. The objective is to achieve an average gross absolute return of around 8% per annum above T-Bills with an information ratio of 1. The strategy identifies different environments in the currency and fixed interest markets and employs a risk budgeting approach to allocate risk between the sub-strategies. Some of the sub-strategies are also available in separate offerings.

The Global Risk Adjusted Alpha strategy is a multi-strategy portfolio which is managed by an investment team with each member having responsibility for one or more sub-strategy. In general, positions are initiated and closed through the application of the investment model(s) that guide a particular investment sub strategy, subject to the oversight of the strategy manager. Each strategy runs a unique allocation process and risk control methodology that indicates optimal positions and execution points. The investment team allocates risk to the different strategies. The strategy managers define the levels of long, short and net positions based upon the investment direction supplied by the models attuned to that particular investment strategy.

The managers generate, daily, a model portfolio/position report and transmit new positions and/or closeouts to the execution traders. Those trades are then executed on behalf of the portfolio and internally allocated to that strategy for tracking purpose

This strategy is currently offered to Australian investors as a pooled fund. The cash invested is typically held in government securities which are used as the collateral for derivative trades (forwards, options and swaps).

PNY also provides non Investment advisory services such marketing and client servicing to Pareto's clients and prospective clients in North America and Canada on behalf of Pareto. Further details of the strategies that Pareto offers can be found in the PARETO ADV (SEC CRD Number: 107095).

ii) Risk Analysis

The GRAA strategy involves trading actively in derivative instruments in the currency and interest rate markets. Although these markets are highly liquid, transaction costs do have an impact on performance and there is a risk that volatile market conditions will require a higher level of activity than normal. This would negatively impact performance through higher transaction costs.

For this multi-strategy we expect some strategies to be profitable and others to be loss-making during any given market environment (high/low volatility, trending, range trading, etc). There is therefore a risk that although profitable strategies are favored by the risk budget allocation process, loss-making strategies may nonetheless dominate and the portfolio as a whole will show a negative return.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer.

GENERAL RISKS THAT APPLY TO ALL STRATEGIES OFFERED

Investing in securities involves risk of loss that the investor should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure that the investments we have made on behalf of our clients will be profitable, and in fact substantial losses could be incurred. Investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.

DEPENDENCE ON PARETO

The success of the strategies depends in large part upon the skill and expertise of Pareto to develop and effectively implement the strategies' investment objectives. Investors will be relying entirely on Pareto to manage the strategies. Subjective decisions made by Pareto may cause client accounts to incur losses or to miss profit opportunities on which they would otherwise have capitalized

RETENTION AND MOTIVATION OF KEY EMPLOYEES

The performance of the strategies is largely dependent on the talents and efforts of highly skilled individuals employed by Pareto. The success of the strategies depends on Pareto's ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that Pareto's investment professionals will continue to be associated with Pareto throughout the life of the strategy, and the failure to attract or retain such investment professionals could have a material adverse effect on the strategies including, for example, by limiting Pareto's ability to pursue particular investment strategies discussed herein. Competition in the financial services industry for qualified employees is intense and there is no guarantee that the talents of Pareto's investment professionals could be replaced.

INCREASED REGULATORY OVERSIGHT

The financial services industry generally, and the activities of hedge funds and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase Pareto's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on Pareto, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert Pareto's time, attention and resources from portfolio management activities.

In addition, it is anticipated that, in the normal course of business, Pareto's officers will have contact with governmental authorities, and/or be subjected to responding to questionnaires or examinations. This is typical in connection with the examination of a registered investment adviser.

GENERAL ECONOMIC CONDITIONS AND MARKET CONDITIONS

The success of the strategies' will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instrument prices and the liquidity of the positions. Volatility or illiquidity could impair the profitability or result in losses. Strategies may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets – the larger the positions, the greater the potential for loss.

The economies of non-US countries may differ favorably or unfavorably from the US economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain non-US economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-US countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

BUSINESS AND REGULATORY RISKS OF HEDGE FUNDS

Legal, tax and regulatory developments that may adversely affect clients' accounts could occur during the term of the relationship. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions is an evolving area of law and is subject to change by government and judicial actions. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. It is impossible to predict what, if any, changes in laws and regulations may occur, but any laws and regulations which restrict the ability of the strategies to trade in securities or the ability of Pareto to employ, brokers and other counterparties to extend credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on the strategies.

CURRENT MARKET CONDITIONS AND GOVERNMENTAL ACTIONS

Beginning in the fourth quarter of 2008, world financial markets experienced extraordinary market conditions, including, among other things, extreme losses and volatility in securities markets and the failure of credit markets to function. These events have largely been attributed to the combination of a real estate bubble in the United States and the securitization and deregulation of real estate mortgages in a way that made the risks of mortgage-backed securities difficult to assess. In reaction to these events, regulators in the US and several other countries undertook unprecedented regulatory actions. Today, such regulators continue to consider and implement additional measures to stabilize and encourage growth in US and global financial markets including the Eurozone which is experiencing a period of instability and reduced liquidity. .

Recent economic indicators suggest that the pace of the economic decline may be slowing. Nevertheless, it is uncertain whether the regulatory actions taken by regulators or any other regulatory actions will be able to prevent further losses and volatility in securities markets, or stimulate the credit markets.

Pareto's strategies may be materially adversely affected by the foregoing events, or by similar or other events in the future. In the long term, there may be significant new regulations that could limit Pareto's, activities and investment opportunities or change the



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

functioning of capital markets, and there is the possibility that the severe worldwide economic downturn could continue for a period of years. Consequently, Pareto may not be capable of, or successful at, preserving the value of assets, generating positive investment returns or effectively managing risks.

HIGHLY VOLATILE MARKETS

The positions held by the strategies can be highly volatile. Price movements of forward, futures and other derivative contracts in which the client assets may be invested can be highly volatile and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in government bonds, currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The effect of such intervention is often heightened by a group of governments acting in concert. The strategies may make certain speculative investments in currencies which Pareto believes to be undervalued; however, there are no assurances that the currencies purchased will in fact be undervalued. In addition, the client account may be required to hold such currencies for a substantial period of time before realizing their anticipated value.

CURRENCY OPTIONS

Like the writing of other kinds of options, the writing of an option on a currency constitutes only a partial hedge, up to the amount of the premium received; the client could also be required, with respect to any option it has written, to purchase or sell currencies at disadvantageous exchange rates, thereby incurring losses. The purchase of an option on a currency may constitute an effective hedge against fluctuation in exchange rate, although in the event of rate movements adverse to the client's position, the client could forfeit the entire amount of the premium plus related transaction costs.

CALL OPTIONS

The client's account may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (i.e., the writer holds the underlying currency) assumes the risk of a decline in the market price of the underlying currency below the purchase price of the underlying currency less the premium received, and gives up the opportunity for gain on the underlying currency 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 currency above the exercise price of the option. The currencies necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing currencies to cover the exercise of an uncovered call option can cause the price of the currencies to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

PUT OPTIONS

The client's account may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying currency) assumes the risk of an increase in the market price of the underlying currency above the sales price (in establishing the short position) of the underlying currency



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

plus the premium received, and gives up the opportunity for gain on the underlying currency if the market price falls 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 currency 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.

FORWARD CONTRACTS

Client accounts 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 may require clients to deposit margin with respect to such trading, although margin requirements are often minimal or nonexistent. 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 the amount that Pareto would otherwise recommend, to the possible detriment of the client account.

NON-DELIVERABLE FORWARDS

Non-deliverable forwards are used for currencies of countries that may impose certain currency market restrictions. Non-deliverable forwards are similar to traditional forward contracts, in that an agreement is made to buy and sell a specific amount of one currency in exchange for another currency for settlement on a predetermined future date and at a pre-agreed rate, except that there is no physical delivery of the referenced currencies. The contracts are cash-settled at expiration in a deliverable currency, such as US dollars.

SWAP AGREEMENTS.

Pareto, on behalf of its clients, may enter into swap agreements and options on swap agreements ("swaptions"). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. The strategies, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease the client account's exposure to, for example, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names.

Whether the strategies' use of swap agreements or swaptions will be successful will depend on Pareto's ability to select appropriate transactions for the client account. Swap transactions may be highly illiquid and may increase or decrease the volatility of the client's portfolio. Moreover, the client account bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty.

OPERATIONAL RISK

The strategies depend on Pareto to develop appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

potential disruption of the strategies' operations. Pareto's business is dynamic and complex. As a result, certain operational risks are intrinsic to the strategies' operations, especially given the volume, diversity and complexity of transactions that the strategies are expected to enter into daily. Pareto's business is highly dependent on its ability to process, on a daily basis, transactions across numerous and diverse markets. Consequently, Pareto relies heavily on its financial, accounting and other data processing systems. The ability of its systems to accommodate an increasing volume, diversity and complexity of transactions could also constrain the ability of Pareto to properly manage its strategies. Systemic failures in the systems employed by Pareto and/or counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions in Pareto's operations may cause clients' accounts to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputation damage.

SYSTEMS RISKS

The strategies depend on Pareto to develop and implement appropriate systems for the strategies' activities. Pareto relies extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of Pareto's activities. Certain of Pareto's operations interfaces will be dependent upon systems operated by third parties, including market counterparties and their sub-custodians and other service providers, Pareto may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain limitations, including, but not limited to, those caused by computer "worms", viruses and power failures. Pareto's operations are highly dependent on each of these systems and the successful operation of such systems is often out of Pareto's control. The failure of one or more systems or the inability of such systems to satisfy Pareto's new or growing businesses could have a material adverse effect on the strategies. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the ability of the client to monitor its investment portfolio and risks.

CREDIT RISK

Because many purchases, sales, financing arrangements and derivative transactions will involve instruments that are not traded on an exchange, but are instead traded between counterparties based on contractual relationships. Client accounts are subject to the risk that a counterparty will not perform its obligations under the related contracts. Although Pareto as agent for client accounts intends to trade only with counterparties that Pareto believes to be creditworthy, there can be no assurance that a counterparty will not default and that the client account will not sustain a loss on a transaction as a result.

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



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

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

NECESSITY FOR COUNTERPARTY TRADING RELATIONSHIPS; COUNTERPARTY RISK

Pareto, on behalf of its client accounts, expects to establish relationships to obtain foreign exchange dealing lines, derivative intermediation and prime brokerage services that permit Pareto to trade in any variety of currency markets or asset classes over time; however, there can be no assurance that Pareto will be able to establish such relationships or maintain such relationships. An inability to establish or maintain such relationships would limit Pareto's trading activities, could create losses, preclude Pareto from engaging in certain transactions, derivative intermediation and prime brokerage services and prevent Pareto from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before Pareto establishes additional relationships could have a significant impact on Pareto's business due to Pareto's reliance on such counterparties.

Some of the markets in which Pareto may effect its transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with such "over-the-counter" transactions. This exposes the client account to the risk that a counterparty will not settle a transaction because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the client account to suffer a loss.

COUNTERPARTY DEFAULT

The stability and liquidity of swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. Pareto monitors on an ongoing basis the creditworthiness of firms with which it will execute transactions in over-the-counter derivatives. If there is a default by the counterparty to such a transaction, the client account will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more client account's counterparties were to become insolvent or the subject of insolvency or reorganization proceedings in the United States (either under Securities Investor Protection Act or the United States Bankruptcy Code) or in other jurisdictions that the recovery of the client's financial instruments from such counterparty may be delayed or be of a value less than the value of the transaction or originally agreed with such counterparty.

In addition, Pareto may use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to the laws and regulations in foreign jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to client accounts are subject to substantial limitations and uncertainties. Because of the number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of the insolvency of such local



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

counterparties on the client account and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to the client account, which could be material.

SHORT-TERM MARKET CONSIDERATIONS

Pareto's trading decisions may be made on the basis of short-term market considerations. Therefore, the investment portfolio turnover rate could result in significant trading related expenses.

DERIVATIVES RISK

A small investment in derivatives could have a potentially large impact on the strategy's performance. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid and difficult to value, and there is the risk that changes in the value of a derivative held by the strategy will not correlate with the underlying instruments or the strategy's other investments. Derivative instruments also involve the risk that a loss may be sustained as a result of the failure of the counterparty to the derivative instruments to make required payments or otherwise comply with the derivative instruments' terms. Certain types of derivatives involve greater risks than the underlying obligations because, in addition to general market risks, they are subject to illiquidity risk, counterparty risk and credit risk. Additionally, some derivatives involve economic leverage, which could increase the volatility of these investments as they may fluctuate in value more than the underlying instrument.

EMERGING MARKET RISK

Emerging markets tend to be more volatile and less liquid than the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. The securities of issuers located or doing substantial business in emerging markets are often subject to rapid and large changes in price. In particular, emerging markets may have relatively unstable governments, present the risk of sudden adverse government or regulatory action and even nationalization of businesses, restrictions on foreign ownership or prohibitions on repatriation of assets, and may have less protection of property rights than more developed countries. The economies of emerging market countries may be based predominantly on only a few industries and may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme debt burdens or volatile inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of substantial holdings difficult.

FOREIGN CURRENCY RISK

Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the US dollar, or in the case of hedged positions, that the US dollar will decline relative to the currency being hedged. Currency exchange rates may fluctuate significantly over short periods of time. A decline in the value of foreign currencies relative to the US dollar will reduce the value of securities held by the strategy and denominated in those currencies. Foreign currencies are also subject to risks caused by inflation, interest rates, budget deficits and low savings rates, political factors and government controls.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

INVESTMENT STRATEGY RISK

A strategy's investment criteria may limit the number of investment opportunities available to the strategy, and, as a result, at times the strategy's returns may be lower than those of strategies that are not subject to such special investment considerations. Where risk is allocated between different strategies in a portfolio, the strategies can perform differently from each other at any given time. Therefore overall performance may be affected by the allocation between different strategies.

LEVERAGE RISK

The use of leverage, such as engaging in reverse repurchase agreements, lending portfolio securities, entering into futures contracts or forward currency contracts, investing in inverse floaters, entering into short sales, the use of portfolio leverage or margin and engaging in forward commitment transactions, may magnify the strategy's gains or losses. Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.

LIQUIDITY RISK

When there is little or no active trading market for specific types of securities, it can become more difficult to sell the securities at or near their perceived value. In such a market, the value of such securities and the value of the investment may fall dramatically, even during periods of declining interest rates. Liquidity risk also exists when a particular derivative instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price. The secondary market for certain municipal bonds tends to be less well developed or liquid than many other securities markets, which may adversely affect a strategy's ability to sell such municipal bonds at attractive prices.

More information about the risks associated with our strategies is available upon request. As regards to our pooled funds, please refer to the "Risk Factors" section in the offering documents for a more detailed discussion of the risks involved in an investment in a pooled fund.

The following risks are applicable to the GRAA Strategy Only:

GOVERNMENT SECURITIES RISK

Not all obligations of the US government, its agencies and instrumentalities are backed by the full faith and credit of the US Treasury. Some obligations are backed only by the credit of the issuing agency or instrumentality, and in some cases there may be some risk of default by the issuer. Any guarantee by the US government or its agencies or instrumentalities of a security held by the pooled fund does not apply to the market value of such security. A security backed by the US Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. In addition, because many types of US government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

INVESTMENT AND TRADING RISKS

An investment in the strategy involves a high degree of risk, including the risk that the entire amount invested may be lost. The strategy will invest in and actively trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the currency and fixed income markets, 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 requests. No guarantee is made that the Strategy's investment program or overall portfolio, or various investment strategies used or investments made will have low correlation with each other or that the strategy's returns will exhibit low long-term correlation with an investor's traditional securities portfolio. The strategy's investment program may use such investment techniques as option transactions, swap and other derivative transactions and forward and futures contracts, which practices involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the strategy may be subject. All investments made by the strategy risk the loss of capital. No guarantee or representation is made that the strategy's investment program will be successful, that the Strategy will achieve its targeted returns or that there will be any return of capital invested to investors in the strategy, and investment results may vary substantially over time.

INCENTIVE FEE

Pareto will be paid an Incentive Fee from the GRAA Fund based upon the aggregate realized and unrealized net capital appreciation attributable to the investment. Such compensation arrangement may create an incentive for Pareto to make investments that are riskier or more speculative than would be the case if such compensation arrangement were not in effect. In addition, since the fee is calculated on a basis which includes unrealized appreciation, it may be greater than if such compensation were based solely on realized gains.

AVAILABILITY OF INVESTMENT STRATEGIES

The success of the strategy's investment and trading activities will depend on the ability of the Pareto to identify overvalued and undervalued investment opportunities and to exploit inefficiencies in the foreign exchange markets. Identification and exploitation of the investment strategies to be pursued by the strategy involve a high degree of uncertainty. No assurance can be given that Pareto will be able to identify suitable investment opportunities in which to deploy all of the strategy's capital. A reduction in overall market volatility and liquidity, as well as other market factors, may reduce the pool of profitable investment strategies for the strategy.

Certain of the investment strategies employed by the strategy are based on historical relationships among exchange rates and factors such as interest rates and bond prices. There can be no assurance that these historical relationships will continue and no representation is being made by Pareto as to what results the strategy will or is likely to achieve based on these trends and relationships.

CONCENTRATION RISK

Pareto may, at times, cause the strategy to concentrate its market position (and even more so, its profit potential) in a limited number of investments. To the extent the strategy has concentrated its position, the overall adverse impact on the strategy of adverse movements



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

in the value of the position will be considerably greater than if the GRAA strategy were not permitted to concentrate its market position to such an extent.

DIVERSIFICATION RISK

The Strategy may invest in a limited number of investments and the strategy is expected to make such investments primarily in currencies through the foreign exchange markets. A consequence of a limited number of investments in currencies through foreign exchange markets is that the aggregate returns realized by the strategy may be substantially adversely affected by the unfavorable performance of a small number of investments or by developments in foreign exchange markets. Although the strategy has developed diversification guidelines which is subject to change the strategy does not have fixed guidelines for investment diversification.

LEVERAGE

The strategy will use leverage in its investment strategy. Leverage may take the form of loans for borrowed money (e.g., margin loans) or derivative securities and instruments that are inherently leveraged, including options, futures, forward contracts, swaps and repurchase agreements. The use of leverage by the strategy can substantially increase the market exposure (and market risk) to which the strategy's investment portfolio may be subject. The use of 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 the strategy can leverage in particular, can affect the operating results of the strategy.

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

In the US futures markets, margin deposits are typically required and 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 were 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, as with sales of other leveraged investments, any sale of a futures, forward or other commodity contract may result in losses in excess of the margin deposit.

When the strategy 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 non-US exchanges may be paid for on margin. When the strategy sells an option on a futures contract, it may be required to deposit margin in an amount that may be determined



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

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.

FUTURES CONTRACTS

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

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

MONEY MARKET INSTRUMENTS

The strategy may invest, for defensive purposes or otherwise, some or all of its assets in high quality, fixed income securities, money market instruments and money market mutual funds, or hold cash or cash equivalents in such amounts as the trustees and Pareto deem appropriate under the circumstances.

HEDGING TRANSACTIONS BY THE STRATEGY

The strategy may utilize financial instruments both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of the strategy's investment portfolios resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Strategy's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the strategy's portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Strategy's financial instruments; (vii) protect against any increase in the price of any financial instruments the strategy anticipates purchasing at a later date or (viii) act for any other reason that Pareto deems appropriate. The strategy will not be required to hedge any particular risk in connection with a particular transaction or its portfolios generally. While the strategy may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the strategy than if it had not engaged in any such



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

hedging transaction. Moreover, it should be noted that the portfolio will always be exposed to certain risks that may not be hedged.

CREDIT RISK

Because many purchases, sales, financing arrangements and derivative transactions in which the client accounts will engage involve instruments that are not traded on an exchange, but are instead traded between counterparties based on contractual relationships, client accounts are subject to the risk that a counterparty will not perform its obligations under the related contracts. Although Pareto intends to enter into transactions only with counterparties that Pareto believes to be creditworthy, there can be no assurance that a counterparty will not default and that a client account will not sustain a loss on a transaction as a result.

In situations where the strategy places assets in the care of a custodian or is required to post margin or other collateral with a counterparty (which may include the Prime Broker), such assets or collateral may not be segregated, or may be commingled with the assets of the relevant custodian or counterparty. As a result, in the event of the bankruptcy or insolvency of any custodian or counterparty, the GRAA strategy's assets and collateral may be subject to the conflicting claims of the creditors of the relevant custodian or counterparty, and the strategy may be exposed to the risk of a court treating the strategy as a general unsecured creditor of such custodian or counterparty, rather than as the owner of the assets or collateral, as the case may be.

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

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

PORTFOLIO VALUATION AND DETERMINATION OF NET ASSET VALUE

The Administrator of the GRAA Fund values the assets and liabilities of the GRAA Fund in accordance with the Fund's Trust Deed and in consultation with Pareto. If the Administrator determines that the market price does not fairly represent the value of an asset or liability, or that liquidation or third-party market valuations are unavailable to value an asset or liability, the Administrator will value such investment as it, in its sole discretion, reasonably determines.

To the extent the information received by Pareto is inaccurate or unreliable; the valuation of the strategy's portfolio may be inaccurate. The strategy may hold certain financial instruments that will not have readily assessable market values. In such instances the Administrator will determine the fair value of such financial instruments in good faith based on various factors. In connection with certain financial instruments for which no external pricing information is available, the Administrator may rely on internal pricing models. Such

valuations may vary from similar valuations performed by independent third parties for similar types of financial instruments. Inaccurate valuations may, among other things, prevent the strategy from effectively managing its investment portfolios and risks, may result in the strategy exceeding certain investment guidelines and may affect the diversification and risk management of the strategy's portfolio. The value of the portfolio may also be affected by changes in accounting standards, policies or practices.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

ITEM 9. DISCIPLINARY INFORMATION

Several State Attorney General's Offices, the U.S. Attorney's Office for the Southern District of New York and certain individual plaintiffs have filed civil complaints against The Bank of New York Mellon Corporation ("BNY Mellon"), the parent company of Pareto New York LLC. Certain of these complaints supersede complaints that had been filed by a purported whistleblower under state false claims act statutes. In addition, the Massachusetts Securities Division has filed an administrative complaint against BNY Mellon. These actions allege that BNY Mellon improperly charged and reported prices for standing instruction foreign exchange ("FX") transactions executed in connection with custody services provided by BNY Mellon. BNY Mellon believes that the claims asserted in the actions are without merit, and reflect a fundamental misunderstanding of the role of custodian banks and the operation of institutional FX markets. BNY Mellon plans to defend itself vigorously on behalf of its shareholders.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As a part of the BNY Mellon group, PNY is affiliated with a number of subsidiaries. PNY has relationships with the following affiliates which are material to its advisory business:

PNY is sub advisor to Pareto for the Global Risk Adjusted Alpha Strategy. PNY also provides marketing of Pareto's strategies, client servicing and research for local markets in North America.

Effective January 1, 2011, PNY has entered into a referral arrangement with the its affiliate, the BNY Mellon Fixed Income Division of MBSC Securities Corporation ("MBSC") pursuant to which MBSC will be responsible for all US Sales and Consultant Relations services for PNY. This arrangement is in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940. The MBSC employees under this arrangement will also become dual officers of the PNY for the limited purpose of engaging in some sales and marketing support duties including, but not limited to, providing assistance related to the completion of RFP's and other marketing pieces, collaboration with the Company's marketing and client service associates, and participation in finals presentations. MBSC employees, in their role as dual officers of PNY will have access to relevant client information maintained by PNY.

Pareto's parent, BNY Mellon is a Global Financial Services Company:

BNY Mellon is a global financial services company providing a comprehensive array of financial services (including asset management, wealth management, asset servicing, clearing and execution services, issuer services and treasury services) through a world-wide client focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Asset Management is the umbrella designation for BNY Mellon's affiliated investment management firms and global distribution companies and is responsible, through various subsidiaries, for US and non-US retail, intermediary and institutional distribution of investment management and related services.

Pareto may enter into transactions with unaffiliated counterparties or third party service providers who then use affiliates of the Firm to execute such transactions. These services may include, for example, clearance of trades, purchases or sales of ADRs, or other transactions not contemplated by us. Although one of our affiliates may receive compensation for engaging in these transactions, the decision to use or not use an affiliate of ours is made by the unaffiliated counterparty or third party service provider. Further, we will likely be unaware that the affiliate is being used to enter into such transaction.

BNY Mellon and/or its other affiliates may gather data from us about our investment activities, including information about holdings within client portfolios, which is required for regulatory filings to be made by us or BNY Mellon or other affiliates (e.g., reporting beneficial ownership of equity securities) or for other compliance, legal or risk management purposes, pursuant to policies and procedures of the Firm, BNY Mellon or other affiliates. This data is deemed confidential and procedures are followed to ensure that any information is utilized solely for the purposes intended.]

BNY Mellon Incentive Referral Compensation Plan

Pareto follows the principles of BNY Mellon's incentive compensation program as described.

BNY Mellon has adopted an incentive compensation program ("Program") designed to reward internal referrals of business and opportunities, and::



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

- 1) Help clients understand and gain access to the full range of products and services offered by BNY Mellon and its subsidiaries; and
- 2) Expand and develop client relationships.

The Program promotes BNY Mellon's corporate values of Client Focus, Trust, Teamwork and Outperformance by encouraging the cross-selling of BNY Mellon's broad array of services and products throughout the organization to better meet a current or prospective client's full range of needs for financial products and services, and to expand customer relationships. The Program seeks to financially reward (via bonus or referral fee) eligible employees who offer a business lead that results in a sale of certain affiliated products or services to existing clients and prospects. These bonuses and referral fees may be paid to us and our employees for referring business (services or products) to our affiliates, and our affiliates and their employees may receive bonuses and referral fees for referring business

Affiliated Placement Agents

Pareto has affiliated "placement agents," including [MBSC Securities Corporation/BNY Mellon Asset Management International Limited], who solicit persons to invest in various private funds, including our private funds, [as well as our separate account products]. Certain private funds [and the Firm] have entered into agreements with these placement agents to pay them commissions or fees for such solicitations. We or our affiliates are solely responsible for the payment of these commissions and fees - they will not be borne by the private funds and their investors. We or our affiliates pay these commissions and fees out of our profits, and these payments do not increase the fees paid by the private fund's investors. These financial incentives may cause the placement agents and their employees and/or salespersons to steer investors toward those private funds that will generate higher commissions and fees. Please see Item 14 for more information on the compensation arrangements related to client referrals.

Our US sales employees are registered representatives of our affiliate, MBSC Securities Corporation, a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of FINRA. In their capacity as registered representatives of MBSC, these employees sell and provide services regarding funds managed by us. There is a financial arrangement in place between us and MBSC.

Affiliated Service Providers

In addition, to the extent permitted by law, placement agents and their respective affiliates may provide brokerage and certain other financial and securities services to us, our affiliates or related private funds. Such services, if any, will be provided at competitive rates. BNY Mellon is also affiliated with service providers, distributors and consultants that may provide services and may receive fees from BNY Mellon in connection with such services, which may incentivize such persons to distribute interests in a private fund or other BNY Mellon products.

Other Relationships

In addition, BNY Mellon personnel, including certain of our employees, may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund. To the extent permitted by applicable law, BNY Mellon and its affiliates, including us and our personnel, may make charitable contributions to institutions, including those that have relationships with investors



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties may have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

Some of our clients may retain consulting firms to assist them in selecting investment managers. Some consulting firms provide services to both those who hire investment managers and to investment management firms. We may pay to attend conferences sponsored by consulting firms and/or purchase services from consulting firms where we believe those services will be useful to us in operating our investment management business. We do not pay referral fees to consultants. However, our clients and prospective clients should be aware that consulting firms might have business relationships with investment management firms that they recommend to their clients.

Affiliated Broker-Dealers and Investment Advisers

We are affiliated with a significant number of advisers and broker/dealers. Please see Form ADV, Part I - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers. Where we select the broker to effect purchases or sales of securities for client accounts, we may use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). We may have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to its affiliate.

We have broker selection policies in place that require our selection of a broker-dealer to be consistent with its duties of best execution, and subject to any client and regulatory proscriptions. Please see Item [12] for more information on our broker selection process.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

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

We have adopted a Code of Ethics that is made up of two parts:

BNY Mellon Code of Conduct and Interpretive Guidance (the “BNY Mellon Code”); and

BNY Mellon Personal Securities Trading Policy (the “PSTP”).

The BNY Mellon Code provides to employees the framework and sets the expectations for business conduct. In addition, it clarifies our responsibilities to clients, suppliers, government officials, competitors and the communities we serve and outlines important legal and ethical issues:

Conflicts of Interest: gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions;

Proper Use and Care of Information and Proper Recordkeeping: proprietary information and intellectual property; data integrity and corporate information; use of e-mail and internet; accurate accounting and internal controls; use of non-public or “inside” information; talking to the media; and document retention;

Dealing with Customers, Prospects, Suppliers, and Competitors: business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company’s name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities;

Doing Business With the Government: complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor obligations;

Personal Finances: personal investments; personal brokerage accounts; political campaign contributions; contributions to not-for-profit entities; and individual employees’ regulatory requirements; and

Compliance with the Law: among other matters illegal or criminal activities; investigations; and protection of company assets.

The PSTP is designed to reinforce our reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of our business. The PSTP sets forth procedures and limitations that govern the personal securities transactions of our employees in accounts held in their own names as well as accounts in which they have indirect ownership. We, and our related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that we also recommend to clients and may, from time to time, invest in products managed by us or our related persons.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for the Firm. Each of our employees is classified as one of the following:



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

Investment Employee ("IE"): IEs are employees who, as part of their responsibilities, have access to non-public information regarding any advisory client's purchase or sale of securities or non-public information regarding the portfolio holdings of any Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.

Access Decision Maker ("ADM"): ADMs (generally portfolio managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.

Other Employee ("OE"): Our employees are considered OEs if they are not an IE or ADM.

PSTP Overview:

IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership;

Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;

Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds or money market funds and short-term instruments, non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;

BNY Mellon has a "Preclearance Compliance Officer" who maintains a "restricted list" of companies whose securities are subject to trading restrictions. This list is used by the Preclearance Compliance Officer to determine whether or not to grant trading authorization;

The acquisition of any securities in a private placement requires prior written approvals;

With respect to transactions involving BNYMC securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (i.e., purchasing and selling, or selling and purchasing BNYMC securities within any 60 calendar day period);

With respect to non-BNYMC securities purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged; and

No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund's disclosure documents.

A copy of our Code of Ethics will be provided upon request.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

INTEREST IN CLIENT TRANSACTIONS

Note that while each of the following types of transactions present conflicts of interest for us, as described below, we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. We do not engage in principal transactions.

We do not engage in cross transactions.

We or our affiliates may execute transactions for clients, at or about the same time that we or one of our affiliates executes similar transactions for our (or the affiliate’s) own account. This practice may give rise to a variety of potential conflicts of interest, particularly with respect to aggregating, allocating and sequencing transactions on both our (or our affiliate’s) behalf and our clients’ behalf.

Further, a potential conflict of interest could be viewed as arising if a transaction in our own account closely precedes a transaction in a client account, such as when a subsequent purchase by a client account increases the value of our own transaction. Our compliance monitoring program reviews periodic transaction to evaluate the nature of sequenced transactions.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

ITEM 12. BROKERAGE PRACTICES

Broker Selection

In most cases we have the authority to direct transactions on behalf of our clients to broker-dealers we select. In doing so, we seek best execution of such transactions. When seeking best execution, we consider the full range and quality of a broker-dealer's services including, among other things, commission rates, a broker's trading expertise, reputation and integrity, facilities, financial services offered, reliability both in executing trades and keeping records, fairness in resolving disputes, value provided, execution capability, financial responsibility and responsiveness to Pareto.

Soft Dollars

We do not use/receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions.

Other Brokerage Practices Conflicts of Interest

The following brokerage practices may lead to an actual or potential conflict of interest when selecting broker-dealers to execute client trades:

- receiving client referrals from a broker-dealer;
- acting on a client's direction to use a particular broker-dealer,

Compensation for Client Referrals - Brokerage for Client Referrals:

We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

Trade Aggregation and Trade Allocation

While we have a policy, we do not currently aggregate trades as there is only one client account.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

ITEM 13. REVIEW OF ACCOUNTS

PNY's accounts are regularly reviewed by the Portfolio Manager and the Investment Committee for each strategy. Additional in depth reviews are triggered by various factors such as subscriptions to or withdrawals from the fund, changing economic or market conditions, and reviews of individual components of the fund.

A report in the form of a commentary of each fund is provided to investors on a monthly basis by Pareto Investment Management Limited. This includes performance data and commentary on the fund and market conditions.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

Affiliated Solicitors: We may pay referral fees to our affiliates (and/or their employees) for referrals that result in additional investment management business. Please see the discussion of affiliated placement agents in Item 10, above.

Our ultimate parent, BNY Mellon, has organized its lines of business into two groups: Investment Management and Investment Services (collectively "Groups"). As a member of BNY Mellon Asset Management, we are part of the Investment Management Group. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Groups.

In certain circumstances, Asset Management sales representatives are paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years. In addition, our sales representatives and sales representatives of our affiliates within the Investment Management Group are paid for intra-Group referrals to Group counterparts. Those fees are based on the first year's revenue for the Group counterpart.

Sales of any alternative investment products (such as private funds) may be made through a broker-dealer affiliate. Only registered representatives of such broker-dealer receive compensation for sales of alternative investments.

We may pay a fee to an affiliate (or directly to employees of the affiliate) that has a pre-existing relationship with a new client in the Investment Services Group. The fees may be based on revenues and may provide for a one-time payment or payments over a number of years.

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We and our affiliates also participate in the BNY Mellon Incentive Compensation Plan, which presents certain conflicts of interest, all as described in Item 10, above.



SPECIALISTS IN
CURRENCY AND
RISK MANAGEMENT

ITEM 15. CUSTODY

We do not have “custody” of client assets for purposes of the Custody Rule.

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.



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ITEM 16. INVESTMENT DISCRETION

We typically accept discretionary investment authority over client assets and exposures, and clients must grant this discretionary authority to us in writing via a contract, [power of attorney] and/or through an appointment to become the investment adviser of a private fund. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and guidelines for the particular client account.

Clients must deliver their investment guidelines and restrictions to us in writing, and we will adhere to such guidelines and restrictions when making investment decisions.



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ITEM 17. VOTING CLIENT SECURITIES

Due to the nature of our strategies and the instruments that PNY invests in, this section is not applicable.



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ITEM 18. FINANCIAL INFORMATION

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. PNY has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.