



## 2100 Xenon Group LLC

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This brochure provides information about the qualification and business practices of 2100 Xenon Group LLC ("2100 Xenon Group"). If you have any questions about the contents of this brochure, please contact us at (312) 873-3100, or by email at [info@2100xenon.com](mailto:info@2100xenon.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority. 2100 Xenon Group is an SEC Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about 2100 Xenon Group is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 31, 2012

# Material Changes

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## **Material Changes Since the Last Update**

The SEC adopted amendments to Part 2 of Form ADV effective October 2010. The newly revised Part 2 consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must now include a summary of all material changes since the last annual update.

This Brochure, dated March 31, 2012, has one material changes from the previous brochure. The change was to add the description of a new product offered by 2100 Xenon Group

## **Full Brochure Availability**

The Brochure for 2100 Xenon Group is available by contacting [info@2100xenon.com](mailto:info@2100xenon.com).

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# Advisory Business

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## Firm Description

Founded in 2006, 2100 Xenon Group is a Chicago-based investment management firm. The firm provides non-traditional, discretionary investment products and advisory services to current and prospective investors based on the firm's use of proprietary computer models for trading futures contracts worldwide. 2100 Xenon Group also provides certain clients with non-discretionary investment advisory services. 2100 Xenon Group is registered with the National Futures Association as a Commodity Trading Adviser ("CTA") and Commodity Pool Operator ("CPO"), and is registered with the SEC as a Registered Investment Adviser ("RIA"). Registration of an investment adviser with the SEC does not imply any level of skill or training.

## Principal Owners

The majority shareholder in 2100 Xenon Group, with a 65% ownership share, is Old Mutual (US) Holdings Inc. The other 35% of 2100 Xenon Group is owned by six members of its senior management team.

Old Mutual (US) Holdings Inc. is a wholly-owned subsidiary of Old Mutual plc. A public company listed on the London exchange, Old Mutual plc is an international financial services company providing asset management, insurance and banking services worldwide.

## Types of Advisory Services

2100 Xenon Group offers its clients two discretionary investment strategies. There are two programs within each strategy, differentiated only by the amount of leverage used, resulting in four programs. The names of the four programs are the 2100 Xenon Group Managed Futures Program, the 2100 Xenon Managed Futures (2X) Program, the 2100 Xenon Group Long/Short Global Fixed Income Program and the 2100 Xenon Group Long/Short Global Fixed Income (2X) Program. Both programs only invest in exchange traded futures contracts. Both programs are based on trade signals generated by a family of proprietary, quantitative computer models. The types of futures contracts traded in the programs include fixed income, currencies, commodities and equities.

2100 Xenon also offers non-discretionary investment advisory services. None of 2100 Xenon Group's assets under management amounts are attributable to these non-discretionary services, however.

## Tailored Relationships

All of our clients to whom we render discretionary investment advisory services invest in one of the two standard investment programs we offer. In certain cases, however, due to the limitations of a client's clearing broker, certain markets in the programs might not be traded for that client. Such limitations may result in material differences in performance results.

## Account Terminations

Clients with managed accounts must provide written notice at least two days in advance of terminating their Investment Management Agreement. Investors in the firm's funds may withdraw funds only on the last day of a month with at least 30 days prior written notice.

## Wrap Fee Programs

2100 Xenon Group does not participate in any wrap fee programs.

## Client Assets

As of March 1, 2012, 2100 Xenon Group managed \$202,536,531 of client assets on a discretionary basis. Approximately 75% of the assets were in managed accounts. The other 25% of the client assets were in a fund for which we act as the investment advisor.

# Fees and Compensation

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## Description

As compensation for its investment advisory services, 2100 Xenon Group is generally paid a management fee as well as a performance fee. The management fee is based on the amount of the client's assets under management and is generally payable monthly. The performance fee is based on a percentage of the profits generated in the client's account and is generally payable quarterly. Performance fees are subject to a "high water mark," which means 2100 Xenon Group will only receive performance fees from an account when its value is greater than its previous greatest value (assuming no changes in the amount of the client's capital invested in the account). Fees are generally negotiable.

The structure of the performance fee may involve a conflict of interest, because it may create an incentive for the 2100 Xenon Group to make riskier or more speculative investments than it otherwise would if it or its affiliate, 2100 Capital Group Partners 2 LLC, were receiving only a flat fee. In some cases, the performance fee may be greater than the total fees and other benefits provided to other investment managers for similar services.

## Fee Billing

Clients of 2100 Xenon Group are generally billed monthly for management fees. In certain cases, the client submits its own calculation of fees, which is then approved by 2100 Xenon Group. Payment is then rendered by the client. In no case are fees deducted from a client's account by 2100 Xenon Group.

2100 Xenon Group receives a quarterly Profit Share as of the end of each calendar quarter, generally equal to 20% of all "New Net Profits" realized on each client's account in the calendar quarter for which the calculation is being made. As used herein, "New Net Profits" with respect to any client account for a calendar quarter generally means the amount by which the "Net Asset Value" of the account on the last day of the calendar quarter exceeds the "Net Asset Value" of the account as of the last date on which a Profit Share was made with respect to such account or, if no Profit Share has ever been made, then the Net Asset Value of the account as

of the date such account was established. New Net Profits take into account both realized and unrealized gains and losses and is adjusted for withdrawals and account contributions.

As used herein, "Net Asset Value" of an account as of any date means the total assets of the account as of such date, including all cash equivalents, interest and dividends receivable, and the fair market value of all open investments of the account as determined by 2100 Xenon Group, less liabilities of the client, including all transaction expenses and other expenses payable in respect of the account.

By applying the above formula, 2100 Xenon group only receives a Profit Share on a client account if the client has recouped all prior losses with respect to such account (except that the amount of any such prior losses which must be recouped is reduced proportionately by the amount of any withdrawals with respect to such account). It should also be noted that, once a Profit Share is made to 2100 Xenon Group with respect to any account, it will be retained by 2100 Xenon Group despite the fact that such account may incur subsequent losses. 2100 Xenon Group's Profit Share is determined quarterly, generally as of the end of each calendar quarter. If, however, a client withdraws all or a portion of its account other than at the end of a calendar quarter, the Profit Share with respect to such account will be computed as if the date of withdrawal was a quarter end.

2100 Xenon Group also generally receives a monthly Management Fee from each client account as of the last day of each calendar month equal to  $\frac{1}{12}$ <sup>th</sup> of 2% of the account's Net Asset Value. In addition, clients will pay 2100 Xenon Group a prorated Management Fee upon a withdrawal occurring other than at a month end. For purposes of computing the Management Fee, Net Assets will be determined before any accrued but unpaid Profit Share. The Management Fee will be paid to 2100 Xenon Group regardless of whether a client account has accrued any profit.

If a client's account is to be "notionally" or "nominally" funded, the client should realize that the Management Fees will be calculated on the nominal funds, and not simply on the actual funds, in the account. The nominal account size is the total account size to be traded by 2100 Xenon Group and may be different than the actual funds on deposit in the client's account. The difference between the cash on deposit in the client's account and the nominal account size is referred to as the notional amount. Nominal account size is the actual funds on deposit plus notional funds. Cash additions and cash withdrawals from a client's account do not necessarily affect the nominal account size, whereas net performance will normally increase or decrease the nominal account size. The rates of return and drawdown percentages reported by 2100 Xenon Group are also not affected by the amount of the notional funding although the "cash on cash" returns and draw-down percentages experienced by the client will be affected. The Management Fees charged to the clients' accounts, when expressed as a percentage of actual funds, will be higher by a factor corresponding directly to the ratio between nominal account size and actual funds. For example:

Management Fee Range as a Percentage of:

<u>Actual Funds</u>	<u>Nominal Account Size</u>	<u>Notional Funds</u>	<u>Actual Funds</u>
\$1,000,000	\$1,000,000	2.00%	2.00%
\$1,000,000	\$2,000,000	2.00%	4.00%
\$1,000,000	\$3,000,000	2.00%	6.00%
\$1,000,000	\$4,000,000	2.00%	8.00%
\$1,000,000	\$5,000,000	2.00%	10.00%

### **Other Fees**

The only fees charged clients by 2100 Xenon Group are the management fees and performance fees described above.

### **Fees Paid in Advance**

A small number of clients pay management fees one month in advance. If 2100 Xenon Group's contract with a client who pays management fees in advance is terminated before the end of a billing period, the client is refunded a prorated amount of the management fee. The majority of clients are billed for management fees after the end of the month to which the fees relate. All performance fees are paid in arrears.

### **Additional Compensation**

The only compensation 2100 Xenon Group receives from its clients are the management fees and performance fees described above.

## **Performance-Based Fees & Side-by-Side Management**

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### **Sharing of Capital Gains or Capital Appreciation**

As described above, 2100 Xenon Group is paid performance fees by its clients, which are based on a percentage of the gains from trading and other income generated by 2100 Xenon Group in the clients' accounts. As a result, the potential for a conflict of interest could exist if 2100 Xenon Group managed other accounts for which an hourly or flat fee was charged instead of a performance fee. All 2100 Xenon Group client accounts are subject to a performance fee, and no accounts are subject to an hourly or flat fee schedule.



# Types of Clients

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## Description

2100 Xenon Group's clients include individuals, trusts, limited partnerships, and corporations.

Clients can participate in 2100 Xenon Group's investment programs either through the use of a managed account or through a pooled vehicle, commonly referred to as a fund. In the case of a managed account, the client selects its own Futures Clearing Merchant ("FCM"), often referred to as a "clearing broker." 2100 Xenon Group selects the FCM for all pooled investment vehicles it manages and also for certain managed accounts with proprietary funds.

## Account Minimums

The minimum account size for the 2100 Xenon Group Managed Futures Program is \$5 million. The minimum account size for the 2100 Xenon Group Long/Short Global Fixed Income Program is \$2 million. The minimum account size for funds managed by 2100 Xenon group is stated in the fund's Confidential Offering Memorandum.

2100 Xenon Group reserves the right to waive these minimums, however. A client opting to waive these minimums must be aware that such waiver may result in material performance variances.

# Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis

Each of the investment programs offered by 2100 Xenon Group is based on the trading signals generated by our proprietary, quantitative computer models. The trading signals generated by our models are used to trade futures contracts in selected markets around the world. The types of futures contracts traded by 2100 Xenon Group include fixed income, currencies, commodities and equities.

## Investment Strategies

2100 Xenon Group currently offers two basic investment strategies. There are two versions of each strategy, varying only by the amount of leverage used. Thus, there are a total of four investment strategies, which are described below (the "Strategies").

The 2100 Xenon Group Managed Futures (2x) Program is a systematic global managed futures strategy. This flagship product targets 15% to 20% volatility. The 2100 Xenon Group Managed

Futures Program is a lower volatility version of the Managed Futures (2x) Program that targets volatility of 7.5% to 10%. These two programs are systematic diversified managed futures strategies that invest in fixed income, currencies, commodities and equities. The 2100 Xenon Group Long/Short Global Fixed Income Program is a systematic managed futures strategy that invests solely in the global fixed income markets and also targets volatility of 7.5% to 10%. 2100 Xenon Group Long/Short Global Fixed Income (2x) Program is a systematic managed futures strategy that invests solely in the global fixed income markets and targets volatility of 15% to 20%. The performances of these four programs are set forth in the last section of the Brochure.

The Strategies use an “experience-driven” mathematical and statistical approach to investment decision making. The approach may utilize as many as 233 different models to estimate signals across 55 markets worldwide. 2100 Xenon Group also considers its approach to portfolio construction as an “alpha engine” and it uses proprietary risk management tools to govern exposures.

2100 Xenon Group’s investment objective is to achieve substantial returns and diversification along with low correlation to the general equities markets and an improved risk/reward profile. The foregoing description is general by necessity and in no way restricts or limits 2100 Xenon Group’s actions with respect to strategies employed by 2100 Xenon Group on behalf of any client. In other words, no investment restrictions apply to a strategy, without limitation, and there are no restrictions on the countries, instruments or markets in which 2100 Xenon Group may invest or the investment strategies 2100 Xenon Group may employ. Restrictions may arise, however, by the client’s choice of an FCM, which may result in material performance variances.

The trading decisions of 2100 Xenon Group are based on strategies which seek to take into account certain “technical” factors in identifying price trends and price movements. The buy and sell signals generated by the models are not based upon an analysis of fundamental supply and demand factors, general economic factors or anticipated world events. The trading signals are generally based upon a study of actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest.

The heart of 2100 Xenon Group’s managed futures strategy is the belief that mathematical and statistical systems outperform discretion. 2100 Xenon Group also believes that hedgers willingly pay speculators to accept risk. Additionally, 2100 Xenon Group believes global policy makers cause market inefficiencies and global resource imbalances and those can be identified as systematic trends and trading opportunities. Finally, 2100 Xenon Group believes that portfolio construction and risk management are keys to long-term, consistent, investment performance.

2100 Xenon Group’s strategy is a diversified global managed futures strategy that invests in many of the world’s equity, fixed income, currency, metals, energy, and commodity markets. 2100 Xenon Group does not trade over-the-counter currencies, however. 2100 Xenon Group takes a systematic approach to markets and incorporates six families of forecasting models to

estimate signals and utilizes its proprietary system to construct portfolios. 2100 Xenon Group trades listed futures in all asset classes.

The investment process has three distinct steps, 1) signal estimation, 2) portfolio construction, and 3) risk management. Signal estimation utilizes the six families of 2100 Xenon Group's forecasting models for developing market views. The model's buy or sell signals are then captured by the portfolio construction algorithm where the signals are converted to portfolio positions. Risk management governs the broad range of global portfolio exposures.

2100 Xenon Group has six model families applied across 55 global markets. These models have been constructed on the basis of three decades of trading experience in the global debt markets, and the belief that global liquidity, which is the available supply of cash and credit, drives market pricing across all asset classes. All of the proprietary models used in a Strategy seek to capitalize from momentum across multiple time frames as well as fundamental shifts in interest rate policy. Those time frames typically range from two hours, for certain models, to one year, in other models. The average holding period across all models is 30 days. All of the models are systematic. With the exception of its US yield curve trading strategy, all models are technical in nature. The yield curve strategy systematically utilizes fundamental data. These models are systematically blended together based upon their inherent risk, quality, and correlation.

The trend-following component of a Strategy uses multiple models applied to all markets. One model measures the distribution of a proprietary indicator of "trendiness" in markets and capitalizes on the tails of that distribution. In those circumstances, the model shifts from a medium-term trend-following system to a short-term counter-trend system. Once the "trendiness" reverts to the mean, the system returns to following the medium-term trend. This multi-trend following model is active in the market approximately 90% of the time trying to measure trend durability and respond to extreme values in "trendiness." Another model is designed to recognize regime shifts in medium-term trends. A new trading range often signals the beginning of a trend. This model operates on multiple time frames and measures variable range breakout potential across all markets. Additionally, there is a long-term trend-following model which looks to confirm long-term momentum in the markets. The model assumes that once a market establishes momentum in a given direction, it tends to continue in that direction. Further, another model looks to identify momentum or autocorrelation in the relationship between assets and/or groups of assets. This is different from the aforementioned models in that it seeks opportunities across assets rather than within a specific asset.

In addition, 2100 Xenon Group systematically "trades the Treasury yield curve." The Yield Curve model looks to capture profits from Federal Reserve monetary policy decisions by trading spreads in the 2-year note and 30-year bond futures markets. This model measures the impact of monetary policy and the effect on the yield curve. The premise is that changes in Federal Reserve policies are captured as the yield curve steepens and flattens. It is the only 2100 Xenon Group model that uses fundamental values to determine its positions.

Finally, 2100 Xenon Group's convexity model is designed to exploit convexity imbalances in the fixed income markets. The premise is that interest rate movements require convexity hedging by mortgage-backed investors.

In trading these models, risk management is the key component that binds them together. 2100 Xenon Group defines risk management as the careful, disciplined control of the number of contracts traded per dollar invested in a Strategy. They include the use of stops for all positions, and have defined maximum expected losses in every trade. In addition, 2100 Xenon Group manages position sizes across three different time frames. Typically, positions are resized daily according to a medium-term estimate of market volatility. During periods of extreme volatility, however, 2100 Xenon Group shortens their time estimate of volatility such that daily resizing is more sensitive to recent volatility shocks, and, therefore, reduces risk more quickly. Further, they take intra-day risk snapshots of expected portfolio composition, and when it changes significantly, positions are adjusted accordingly.

2100 Xenon Group targets 7.5 to 10% annualized volatility for the Managed Futures Program and 15 to 20% annualized volatility for the Managed Futures (2x) Program. When markets are more volatile, 2100 Xenon Group anticipates trading smaller sizes. When they are less volatile, 2100 Xenon Group anticipates taking bigger positions. 2100 Xenon Group adjusts for volatility on both a per-instrument and portfolio basis. 2100 Xenon Group makes these adjustments according to exponential moving averages of volatility in each instrument and in the portfolio as a whole.

Futures contracts that 2100 Xenon Group trades on behalf of its clients include, among others, crude oil, gold, Eurodollars, 2-year, 5-year, 10-year and 30-year U.S. Treasury futures, Euro-Bobl, Euro-Schatz, Euro-Bund, Euribor, corn, wheat, soybeans, sugar, coffee, gasoline, natural gas, copper, cotton, live cattle, the Nikkei, S&P, Stoxx, Dax, Russell, Aussie Dollar, Mexican Peso, Euro, Yen, British Pound, Swiss Franc, Canadian Dollar, Gilt, Canadian 10 Year, JGB 10 Year, Aussie 3 Year, Aussie 10 Year, Sterling, Euroyen, Canadian Bank Bill, Aussie Bank Bill, Korean Won, Canola Oil, Palm Oil, Brent Crude, Gas Oil, Heating Oil, Soybean Oil, Platinum, Hang Seng, S&P/ASX, South Africa, and Taiwan. Depending on the dictates of the Strategy, clients may be long or short any of these instruments at any given time.

## **Risk of Loss**

All investments in futures involve the risk of loss of capital. While 2100 Xenon Group believes that its investment programs may moderate this risk to some degree, no guarantee or representation is made that its investment strategies will be successful in lowering the risks associated with investing in futures. Prospective clients must be aware of and be comfortable with the proposition that they may rapidly lose amounts in excess of the funds deposited into their trading accounts. Therefore, prospective clients should not become clients unless they can afford to lose amounts in excess of funds on deposit without experiencing a material change in current lifestyles or future plans.

Proprietary accounts managed by 2100 Xenon Group that have no restrictions imposed by the accounts FCM on the markets traded in the account may receive different investment opportunities than accounts with such restrictions imposed by the FCM.

Client accounts below the minimum account size may experience materially different performance than the composite performance.

Investing in futures is extremely competitive. 2100 Xenon Group will compete with a large number of firms, some of which may have substantially greater financial resources, as well as larger research and trading staffs, than are available to 2100 Xenon Group. Competitive investment activity by other firms may reduce clients' opportunity for profit by reducing the variety of investment opportunities available to 2100 Xenon Group for investment on behalf of its clients.

Futures contracts are derivative instruments. The use of derivative instruments involves a variety of risks, including the risks inherent in the extremely high degree of leverage often embedded in such instruments. In addition, derivative instruments often have limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses.

The prices of derivative instruments can be highly volatile. Price movements of futures are influenced by, among other things, interest rates, changing supply and demand relationships, 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 currencies. Such intervention is often intended to directly 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 investment strategies also will be subject to the risk of the failure of any exchanges on which their positions trade or of their clearinghouses.

In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures contract trading typically is accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 5% of the price of a futures contract is deposited as margin, a 5% 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. Thus, like other leveraged investments, any purchase or sale of a commodity contract may result in losses in excess of the amount invested.

It is also possible to use notional funding in the futures markets. An account is notionally funded when the client directs the Commodity Trading Adviser to trade the account as if the funding amount was higher than the actual funds on deposit in the client's account. An investor who uses notional funding has even greater leverage, so that the investor's risk of loss is that much greater.

The Strategies require the taking of frequent trading positions. Portfolio turnover and brokerage commission expenses may, therefore, significantly exceed those of other investment entities of comparable size.

2100 Xenon Group may trade futures contracts on commodity exchanges and markets located outside the United States where U.S. regulations do not apply. Some non-U.S. exchanges, in contrast to U.S. exchanges, are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has entered into a commodity contract and not of an exchange or clearing corporation. In such a case, the Strategies are subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts.

Investing in non-U.S. financial instruments involves certain considerations not usually associated with investing in U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a portfolio's trading opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the United States. There is also less regulation, generally, of the financial markets in such countries than there is in the United States.

2100 Xenon Group's Strategies are dependent in part on the proper functioning of its internal computer systems. System failures, whether due to third-party failures upon which such systems are dependent or the failure of 2100 Xenon Group's hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and the resulting inability to trade (even for a short time), could, in certain market conditions, cause the strategies to experience significant trading losses or to miss opportunities for profitable trading.

The profitability of any technical trading strategy depends upon the occurrence in the future of major price moves or trends in the instruments traded. In the past there have been periods without discernible trends and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no trends of the kind it seeks to follow. Any factor that may lessen the prospect of major trends in the future (for example, increased governmental control of, or participation in, the markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at the system's signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

The success of the Strategies is dependent upon the expertise of the key personnel of 2100 Xenon Group, and any future unavailability of their services could have an adverse impact on a Strategy's performance.

## Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of 2100 Xenon Group or the integrity of 2100 Xenon Group's management. 2100 Xenon Group has not previously, nor is it currently, involved in any litigation, formal investigation or administrative proceedings.

## Other Financial Industry Activities and Affiliations

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### **Commodity Pool Operator and Commodity Trading Adviser**

2100 Xenon Group is registered with the National Futures Association as a Commodity Trading Adviser and a Commodity Pool Operator.

### **Material Relationships or Arrangements with Financial Industry**

Old Mutual (US) Holdings Inc., parent of 2100 Xenon Group, is an indirect subsidiary of Old Mutual plc, a UK-based global financial services company which includes insurance company, financial services and banking affiliates. The only relationship 2100 Xenon Group has with any of Old Mutual plc's affiliates is an investment by one of Old Mutual plc's advisory affiliates in a fund managed by 2100 Xenon Group. See "Advisory Business – Principal Owners" for further information about 2100 Xenon Group's ownership.

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

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## Code of Ethics

2100 Xenon Group strives to maintain a reputation for integrity in the investment community. While affirming its confidence in the integrity and good faith of all of its employees, officers, and managers, 2100 Xenon Group recognizes that certain of its employees have, or may have, knowledge or access to certain nonpublic information regarding our firm and its clients or affiliated investment advisory firms, and such information must be properly handled. To facilitate the appropriate handling of such information, 2100 Xenon Group has adopted a Code of Ethics that places certain restrictions and reporting obligations on personal trading activities. A copy of the Code of Ethics will be provided to any client or prospective client upon request.

## Participation or Interest in Client Transactions

2100 Xenon Group does not recommend to clients, nor does it buy or sell for client accounts, securities in which it or a related person has a material financial interest other than its investment in its funds. 2100 Xenon Group does not invest in futures contracts for its own account and prohibits employees from trading futures contracts except through participation in one of the firm's investment programs.

# Brokerage Practices

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## Selecting Brokerage Firms

The criteria considered by 2100 Xenon Group in selecting brokers include market position, reputation, financial stability, commission prices, and their ability to execute trades on all of the futures exchanges on which the firm trades around the world.

## Research and Soft Dollars

2100 Xenon Group generally does not receive any research or other products or services from brokers in connection with client futures transactions. In those cases where a broker does not have a proprietary trade execution platform, however, the broker will provide 2100 Xenon Group with a third-party trade execution platform free of charge. Typically, such brokers provide a third-party trade execution platform free of charge to all their clients executing trades with the broker.



## Brokerage for Client Referrals

The majority of 2100 Xenon Group's clients have managed accounts. Clients with managed accounts select their own clearing broker, which also acts as the clients' custodian. Thus, clients are responsible for choosing their own custodian broker and for negotiating margin rates and commission charges by the broker. As a result, clients may be charged materially different commission rates on similar transactions, based on the custodian broker chosen by the client and the commissions rates negotiated with the broker.

The selection of brokers through which 2100 Xenon Group executes trades is solely in the discretion of 2100 Xenon Group. 2100 Xenon Group also selects the clearing brokers for the funds under its management and for certain proprietary accounts, as well. This may give 2100 Xenon Group an opportunity and incentive to select a broker based on its interest in receiving client referrals, rather than based on our clients' interest in receiving most favorable execution.

## Order Aggregation

2100 Xenon Group generally aggregates the purchase and sale of futures contracts for all of its client accounts where possible. Doing so has the beneficial effect of lowering broker commission expenses for clients.

## Trade Errors

It is the policy of 2100 Xenon Group to ensure that each trade error is corrected in an expeditious manner. All errors are required to be reported in writing to the CCO, who is required to approve the resolution of all trade errors. Account losses caused by trade errors in excess of \$5,000 for any single account will be reversed with the Firm being responsible to make the affected account(s) whole. Account gains caused by trade errors will be credited to the affected Account. If in the event an Account cannot accept such credit, the Firm will make a contribution to a designated charity.

## Best Execution

The Firm has adopted the following guidelines for evaluating brokerage services when determining whether it has obtained best execution for client account transactions. These guidelines are designed to enable the Firm to fairly evaluate the overall quality and costs of a broker-dealer's execution services, including factors other than prices, commissions and other expenses paid in connection with account transactions.

The Firm will place trades for execution only with approved brokers or dealers. It is the Firm's policy to not use affiliated broker-dealers to effect security transactions for any fund or separate account.

## Order Allocation and Aggregation

2100 Xenon Group generally allocates securities using a pro rata allocation method among all eligible Accounts. Allocation decisions are generally made prior to placing an aggregated order and in no event later than the end of the trading day.

2100 Xenon Group will generally execute transactions on an aggregated basis when market conditions permit and the firm believes that to do so will allow it to obtain best execution and to negotiate more favorable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating trades all client accounts will be treated in a fair and equitable manner. Before entering an aggregated trade, a spreadsheet will be prepared by the firm's trading department, which specifies the participating accounts and how the trade will be allocated among those accounts. If the aggregated trade is filled in its entirety, it will be allocated among the accounts in accordance with the allocation sheet.

### **Side-by-Side Management**

The Firm seeks to provide high quality investment management services to all clients and as a fiduciary to its clients, the Firm seeks to treat all clients fairly. The Firm's investment teams generally manage multiple accounts for various client types. The various client types may include, but are not limited to: separately managed institutional accounts and investment limited partnerships. As a fiduciary to its clients, the Firm seeks to treat all clients fairly, to always put clients' interests first and to provide high quality investment services to all clients based on each client's objectives, guidelines, and risk tolerance.

When the investment team manages more than one account, a potential for conflict exists for the investment team to intentionally or unintentionally treat one account more favorably than another. This potential conflict can be most apparent when one account has a higher fee than another account, including, for example, a performance-based fee that is common to limited partnerships. The Firm seeks to manage this potential conflict through additional investment restrictions on investment team members who manage limited partnerships and other accounts, internal review processes, and oversight to ensure that no one client, regardless of type, is intentionally or unintentionally favored at the expense of another.

Fair treatment does not necessarily mean identical treatment. Differences in a client's investment program, account size (especially below minimum account size), brokerage clearing limitations, risk tolerance and the particular management needs of that account (e.g. cash flows) may result in significantly different performance across accounts. The Firm affords each member of the investment team the judgment to effectively manage an account. The Firm generally does not expect accounts to be managed identically, rather it is expected that the investment team will endeavor to: (1) manage accounts in accordance with the investment mandate of the client, (2) make the best investment decisions for each client according to that client's needs, and (3) ensure that no one client is advantaged or disadvantaged at the expense or benefit of another client.

# Review of Accounts

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## Periodic Reviews

Each client account is reviewed on a daily basis by the Director of Trading and the other members of the trading team to ensure the trade allocation process is functioning properly. Data in the trade log and trade allocation sheets are compared to the clients' brokerage statements. Any discrepancies noted are investigated immediately and discussed, if necessary, with a representative of the client's clearing broker (custodian).

In addition, the Chief Compliance Officer reviews client accounts on a quarterly basis. The principal purpose of the review is to ensure that the firm's trade allocation procedures are resulting in a fair treatment of all clients. These reviews focus on the returns earned in each account in each of the firm's investment programs. Any discrepancies in the returns realized by accounts within the same investment program are investigated and documented.

## Regular Reports

Clients with a managed account receive written monthly reports from their clearing broker. Managed account clients also receive a written monthly program update from 2100 Xenon Group. Clients who invest in a fund managed by 2100 Xenon Group receive a written monthly account statement from the third-party administrator of the fund. Fund investors also receive an annual audited financial statement for the fund.

# Client Referrals and Other Compensation

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## Economic Benefits

2100 Xenon Group is only compensated by its clients for the investment advisory services it provides to its clients. There are no other economic benefits received by 2100 Xenon Group for 2100 Xenon Group providing investment advisory services to its clients.

## Third-Party Solicitors

2100 Xenon Group compensates certain third-parties for client referrals. The compensation paid to third-parties is a percentage of the management and performance fees paid to 2100 Xenon Group by the referred client and arrangements are in compliance with the requirements of the Investment Advisers Act.

# Custody

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## Limited Partnerships

An affiliate of 2100 Xenon Group, 2100 Capital Group Partners 2, LLC, serves as the General Partner to certain limited partnerships. As a result, 2100 Xenon Group is deemed to have custody of certain client assets held by such partnerships. To comply with certain regulatory requirements, an independent audit is conducted of the limited partnerships annually and the statements sent to the investors in such limited partnerships.

## Account Statements

If you open a managed account with 2100 Xenon Group, you will receive a monthly statement of your account from the broker you select as your custodian. If you invest in one of the pooled funds managed by 2100 Xenon Group, you will receive a monthly statement of your account from the third-party fund administrator.

# Investment Discretion

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## Discretionary Authority for Trading

2100 Xenon Group accepts discretionary authority to manage securities accounts on behalf of all of the firm's clients. Generally, clients do not place limitations on 2100 Xenon Group's discretion. A small number of managed account clients do place limits on the gross and/or net exposure in their accounts to specific futures markets, however.

## Limited Power of Attorney

The standard agreement executed between 2100 Xenon Group and a managed account client contains language appointing 2100 Xenon Group as the client's attorney-in-fact to purchase and sell futures contracts.

# Voting Client Securities

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2100 Xenon Group only trades futures contracts and, therefore, does not have the authority to vote client securities.

# Financial Information

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There are no known financial conditions that are reasonably likely to impair 2100 Xenon Group's ability to meet contractual commitments to its clients.

## Other Information

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### Privacy Policy

2100 Xenon Group is subject to the CFTC privacy rules and Regulation S-P adopted by the SEC, and laws enforced by the Federal Trade Commission that govern the privacy of consumer information for registered investment advisers. The rules impose restrictions on the ability of financial institutions to disclose non-public personal information about consumers who are natural persons (*i.e.*, individuals) to nonaffiliated third parties and require financial institutions to provide privacy notices to consumers. Privacy regulations apply to the firm and to the funds advised by the firm. Non-public personal information about individuals includes personally identifiable financial information that is not publicly available, such as account balances, social security numbers, and net worth. The firm's privacy policies and procedures are designed to ensure that we maintain the confidentiality of personal information about our fund investors and owners of managed accounts and that we comply with applicable privacy regulations.