

HedgeMark Institutional Consultants, LLC

780 Third Avenue, 44<sup>th</sup> Floor

New York, NY 10017

212.888.1300

[www.hedgemark.com](http://www.hedgemark.com)

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This brochure (this “Brochure”) provides information about the qualifications and business practices of HedgeMark Institutional Consultants, LLC (“HMIC”). If you have any questions about the contents of this Brochure, please contact us at 212.888.1300 or [generalcounsel@hedgemark.com](mailto:generalcounsel@hedgemark.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

HMIC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information which you can use to determine whether to hire or retain an investment adviser.

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

## **Item 2 – Material Changes**

This Item describes only specific material changes that are being made to the Brochure since our last annual update of our brochure dated March 31, 2011.

As HedgeMark Advisors, LLC (“HMA”), an SEC-registered investment adviser and affiliate of HMIC, prepares to launch its HedgeMark Funds platform (which is anticipated to launch in April 2012), HMIC has revised a number of sections of this Brochure to better describe the HedgeMark Funds platform and HMIC’s relationship with HMA. Item 9 of this Brochure has been updated in order to disclose recent civil and administrative complaints against The Bank of New York Mellon Corporation, a substantial, but non-controlling, indirect equity-holder of HMIC, concerning its standing instruction foreign exchange services.

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#### **Item 4 – Advisory Business**

HedgeMark Institutional Consultants, LLC ("HMIC") provides advisory services to U.S. and non-U.S. institutional investors, funds, investment advisers (including HedgeMark Advisors, LLC ("HMA"), an SEC-registered investment adviser and affiliate of HMIC) with respect to their investment activities and related investment portfolios. That advice may include, but is not limited to, advice to HMA about Trading Advisors that HMA may recommend to the board of directors (each, a "Board") of the funds supported by HMA's managed funds platform (the "HMA Funds"). HMIC may also provide advice with respect to portfolio allocation, portfolio construction (including the structuring of segregated managed accounts for institutional investors), manager evaluation and due diligence, portfolio supervision and portfolio risk monitoring. Due diligence and monitoring services will be primarily provided to HMA and HMA Funds. Additionally, HMIC may provide its services to U.S. and non-U.S. institutional investors, to single-strategy or multi-strategy U.S. and non-U.S. private investment funds that are advised by third parties that are not affiliated with HMA or HMIC ("Non-HMA Funds").

HMIC may also provide advice to its managed account clients with respect to a variety of issues, including segregation and commingling of client assets, risk monitoring systems, prime broker selection and other forms of counter-party risk monitoring. HMIC does not intend to provide financial planning services, and does not plan to offer a full range of institutional investment consulting services.

HMIC will employ the risk monitoring technology of several vendors, including HedgeMark Risk Analytics, LLC ("HMRA"), an affiliated company.

HMA provides advisory services to U.S. and non-U.S. private investment funds (each a "Fund" and collectively, the "Funds"), which may trade, directly or indirectly, in a variety of U.S. and non-U.S. securities, futures, derivatives, foreign currency and other instruments. The Funds will be part of the HedgeMark Funds platform. The HedgeMark Funds platform offers qualified investors an opportunity to access a variety of investment styles and strategies each managed by a Trading Advisor (as defined below), thereby offering

investors access to investment programs of private investment vehicles commonly known as “hedge funds.” The HedgeMark Funds platform is also designed to provide enhanced risk reporting and transparency to Fund investors. HMA may establish other platforms or products from time to time and may establish a customized Fund for a specific investor or group of investors.

With respect to each Fund, HMA recommends to the Board of such Fund to engage registered and unregistered trading advisors (each a “Trading Advisor” and collectively, the “Trading Advisors”) who are delegated discretionary responsibility for the direct investment of a Fund’s assets. Such private investment funds may invest in a wide variety of U.S. and non-U.S. securities, futures, derivatives, foreign currency and other instruments. Information regarding each Fund, including investment objectives, strategy, fees and other material information, is contained in each Fund’s offering memorandum and its other offering documents (collectively, the “Memorandum”).

HMIC conducts ongoing operational due diligence on each Trading Advisor and may recommend such Trading Advisor to HMA’s Investment Committee for inclusion on the HedgeMark platform.

HMIC does not conduct its operational due diligence with a view towards forming a judgment as to the future performance prospects of the Trading Advisors. A recommendation by HMIC to HMA that a Trading Advisor be included on the HedgeMark platform does not constitute a recommendation of the Trading Advisor’s prospects and is not an endorsement of such Trading Advisor’s investment program, performance prospects or suitability for any given investor. Each investor in the HedgeMark Funds platform is responsible (either alone or with the investor’s professional advisors) for evaluating and forming its own determination about a Trading Advisor’s investment program, performance prospects and suitability. Furthermore, while HMA actively monitors each Trading Advisor’s compliance with the investment guidelines of the relevant Fund, and HMIC monitors the Trading Advisor’s continued compliance with HMIC’s operational standards, HMA does not monitor a Trading Advisor’s performance prospects or suitability for any investor. Each investor in a Fund (either alone or with such investor’s professional

advisors) is responsible for monitoring the performance of each Fund in which it is invested for purposes of determining whether it wishes to remain invested in such Fund and whether such Fund continues to be appropriate for the investor's circumstances and requirements.

While HMA may recommend to a Fund's Board that it terminate a Trading Advisor, HMA does not expect to make any such recommendation except where such Trading Advisor has been determined to be acting in a manner constituting gross negligence, fraud, willful misconduct, a material breach of its Trading Advisory Agreement or a material violation of applicable law that HMA considers detrimental to the applicable Fund and its investors. HMA does not expect to recommend that a Trading Advisor be terminated solely due to poor performance and believes that investors should make such decisions themselves. HMA reserves the right to recommend to a Fund's Board to terminate such Fund or compulsorily redeem investors in such Fund if the assets of the Fund diminish to a level such that, in the discretion of HMA, the Fund is impractical or not economically desirable for investors, the Trading Advisor or HMA, for example, due to any resulting increase in the Fund's expense ratio or because the decrease in size reduces HMA's or the Trading Advisor's fees to an undesirable level. Investors in a Fund are responsible for monitoring the Fund's expense ratio and should not expect that HMA will notify investors if, as a result of a reduction in a Fund's value or any other circumstances, the Fund's expense ratio increases or is expected to increase.

An affiliate of HMIC, HedgeMark Risk Analytics, LLC ("HMRA"), has developed performance and risk measurement and monitoring technologies that assist in providing Fund portfolio monitoring based on having transparency into the Funds' underlying portfolios. HMRA will be compensated for such services by the applicable Funds.

HMIC may also provide non-discretionary advisory services to multi-manager Funds that invest all or a portion of their assets in Funds on the HedgeMark Funds platform.

HMIC was organized in Delaware on August 26, 2009 and has been registered as an investment adviser with the SEC since October 9, 2009. For information about HMIC's ownership structure, see Item 10.

HMA will launch the HedgeMark Funds platform in or about April 2012.

## **Item 5 – Fees and Compensation**

HMIC does not have a standardized fee schedule. Depending upon the scope, nature and duration of a specific client assignment, HMIC may charge a fixed fee, a variable asset-based fee, or a customized fee based on estimated time involved with a specific project. Fees may be charged in arrears or in advance and may be on a monthly, quarterly or annual basis, as set forth in the relevant agreement between each Client and HMIC. Clients will be billed by HMIC for the services provided by HMIC.

The specific fees applicable to a client will be set forth in each individual client's advisory agreement. Generally, fees may be negotiable depending upon a variety of factors, including, among other things, type and extent of advisory service offered, amount of assets under management, the overall relationship with the client or investor and other services offered to the client or investor and the manner in which HMIC's research is being used. Certain investors in HMA funds may also be clients of HMIC; in such case, HMIC may waive certain of its fees. HMIC performs due diligence on behalf of HMA with respect to Trading Advisors. HMIC research, analysis and due diligence findings are presented to HMA.

HMIC's advisory agreements with clients will be generally terminable upon an agreed period of prior written notice, without penalty, or upon a breach, subject to certain termination fees as set forth in the relevant agreement. If applicable, HMIC's fees will be pro-rated or refunded for partial periods.

Each HMA Fund will pay an advisory fee (the "Advisory Fee") and will be subject to a performance fee or allocation (the "Performance Compensation"). The fees and compensation payable by the HMA Funds to HMA and the Trading Advisors are in addition to any operating or other expenses of the Funds. It is expected that the Advisory Fee will

be charged at a rate of approximately 1.0% to 2.0% per annum (without deduction for any Access Fee (as defined below) or Advisory Fee, or any Performance Compensation accrued, made and/or paid, as applicable, on such date), but may at times be higher. The Advisory Fee is expected to vary from Fund to Fund and will be described in the Memorandum for such Fund. It is expected that the aggregate rate at which the Performance Compensation will be made and/or paid, as applicable, will be approximately 20% of net appreciation of an investor's interest in a Fund subject to a "high water mark." However, the Performance Compensation is expected to vary from Fund to Fund and will be described in the Memorandum for such Fund. The Advisory Fee payable by a Fund will generally be allocated between HMA and the Trading Advisor of such Fund pursuant to terms negotiated by HMA and the Trading Advisor. The Performance Compensation will generally be paid or allocated, as applicable, by the relevant Fund to its Trading Advisor; however, one or more Funds may pay or allocate a portion of aggregate Performance Compensation to HMA. Either HMA or the Trading Advisor may, in their respective sole discretion, pay all or any portion of the Advisory Fee or Performance Compensation to any affiliate or other party. Certain Funds may charge lower fees to certain "seed", "cornerstone" or other investors with whom HMA or the Trading Advisor (or their affiliates) has a strategic commercial relationship. The HMA Funds will generally not compensate HMIC directly; however, HMA may compensate HMIC out of its share of the Advisory Fees and Performance Compensation.

In negotiating Advisory Fees and Performance Compensation with a prospective Trading Advisor, HMA will be motivated by the desire to maximize the fees payable to it and will not attempt to negotiate a lower fee structure for investors. It is anticipated that each Fund's fee rates will generally be similar to the fee rates of the flagship vehicle of the Trading Advisor that uses a similar strategy as the proposed Fund, however, the fee structure may be higher or lower. Fee structures for hedge funds are among the highest fees imposed on investment products and HMA will not attempt to mitigate such fees. Investors, including investors with a fiduciary or advisory relationship with affiliates of HMA, should be aware that HMA is not acting in a fiduciary or advisory capacity to any investor when negotiating and establishing a Fund's fee structure, including, and



specifically with respect to, clients of other affiliates of The Bank of New York Mellon Corporation (collectively, with its affiliates and subsidiaries, “BNY Mellon”), an affiliate of HMA and HMIC, with which an investor may have a fiduciary relationship.

The expenses and specific fees applicable to a Fund will vary based on a variety of factors, including, among other things, investment strategy and agreements between HMA and the Trading Advisor.

HMA’s services agreements with a Fund will generally be terminable upon an agreed period of prior written notice, without penalty, or upon a breach, and/or also may be automatically renewed. Advisory fees charged in arrears will be pro-rated for partial periods and it is expected that fees charged in advance will be refunded for partial periods.

Each Fund, directly or indirectly, also will pay out of its assets all of its ordinary and extraordinary expenses which may include, but are not limited to, (i) legal, accounting, auditing, tax, market data, valuation, insurance, printing, computer, postage and similar fees and expenses, (ii) fees and expenses of a Fund’s administrator, custodian(s), any sub-administrator(s), sub-custodian(s), independent directors, general partners, managing members and other service providers (including certain out-of-pocket expenses), (iii) expenses associated with the continued offering of interests in such Fund and filing and other fees related to such offerings, (iv) interest, commitment and other fees in connection with borrowings, (v) transaction-related expenses, including brokerage fees and custody charges, (vi) research and due diligence related expenses (including fees paid to HMRA in connection with the provision of risk analytics tools), including related consulting fees, travel, background investigations, subscriptions, databases, legal fees, fees for data processing, data aggregation and risk reporting; (vii) government filing fees and expenses, (viii) extraordinary expenses (e.g., litigation costs, liquidation-related expenses and indemnification obligations) that a Fund may incur, and (ix) any other expenses related to a Fund’s ongoing operations.

Certain categories of expenses incurred by HMA, HMIC and their affiliates in connection with the establishment and ongoing operations of the HedgeMark Fund platform (the

“Platform Expenses”), such as out-of-pocket expenses associated with conducting diligence on current or prospective Trading Advisors, may be aggregated and allocated among all or a group of the Funds without regard to which specific Fund some of these expenses may potentially be attributable.

Each Fund will also pay HMA a fee (the “Access Fee”), calculated and payable monthly in arrears, in an amount equal to 0.0417% (a 0.50% annual rate) of invested value of each investor who does not meet HMA’s standards for investing in a class of interests in a Fund that is not subject to the Access Fee.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

HMIC does not plan to charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). HMA may receive performance-based fees as described in HMA’s Brochure.

#### **Item 7 – Types of Clients**

HMIC plans to provide non-discretionary advice to HMA and may provide advisory services to U.S. and non-U.S. private investment funds (including funds advised by HMA), U.S. and non-U.S. institutional investors, managed accounts and investment advisors. HMIC does not plan to provide financial planning services, and does not plan to offer a full range of institutional investment consulting services. HMIC does not have a standard minimum account size.

#### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

##### **Methods of Analysis and Investment Strategies**

*Initial Due Diligence.* Prior to a Fund engaging a Trading Advisor, HMIC will conduct due diligence on the Trading Advisor and its principals and key employees. The due diligence process will include an analysis of the Trading Advisor’s investment strategy and a review of the Trading Advisor’s operational and management policies. In addition, HMIC will

perform a review of the Trading Advisor's organization, operational infrastructure and internal operating platform.

Engaging Trading Advisors. After satisfactory completion of due diligence on a Trading Advisor, HMIC will present its findings on such Trading Advisor to HMA's investment committee. If a Trading Advisor is acceptable to HMA, a new Fund will be formed and HMA will recommend to the Board of such Fund to enter into a Trading Advisory Agreement with such Trading Advisor.

Ongoing Due Diligence and Monitoring of the Trading Advisors. HMA will monitor the trading activities of each Fund, generally on T+1 basis, to monitor such Trading Advisor's compliance with the investment guidelines set forth in the relevant Trading Advisory Agreement. In addition, HMIC will perform periodic ongoing due diligence with respect to certain aspects of a Trading Advisor's operations that it believes may impact the integrity, performance and risk characteristics of the Trading Advisor and the related Fund. In connection with its ongoing due diligence activities, HMA, with the use of the HMRA risk analytics tools, will seek to monitor the investment activities of each Trading Advisor. In addition, HMA will monitor, generally on a T+1 basis, certain risk exposure associated with a Trading Advisor's dealing with various prime brokers, custodians and other counterparties pursuant to prime brokerage agreements, ISDAs or other custody agreements. HMA may utilize outside consultants, accountants, calculation agents, administrators, sub-administrators and/or in-house operations in order to perform its ongoing due diligence and monitoring functions. The trading guidelines for a Fund are guidelines and not strict limits. A Fund's investment guidelines may be breached from time-to-time, and HMA is not required to, and does not intend to, recommend that a Board strictly enforce all guidelines at all times. Investors should not assume that each Fund will at all times be in full compliance with all of their respective guidelines and should assume that HMA will use discretionary judgment, which may or may not prove optimal.

Termination of a Trading Advisor. Pursuant to each Trading Advisory Agreement, a Fund's Board, upon the recommendation of HMA, may remove the relevant Trading Advisor and terminate its ability to trade on behalf of the relevant Fund. HMA does not expect to

recommend that any Trading Advisor be terminated except where such Trading Advisor has been determined to be acting in a manner constituting gross negligence, fraud, willful misconduct, a material breach of its Trading Advisory Agreement or a material violation of applicable law that HMA considers detrimental to the applicable Fund and its investors. Except with respect to extraordinary breaches of a Trading Advisory Agreement that HMA believes cannot be cured, the relevant Trading Advisor will generally be given the opportunity to cure any breach of the related Trading Advisory Agreement (including a breach of any investment guidelines).

Upon the termination of a Trading Advisory Agreement, the Board will have the right to designate a new Trading Advisor or other person, including HMA or one of its affiliates, to manage the assets of such Fund for purposes of liquidating the assets of such Fund in an orderly manner designed to preserve the overall value of such Fund's portfolio.

An investment in a Fund, standing alone, does not create an advisor-client relationship with any member of the HedgeMark group of companies. An investor in a Fund will not become an investment advisory client of any member of the HedgeMark group of companies, including HMA and HMIC, solely by reason of having purchased one or more interests in a Fund. An investor in a Fund will also not become an investment advisory client of any Trading Advisor solely by reason of having invested in a Fund advised by such Trading Advisor. The fact that an investor may have an advisory or other fiduciary relationship with one or more affiliates of HMIC does not mean that HMIC is in any way acting in an advisory or fiduciary capacity to such investor.

Neither HMA nor HMIC will take into consideration the suitability of an investment by any investor in any Fund, any group of Funds or in any allocation of capital directly to any Trading Advisor or group of Trading Advisors. The availability of a Fund through the HedgeMark Funds program does not constitute a recommendation to any investor as to the merits of investing directly in such Fund or allocating capital directly to the relevant Trading Advisor by such investor. The availability of a Fund or a group of Funds through the HedgeMark Funds program does not constitute a representation by any member of the HedgeMark group that the performance of such Fund or such group of Funds is guaranteed

or will be consistent with the prior performance returns obtained by the corresponding Trading Advisor or group of Trading Advisors.

HMRA, in its capacity as the risk analytics provider, will provide HMA and HMIC with the HMRA risk analytics tools, which are expected to be used to chart historic and recent performance and risk data for each Fund. This data is intended to facilitate HMA's analysis of the portfolio of each Fund and to monitor certain risk metrics for each such Fund. HMRA will not be providing any advisory services to HMA, HMIC or any investor. Each Fund will pay HMRA a fee for purposes of obtaining use of the HMRA risk analytics tools. Access to the HMRA risk analytics tools will be provided to investors with respect to the Funds in which they hold investments at no additional cost, subject to HMRA's standard terms and conditions. Certain Trading Advisors may limit the amount of information and transparency that may be provided to investors in the Funds and such limitations may impact the functionality of the HMRA risk analytics tools with respect to Funds advised by such Trading Advisor. Accordingly, investors should not assume that the full functionality of the HMRA risk analytics tools will be available with respect to every Fund.

The investment strategy for a specific Fund is described in such Fund's Memorandum and will vary based on the Trading Advisor for that Fund. Investment strategies employed by the Trading Advisors either directly or indirectly may include, but are not limited to, equity long/short, aggressive growth, distressed securities, emerging markets, macro, arbitrage (such as risk, convertible, or fixed income), equity market neutral, market timing, opportunistic, multi-strategy, short selling, event driven, managed futures, special situations and structured credit. Each Trading Advisor will use its discretion to allocate assets of Funds in accordance with the investment strategy set forth in each Fund's Memorandum. In pursuing its investment strategy, a Fund may trade, buy, sell, sell short and otherwise acquire, hold, dispose of, and deal in securities and other rights and interests in and relating to personal property including, without limitation, (i) U.S. and non-U.S. equity and equity-related securities, including convertible debt securities, "new-issues," indices and distressed equity securities (all of which may be publicly-traded or privately-held), (ii) U.S. and non-U.S. notes, bonds, municipal bonds, debt instruments and other fixed

income financial instruments, and (iii) futures and forward contracts (including, without limitation, contracts for future delivery with respect to securities, currencies and other financial instruments), repurchase and reverse repurchase agreements, index futures, swap contracts (including asset swaps), currencies and warrants, as well as listed and over-the-counter-options and other derivative instruments (including credit derivatives) on all of the above financial instruments. Investing in securities involves risk of loss that clients should be prepared to bear. There can be no assurances that a Fund will achieve its investment objective or that the strategies pursued and methods utilized by a Trading Advisor will be successful under all or any market conditions.

### **Risk of Loss**

The strategies described in the section above relate to a variety of investments, each of which can fluctuate in value. The value of each Fund's portfolio may fall and an investor may not receive the full amount originally invested. Investment risks vary between different types of investments. The risk factors set forth below do not purport to be a complete explanation of all of the risks involved in investing in Funds, the investment strategies utilized by the Funds or the underlying funds to which assets may be allocated. In all instances, any further information related to risks relevant to Funds and their strategies, as well as to strategies of investment vehicles in which they invest, should be reviewed in the Memorandum and other documents provided to investors. Such documents are available only to current investors or prospective investors who are eligible to invest in Funds, as determined in the sole discretion of HMA.

**General Trading Risks.** All financial instrument investments present a risk of loss of capital. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions, including, but not limited to:

- national and international economic conditions;
- domestic and international financial policies and performance, conditions;
- national and international politics and governmental events;
- changes in income tax laws;
- systematic risks;
- trading and price volatility;
- market dislocations, illiquidity and volatility;
- failure of brokerage firms or custodians; and
- use of leverage.

**Hypothetical Performance Information.** All Funds will initially be newly-formed and will not have any performance returns. Therefore, certain materials provided to investors in connection with the HedgeMark Funds program may present the hypothetical performance results of a Fund based on the actual performance results of the corresponding private investment vehicle managed by such Fund's Trading Advisor. Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any Fund will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular Fund.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also

adversely affect trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results, all of which can affect actual trading results.

**HMA's Oversight of Brokers and Related Matters.** HMA will seek to engage in periodic due diligence with respect to the operations of each custodial broker used by the Funds. Such due diligence will generally be directed towards seeking to ensure that the Funds discontinue or reduce their use of any broker that is substantially likely to be subject to the operational challenges described above prior to such operational challenges becoming acute. However, no assurance can be given that HMA will be able to successfully determine whether such challenges have reached a level at which the broker of any Fund is at material risk. Moreover, if HMA were to make a determination to direct a Fund to discontinue or reduce its use of a broker, the transactional and other costs to a Fund required to transfer to a new broker (including opportunities lost during such transfer to profit from market volatility and other dislocations) could be material. Such costs may not be fully recoverable by such Fund and such replacement broker may not offer the same types of services that the replaced broker provided.

**Newly-Formed Platform; No History.** The HedgeMark Funds platform has only recently been organized and has no history of adding Funds. However, members of the management team have extensive experience in creating and operating a managed account platform and in depth experience in risk monitoring and analytics. Further, HMA has never, as a company, operated a platform of the type described in this Brochure. No assurance can be given that HMA will be able to successfully diligence Trading Advisors or will be able to adequately monitor the operations of Trading Advisors and Funds.

**Lack of Control.** HMA will make recommendations to the Board of each Fund to approve transaction counterparties after engaging in diligence on their operations. However, it is impossible to predict whether one or more of such counterparties will be able to avoid bankruptcy or engage in fraud. Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Funds.



**Risk Relating to Trading Advisors.** While investors in a Fund will be provided with the reports generated by HMA with respect to the investment characteristics of the relevant Fund, all day to day trading and advisory decisions about each Fund will be made by its corresponding Trading Advisor. No investor should invest in a Fund unless it is willing to entrust all aspects of the investment management activities of the Fund to its Trading Advisor. While HMA will monitor each Trading Advisor's compliance with the investment guidelines and other material provisions of the relevant Trading Advisory Agreement, there are a number of limitations on HMA's ability to monitor a Trading Advisor and other risks relating to the Trading Advisors, including:

- HMA's monitoring will only be performed on a post-trade basis;
- lack of availability of information;
- reliance on Trading Advisor for accuracy of certain information;
- risk of fraud;
- limited control over the Trading Advisors;
- potential adverse effects of increasing the assets managed by a Trading Advisor;
- risks related to other accounts advised by a Trading Advisor;
- limitation on the liability of a Trading Advisor and potential indemnity claims of a Trading Advisor; and
- Trading Advisor key person risks.

Additional risks associated with the HedgeMark Funds program include (among others):

## **Fund Risks**

- limited operating history;
- the business of each Fund will be dependent on key individuals of HMA and the relevant Trading Advisor;
- interests in the Funds may be illiquid;
- operational risks;
- systems risks;
- possibility of in-kind distributions;
- potential inaccurate determinations of a Fund's net asset value;
- limitations on withdrawals;
- compulsory withdrawals;
- preferential terms provided to select investors;
- valuation risks;
- substantial fees and expenses;
- effects of substantial withdrawals;
- limitations on liability and indemnification;
- inability of investors to replace or remove HMA or any Trading Advisor or otherwise exert any control over a Fund;
- risk of trade errors;
- use of soft dollars; and

- capacity limits.

### **Tax and Regulatory Risks**

- the lack of government regulation;
- legal and regulatory changes that may adversely affect the Funds, including the risk that excessive rules and regulations may be imposed on parts of a Fund's business;
- risks of failing to comply with applicable regulations under the U.S. Employee Retirement Income Security Act of 1974; and
- tax and audit risks.

**Risks Relating to the Potential Investment Strategies, Techniques and Instruments used by the Funds.** Each Fund will be subject to the risks relevant to its investment strategies, techniques and instruments. Such strategies, techniques and instruments may be speculative and volatile. Certain of these risks are identified in the Funds' Memorandum; however, such disclosure should not be considered a complete list of all such potential risks.

Please refer to the relevant Memorandum for a more detailed discussion of the risks associated with each Fund.

### **Item 9 – Disciplinary Information**

HMIC does not have any disciplinary or legal events to report and is not a defendant or party to any of the complaints or actions described in the following paragraph.

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 BNY Mellon, a substantial, but non-controlling, equity-holder of HMIC. 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.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

HMA is an SEC-registered investment adviser and a related person of HMIC. HMIC performs due diligence and ongoing monitoring on behalf of HMA with respect to Trading Advisors. HMA may compensate HMIC out of its HMA Fund’s advisory fees. HMIC also provides non-discretionary investment advice to its clients regarding investments in funds, including HMA Funds. Therefore, certain clients of HMIC also may become investors in one or more HMA Funds. Each such client will be furnished the relevant Fund’s Memorandum, which will disclose the relationship of HMA to such Fund.

HMRA, a related person of HMA, has developed performance and risk measurement and monitoring technologies that assist HMA and HMIC, as applicable, in providing Fund transparency and portfolio monitoring. HMRA will be compensated for such services by the Funds.

HedgeMark Securities, LLC (“HMS”), a related person of HMA, intends to register as a broker-dealer.

HMA, HMIC, HMRA and HMS are wholly-owned subsidiaries of HedgeMark International LLC (“HMI”). HMI is in turn owned by HedgeMark Holdings, LP and PAS Holdings, LLC. PAS Holdings, LLC, an indirect wholly-owned subsidiary of The Bank of New York Mellon Corporation, owns a significant but non-controlling interest in HMI, with the right to take control of HMI by January 2014 and the right to then acquire HMI by January 2016. PAS

Holdings, LLC is affiliated with Pershing, LLC, an indirect wholly-owned subsidiary of The Bank of New York Mellon Corporation, which is a broker-dealer registered with the SEC and is a member of the Financial Industry Regulatory Authority, Inc. HedgeMark Holdings, LP is comprised of various investors and employees of HedgeMark entities. 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.

### **Conflicts of Interest**

The Funds will utilize BNY Mellon in multiple capacities. HMA believes that its relationships with BNY Mellon, a highly regulated organization and one of the more highly rated banking institutions, is beneficial to investors in the Funds and that the pricing provided by BNY Mellon for its services are commercially competitive, however, such relationships also give rise to conflicts of interests. The services obtained from BNY Mellon may include, but are not limited to:

- asset custody services of BNY Mellon;
- administration services of BNY Mellon;
- prime brokerage and clearing services offered through BNY Mellon's subsidiaries Pershing LLC and BNY Mellon Clearing LLC; and
- private placement services offered through broker-dealers affiliated with BNY Mellon.

BNY Mellon may also recommend the Funds as an investment opportunity for its customers.

Certain potential conflicts of interest exist as a result of HMA's and HMIC's affiliation with BNY Mellon. They include, but are not limited to, conflicts with respect to the selection of

BNY Mellon, as a service provider as opposed to independent third parties. Various BNY Mellon subsidiaries are registered as broker-dealers, futures commission merchants, commodity pool operators and/or commodity trading advisors.

### **Item 11 – Code of Ethics**

HMIC has adopted a code of ethics (“Code of Ethics”) for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes, among other things, provisions that govern fiduciary duty, client opportunities, political contributions, confidentiality of client information, insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items and personal securities trading procedures.

HMIC’s Code of Ethics (including a Personal Investment and Trading Policy) governs personal trading by its principals and employees (“Employees”). Employees are permitted to maintain personal securities accounts provided that such accounts are disclosed to HMIC and that any personal trading is consistent with applicable law and with the Code of Ethics. Subject to compliance with the Code of Ethics, Employees may buy, sell or hold, for their own personal trading accounts, securities that HMIC or an affiliate also may buy, sell or hold. Subject to certain exceptions, all employee trades must be pre-approved by HMIC. Such approvals are only valid for a limited period of time.

The Code of Ethics contains policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to HMIC clients;
- prohibit trading on the basis of material nonpublic information;
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and
- require initial and annual reports of securities holdings.

HMIC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Joseph Bergman, Chief Compliance Officer, at 212.888.1300.

HMIC generally will not direct the trading and investment activities of the Funds or any other clients. HMA may recommend that the Board of a Fund direct a Trading Advisor to buy or sell securities for purposes of bringing a Fund's investment portfolio in compliance with such Fund's investment guidelines. Affiliates of BNY Mellon may serve as the Trading Advisor to one or more Funds, and in such capacity may cause a Fund to effect a purchase or sale of securities in which HMIC or BNY Mellon, directly or indirectly, has a position or interest. HMIC and its affiliates, including BNY Mellon, may recommend, on a non-discretionary basis, to clients an investment in the Funds. BNY Mellon may have discretionary authority over its client account that may invest in the Funds. Affiliates of HMIC may invest in the Funds.

HMIC generally will not engage in principal transactions with client accounts, and, before it could do so, it would have to secure applicable client consent. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated private investment fund and another client account.

## **Item 12 – Brokerage Practices**

HMIC plans to provide non-discretionary advisory services and therefore will not have the authority to determine the securities to be bought or sold, the amount of securities to be bought or sold, the broker to be used or the brokerage commission rates.

HMA Funds may be clients of HMIC. Each broker which will custody Fund assets or hold collateral from or on behalf of a Fund must be approved by HMA. HMA's approval of a broker is expected to be developed based on, among other things, a broker's reputation, financial strength, stability and responsibly, reliability, execution capability and commission rates. HMA intends to monitor each broker used by the Fund to custody or

hold collateral on a periodic basis to determine if such broker continues to conform to the standards set by HMA, in its discretion. No assurance can be given, however, that HMA will be able to successfully monitor each such broker's stability.

The Trading Advisors will determine the securities to be bought or sold and the amount of securities to be bought or sold for their respective Funds.

With respect to each Fund, in selecting brokers to execute transactions, the relevant Trading Advisor and their respective affiliates and any of its or their partners, members, managers, officers, directors, employees, or other applicable representatives and their respective successors, transferees and assigns (collectively, the "Trading Advisor Group") need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is anticipated that brokers will be selected by Trading Advisors generally on the basis of best execution and adherence to best practices; provided that, in selecting brokers, a Trading Advisor may consider products and services, either provided by the broker or paid for by the broker to be provided by others, including research and research-related products and services, and other products and services such as special execution capabilities, clearance, settlement, commission rates (and other transaction charges), net price, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, on-line access to computerized data regarding clients' accounts, performance measurement data, consultations, technical data, recommendations, general reports, financial strength and stability, efficiency of execution and error resolution, quotation services, the availability of stock to borrow for short trades, custody, recordkeeping and similar products and services ("Products and Services"). Such Products and Services may be provided to any member of the relevant Trading Advisor Group. In recognition of the value of Products and Services provided by a broker, the relevant Trading Advisor Group may effect securities transactions which cause a Fund to pay the broker an amount of commission in excess of the amount of commission another broker would have charged.

With respect to each Fund, the relevant Memorandum will set forth whether the use of soft dollars by the relevant Trading Advisor is intended to qualify for the safe harbor contained



in Section 28(e). The Trading Advisors and their respective affiliates and any of its or their partners, members, managers, officers, directors, employees, or other applicable representatives and their respective successors, transferees and assigns, are each authorized to utilize different brokers for each transaction. Trading Advisors that are located outside of the United States may be subject to different rules and practices with respect to their use of soft dollars.

With respect to a Fund, the members of the relevant Trading Advisor Group may use Products and Services in servicing some or all of their clients and the clients of their affiliates. In addition, some Products and Services may not necessarily be used by a Fund even though its commission dollars may have provided for the Products and Services. A Fund, therefore, may not, in a particular instance, be the direct or indirect beneficiary of the Products or Services provided. To the extent that a member of the relevant Trading Advisor Group receives the benefits of Products and Services, a conflict of interest exists between the member of the relevant Trading Advisor Group's fiduciary duty to manage or trade (directly or indirectly) for the relevant Fund in the best interests of a Fund and its investors and the member of the relevant Trading Advisor Group's desire to receive the potential benefits of these Products and Services.

### **Item 13 – Review of Accounts**

HMA will monitor each Trading Advisor's compliance with the investment guidelines of the relevant Fund. HMIC will monitor each Trading Advisor's continued compliance with HMIC's operational standards. HMA and HMIC do not monitor a Trading Advisor's performance prospects with a view toward the continued suitability of a Fund's strategy for any investors in such Fund.

HMA's monitoring of a Trading Advisor's compliance with a Fund's investment guidelines will generally be conducted on a T+1 basis with the use of HMRA's risk analytics tools. Additional analysis may be conducted on a less frequent basis. HMIC will update its due diligence of a Trading Advisor periodically and substantial time may elapse between such reviews.

Fund investors will receive monthly statements from the Fund's administrator, as well as annual independently audited financial statements. Investors also may receive additional Fund-related information at the discretion of HMA.

#### **Item 14 – Client Referrals and Other Compensation**

HMIC (or an affiliate) may compensate third parties for referring clients to HMIC. Such compensation generally may be a percentage of the its advisory fees, a fixed amount or other agreed-upon compensation. HMA may compensate third parties, including SEC-registered broker-dealers, for referring clients or investors to HMA or an affiliate. Such compensation generally may be a percentage of the advisory fees and/or performance-based compensation earned by HMA (or as applicable an affiliate) and/or the Trading Advisor, based on investments by such investor or client, a fixed amount or other agreed-upon compensation. If applicable, any such referral arrangements will be in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940.

#### **Item 15 – Custody**

HMIC does not have actual custody of any of its clients' assets, but HMA may be deemed to have custody of the assets of those Funds under Rule 206(4)-2. In accordance with Rule 206(4)-2, financial statements, audited by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules, will be furnished annually to all investors in the Funds. Investors in the Funds are urged to carefully review all statements and contact HMA or HMIC if they have any questions.

#### **Item 16 – Investment Discretion**

HMIC provides only non-discretionary services.

HMA will have the authority to recommend that a Fund's Board retain a Trading Advisor or terminate a Trading Advisor. Upon such termination, the Board will have the right to designate another Trading Advisor or other person, including HMA or one of its affiliates, to

manage the assets of such Fund, for purposes of liquidating the assets of such Fund in an orderly manner designed to preserve the overall value of such Fund's portfolio.

While HMA may make a recommendation to a Fund's Board to terminate a Trading Advisor (subject to any advance notice requirements set out in the relevant Trading Advisory Agreement), HMA does not expect to terminate any Trading Advisor except where such Trading Advisor has been determined to be acting in a manner constituting gross negligence, fraud, willful misconduct, a material breach of its Trading Advisory Agreement or a material violation of applicable law that HMA considers detrimental to the applicable Fund and its investors. HMA does not expect to terminate a Trading Advisor solely due to poor performance. HMA reserves the right to terminate a Fund or compulsorily redeem investors in the Fund if the assets of the Fund diminish to a level that the Trading Advisor or HMA determines, in their sole discretion, makes the Fund impractical or not economically desirable for investors, the Trading Advisor or HMA, for example due to any resulting increase in the Fund's expense ratio or because the decrease in size reduces HMA's or the Trading Advisor's fees to an undesirable level. Investors in a Fund are responsible for monitoring the Fund's expense ratio and should not expect that HMA will notify investors if, as a result of a reduction in a Fund's value or any other circumstances, the Fund's expense ratio increases or is expected to increase. No assurances can be given that a determination by HMA to terminate a Fund or the liquidation of a Fund's assets can be conducted in a manner that protects investors in such Fund from further losses. Similarly, the termination or liquidation of a Fund would prevent investors in such Fund from realizing any benefit from any future increase in the price of such Fund's investments. In liquidating a Fund's assets, HMA or the relevant liquidator will seek to liquidate such Fund's assets in an orderly manner, but will not seek to time such sales or otherwise engage in trading activities in an effort to realize investment or trading gains.

#### **Item 17 – Voting Client Securities**

Because of the nature of its services, HMIC does not have discretion to vote proxies for a client's account. Similarly, HMA generally does not exercise discretion to vote proxies for a Fund's portfolio securities. The applicable Trading Advisor will exercise discretion to vote

proxies for a Fund's securities. In the limited circumstances when HMA does vote proxies, HMA's proxy voting policy is to vote all proxies (or abstain from voting) in the relevant Fund's best interest on a case-by-case basis, considering such facts as it deems material and as appropriate, after consultation with the applicable Trading Advisor. HMA's objective is to vote proxies, in its judgment, in a manner that is most likely to maximize the value of a Fund's investments. HMA's proxy voting policy also addresses potential material conflicts of interest that may arise between HMA and/or its employees, a Trading Advisor or a Fund. HMA's Chief Compliance Officer oversees and manages the process by which it votes proxies. Clients may obtain HMA's and HMIC's proxy voting policy upon request by contacting HMA's and HMIC's Chief Compliance Officer, Joseph Bergman, at 212.888.1300.

#### **Item 18 – Financial Information**

HMIC is not required to include a balance sheet for its most recent fiscal year, has no financial condition that impairs its ability to meet contractual commitments to its clients, and has not been the subject of a bankruptcy proceeding.