

FORM ADV PART 2A: FIRM BROCHURE

CTC FUND MANAGEMENT, L.L.C.

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THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF CTC FUND MANAGEMENT, L.L.C. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT (312) 863-4525. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.

ADDITIONAL INFORMATION ABOUT CTC FUND MANAGEMENT, L.L.C. ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

MATERIAL CHANGES

As CTC Fund Management, L.L.C. (“CTC”) has not previously filed a firm brochure with the U.S. Securities and Exchange Commission (“SEC”), there are no material changes to be disclosed to this brochure at the present time.

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ADVISORY BUSINESS

CTC was founded in 2002 to provide trading and asset management services to U.S. and foreign investors and clients. CTC is a wholly-owned subsidiary of CTC Holdings, L.P.

CTC acts as a discretionary investment adviser to private investment funds; CTC does not currently act as an investment adviser to separately managed client accounts. As of the date hereof, CTC advises two private investment funds (the “CTC Funds”): a “feeder fund” organized as a Delaware limited liability company and a “master fund” organized as a Cayman Islands exempted company. CTC has the flexibility to employ a broad array of investment strategies on behalf of the CTC Funds that CTC determines are consistent with the CTC Funds’ investment objectives, including a variety of opportunistic strategies. However, CTC primarily focuses on trading opportunities in arbitrage, event-driven and relative-value strategies, complemented with long-term trading opportunities in credit instruments, derivatives and other securities which may be mispriced due to stressed market conditions or other fundamental factors.

CTC has discretionary investment authority over the assets of the CTC Funds. As of January 1, 2012, CTC managed **\$302,000,000** of client assets on a discretionary basis.

FEES AND COMPENSATION

CTC charges both asset-based “management fees” and performance-based fees to the CTC Funds. With respect to its management of the CTC Funds, CTC generally receives a monthly asset-based management fee equal to approximately 0.167% (approximately 2% per annum) of the net asset value of each such CTC Fund. The CTC Funds’ management fees are payable in arrears as of the last business day of each calendar month. CTC may, in its sole discretion, waive or reduce the management fee with respect to any investor in the CTC Funds, including its affiliates or employees. Management fees are paid by the CTC Funds by the deduction of such fees from the funds’ assets. The performance-based compensation paid by the CTC Funds are described below in “*Performance Based Fees*.”

Other Fees and Expenses. The CTC Funds will incur other expenses in connection with CTC’s advisory services. CTC’s fees do not include transaction fees, brokerage commissions, custody fees and other related costs and expenses that will be incurred by the CTC Funds with respect to the transactions for their account. The CTC Funds will also bear the investment management or other fees charged by any mutual funds, ETFs or collective investment vehicles in which they may invest, as disclosed in the prospectus for the applicable fund.

Each CTC Fund has incurred legal and organizational expenses in connection with its formation and offering, which will be borne by the applicable CTC Fund (and, therefore, indirectly by its investors). In addition, the CTC Funds will also bear ongoing expenses, which may include, without limitation, legal, bookkeeping, accounting, auditing, recordkeeping, administration, computer and clerical expenses (including expenses incurred in preparing reports and tax information and regulatory authorities and expenses for specialized administrative services); filing fees; the costs of any future restructuring of such fund and/or updates to such fund’s organizational and offering documents; printing and duplication expenses; investment related travel expenses, investment research expenses, market data, newswire and

data processing expenses; software and connectivity charges; brokerage commissions, bank charges, custody fees and borrowing costs; exchange, board of trade or other trading or execution facility membership or participation expenses; reasonable costs of attending directors' meetings; annual registration fees; directors' fees; directors' and officers' liability insurance; investment and operating expenses; and such other expenses necessary to perform the operation of such fund. The CTC Funds will also be responsible for any applicable extraordinary expenses of such fund (including taxes, indemnification costs, litigation costs, trade errors or damages).

PERFORMANCE BASED FEES

As compensation for its management of the CTC Funds, CTC also will be entitled to receive performance-based compensation. This performance-based compensation is calculated separately for each separate investment made in each the CTC Fund, and generally is equal to 20% of the net increase in value (if any) of that investment in such CTC Fund (including both realized and unrealized gains and losses) over the applicable measurement period, after payment of the management fees described above and recovery of losses experienced by such investment in prior measurement periods. Unrealized appreciation and depreciation on specified illiquid investments is excluded. Because this calculation generally is performed separately for each separate investment in the applicable CTC Fund, a single investor may have multiple separate investments, and may be assessed this performance-based compensation with respect to some or all of those separate investments, depending on how each separate investment has performed, even if overall performance of the CTC Fund in question is down.

This performance-based compensation is calculated and payable semi-annually as of June 30th and December 31st of each year, upon liquidation of the CTC Fund or upon withdrawal by an investor of all or part of its investment in the CTC Fund. CTC may waive, reduce or otherwise vary this compensation with respect to any investor in the CTC Funds, including affiliates and/or employees of CTC or its affiliates.

TYPES OF CLIENTS

CTC provides investment advice to private investment funds operated by CTC. CTC operates the CTC Funds in reliance upon the exclusion from the definition of an "investment company" described in Section 3(c)(1) of the Investment Company Act of 1940, as amended. In order to qualify for this exclusion, investment in the CTC Funds is generally limited to no more than 100 U.S. persons who are "accredited investors," as defined in Rule 501 of Regulation D under the Securities Act of 1933, as well non-U.S. investors. In general, the definition of "accredited investor" includes (a) individuals with either (i) \$200,000 in annual income, (ii) \$300,000 in joint annual income with his/her spouse, or (iii) \$1,000,000 in net worth, excluding his/her primary residence; and (b) entities (i) with \$5 million in assets, or (ii) which are wholly-owned by other accredited investors. In addition, investment in the CTC Funds is generally limited to investors who are "qualified clients," as defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended. "Qualified clients" generally include investors with a net worth of more than \$2,000,000 or who have at least \$1,000,000 in assets under management with CTC, as well as certain officers and qualified employees of CTC.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

CTC may employ a broad array of investment strategies and trade a variety of financial instruments on behalf of the CTC Funds that CTC determines are consistent with the CTC Funds' investment objectives, including by utilizing a variety of opportunistic strategies. However, CTC primarily focuses on trading opportunities in arbitrage, event-driven and relative-value strategies, complemented with long-term trading opportunities in credit instruments, derivatives and other securities which may be mispriced due to stressed market conditions or other fundamental factors.

CTC's investment strategies are based on both technical and fundamental research and will seek to take advantage of its established risk management methods. CTC will have the flexibility to pursue outright directional moves and trends in the markets (both positive and negative), or may employ a "market neutral" bias, in whole or in part, from time to time. CTC believes that this approach will give the CTC Funds the flexibility to take advantage of new investment opportunities as they develop in the market. In seeking to achieve the CTC Funds' objectives, CTC will employ investment strategies with varying duration targets, including, but not limited to, short term statistical, volatility and relative value arbitrage strategies, and long term capital structure arbitrage, distressed credit, and other macroeconomic strategies. Through the use of quantitative trading models in conjunction with stringent portfolio diversification, risk controls, and prudential hedging, CTC attempts to achieve consistent superior risk-adjusted rates of return.

CTC may allocate capital to volatility arbitrage strategies in global markets which will vary in duration, and may be in both single name and index products. Equity index volatility arbitrage attempts to take advantage of short to medium term relative value or term structure volatility dislocations trading both over-the-counter and listed derivative markets. Additionally, there may be relative value volatility differences in individual securities. CTC will attempt to capitalize on these differences by using proprietary models to identify a diverse portfolio of mispriced single name securities and derivatives.

In addition, CTC anticipates investing a portion of the CTC Funds' assets in statistical, event driven, and relative value strategies with both long and short positions in equities included in a universe of about 6,000 common stocks traded on U.S. and non-U.S. exchanges. The initial criteria that CTC will consider in selecting investments shall include, but not be limited to, price momentum, quality and growth of earnings, assorted credit factors that are largely balance sheet driven, and the use of a proprietary, modeling algorithm.

CTC will seek to allocate capital between global opportunities where there are relative securities or derivative mispricing due to stressed market conditions. Although these strategies will primarily focus on global macro themes, they may involve corporate debt, mortgage backed securities or other asset backed securities that are mispriced due to market conditions. Generally, these strategies are most likely to present profit opportunities during stressed market conditions and will have a longer holding period.

Investments may also be made in government or government agency debt securities or asset-backed securities, or in derivatives thereof. Further, CTC may trade derivatives in an attempt to neutralize the overall volatility of the CTC Funds. Primarily equity based index, fixed income, currency and commodity derivatives will be employed.

Certain Risk Factors.

The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Potential clients should consider the following risks before engaging CTC to manage their accounts.

Exposure to Dynamic Investment Strategy. CTC may not follow one specific investment strategy, but rather, may employ different trading strategies which it determines are consistent with the CTC Funds' investment objective. Because CTC may change the CTC Funds' allocation of assets among a variety of diverse investments and strategies at any time, investors in the CTC Funds will be exposed to the risks associated with each of those investments and strategies but will not know at the time of investment, or over the duration of their investment, the precise nature of such exposure. An investment in the CTC Funds therefore involves a high degree of uncertainty and investors will be exposed to a significant degree of risk.

General Risks of Arbitrage Transactions. A portion of the CTC Funds' investments may be based on arbitrage strategies. The success of arbitrage strategies (whether capital structure arbitrage or otherwise) depends often on the ability to execute two or more simultaneous transactions at desired prices. Should such transactions not be executed simultaneously at the desired prices, losses may be incurred on both sides of the transaction. Additionally, separate costs are incurred on both sides of an arbitrage transaction, and substantial favorable price moves may be required before a profit can be realized. There can be no assurances that the hedging and arbitrage strategies used by CTC will be successful. The market values of related financial instruments may not move in correlation with each other or in ways anticipated by CTC, and intervening events may cause hedged positions not to perform as anticipated. A hedged position may perform less favorably in generally rising markets than an unhedged position.

Event-Driven Strategies. A portion of the CTC Funds' investments may involve speculative purchases or sales of securities of companies that CTC believes are mispriced because of an extraordinary event, or that are expected to undergo a change in value because of an expected occurrence. This may include companies that are involved in (or are the target of) acquisition attempts or tender offers, work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special event, there is a risk that the contemplated event either will not occur (for example, for failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will fail to have the expected result on the price of the securities purchased by a CTC Fund (for example, by resulting in a distribution of cash or a new security, the value of which is less than the purchase price of the securities in respect of which such distribution was made). There is substantial uncertainty concerning the outcome of such events, and attempting to identify and make investments based on the predicted the outcome of such events entails a high degree of risk. Accordingly, there can be no assurance that CTC will correctly evaluate the likelihood of a favorable investment outcome in connection with such events, which could result in substantial losses to the CTC Funds.

Investments in Undervalued Equity and Equity-Related Securities. The CTC Funds may invest in undervalued equity and equity-related securities. The identification of investment opportunities in undervalued securities is a difficult task. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from such investments may not adequately compensate the CTC Funds for the business and financial risks assumed. The CTC Funds may take certain speculative investments in securities which CTC believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. In addition, the CTC Funds may

be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the CTC Funds' assets may be committed to the securities purchased, thus possibly preventing the CTC Funds from investing in other opportunities. If the CTC Funds take long positions in stocks that decline and short positions in stocks that increase in value, then the losses of the CTC Funds may exceed those of other portfolios that hold long positions only.

Equity Securities. CTC may trade in equity securities on behalf of its clients. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and entitle the holder to dividends only if and to the extent declared by the issuer. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments. The securities of smaller companies may involve more risk and their prices may be subject to more volatility.

Trading in Options. Among the Financial Instruments that the CTC Funds may trade are options. Trading in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. If CTC buys an option for a client, the client will be required to pay a "premium" representing the market value of the option, and may lose the entire amount of the premium unless it becomes profitable to exercise or offset the option prior to its expiration. Conversely, if CTC sells an option on behalf of a client, the client will be credited with the premium, but may be subject to an unlimited risk of loss based on fluctuations in the price of the underlying asset if the option is exercised.

Commodities and Futures Trading. CTC may invest in certain futures products on behalf of its clients. Substantially all trading in futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain futures contracts, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures prices may be highly volatile, and can be influenced by a wide range of macro- and micro-economic variables. Futures trading also is subject to various regulatory limitations, including limitations on the maximum net long or net short positions that any trader (such as CTC) may hold or control in particular futures contracts and limitations on daily price movements, which could limit CTC's ability to trade futures under certain circumstances. Because futures contracts are typically traded on "margin"—meaning that only a small portion of the total value of the futures contract must be posted with a broker to establish a futures position—a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin.

Trading in ETFs. CTC may invest in ETFs on behalf of its clients, both long and short. ETFs are funds that track a particular basket or index of securities traded on a public exchange such as the American Stock Exchange. ETF investments are subject to the risks arising from the portfolio of underlying stocks, including market and issuer risks, but may also present certain unique risks. It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole even when stock prices in general are rising. In addition, the fees and expenses charged by such ETFs result in an additional level of fees and greater expense to clients than would be associated with direct investment.

Turnover. CTC expects to invest client assets on the basis of short-term market considerations. The portfolio turnover rate of investments for clients may be significant, and therefore may incur substantial brokerage commissions, mark-ups and fees that will reduce the client's investment returns.

Over-the-Counter and Other Derivative Instruments in General. CTC may use various derivative instruments, including futures, options, forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Derivative instruments may not be

liquid in all circumstances, so that in volatile markets CTC may not be able to close out a position without incurring a loss to the CTC Funds. Trading in derivative instruments also may result in large amounts of leverage, which may magnify the gains and losses experienced by the CTC Funds, as well as the volatility in their investment portfolios. CTC may trade over-the-counter derivative instruments including swap transactions, forward foreign currency transactions and derivatives on bonds and other fixed income securities. Over-the-counter instruments, unlike exchange traded financial instruments, are negotiated, two-party contracts. Because performance of over-the-counter instruments is not guaranteed by any exchange or clearinghouse, the CTC Funds will be subject to the risk of the inability or refusal to perform with respect to such instruments on the part of the counterparties with which they trade.

Technical Trading Systems. CTC also may rely on technical trading systems. For any technical trading system to be profitable, there must be price moves or “trends” – either upward or downward – in some security, derivative or other asset that the system can track and those trends must be significant enough to dictate entry or exit decisions. Trendless markets have occurred in the past and are likely to recur. In a trendless or erratic market, a technical trading system may fail to identify a trend on which action should be taken or may overreact to minor price movements and thus establish a position contrary to overall price trends, which may result in losses. In addition, a technical trading system also may underperform other trading methods when fundamental factors dominate price moves within a given market. Technical systems also may be profitable for a period of time, after which the system fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their systems on a periodic basis. Any factor (such as increased governmental control of, or participation in, the markets traded) that lessens the prospect of sustained price moves in the future may reduce the likelihood that technical systems that may be used by CTC will be profitable.

Leverage. The low margin and collateral deposits required to trade many exchange-traded derivatives may permit an extremely high degree of leverage. In addition, CTC may utilize broker-provided financing in its trading on behalf of clients and, although it is not anticipated, may utilize borrowings for purposes of covering margin requirements applicable to the CTC Funds’ futures and related positions. The degree of leverage that CTC may utilize may not be limited to any predetermined level, but will be subject to applicable legal, regulatory or broker imposed leverage limitations, to the extent applicable. As a result of trading with a high degree of leverage, a relatively small price movement in a financial instrument’s price may result in immediate and substantial losses to clients, and could result in the mandatory liquidation of certain positions if margin requirements are not satisfied. If a client is in a leveraged position, any losses would be more pronounced than if leverage were not used and, under particularly adverse circumstances, could exceed the client’s capital under CTC’s management.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with CTC’s investment program or an investment in any fund or account advised by CTC. Prospective clients and investors must consult their own advisers before deciding whether to make such an investment. Investors and prospective investors should carefully review the sections on Risk Factors of the offering documents of the applicable CTC Fund(s). Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of CTC.

DISCIPLINARY INFORMATION

CTC is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client’s evaluation of CTC or the integrity of CTC’s management. CTC has no such information to report.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

CTC is a wholly-owned subsidiary of CTC Holdings, L.P., which, through its various subsidiaries and affiliates (collectively, “Chicago Trading Company”), is a registered broker-dealer and proprietary options market making firm and trades in various financial instruments, including index and equity derivatives products, fixed income and energy products. CTC and Chicago Trading Company are owned by various principals of CTC Holdings, L.P. and various other individuals, including Andrew Hall. Certain principals and employees of CTC may devote a substantial portion of their time to the management and strategic direction of, and/or options market making and other proprietary trading activities on behalf of, Chicago Trading Company. CTC’s principals and employees may perform these duties for both the CTC and Chicago Trading Company. In particular, Andrew Hall is an executive officer of Chicago Trading Company and is expected to devote a portion of his time and attention to the business operations of Chicago Trading Company, over which he may have substantial oversight and control.

As a result of these relationships, conflicts of interest may arise between the CTC Funds and CTC, its principals and their respective affiliates with respect to matters such as the allocation of investment opportunities, purchases and sales of financial instruments in connection with particular trading situations and allocation of personnel, resources and expenses. CTC and Chicago Trading Company seek to address this conflict by implementing information barriers so that individuals with direct trading responsibilities for CTC’s clients (including the CTC Funds) do not also trade for Chicago Trading Company or receive position-level information about the trades executed by Chicago Trading Company.

CTC is also an affiliate of CTC XS, LLC and CTC, L.L.C., each a registered broker-dealer. Currently, CTC does not utilize affiliated brokers in connection with its trading on behalf of the CTC Funds. However, CTC may in the future engage affiliated brokers to execute and/or facilitate securities, derivatives or other transactions for the CTC Funds or to act as placement agent to sell interests in the CTC Funds at times and from time to time and such affiliated brokers may receive commissions or other compensation for such services. While such transactions could not necessarily be considered the result of arm’s length negotiations, CTC believes that its relationship with affiliated brokers may provide the CTC Funds with a number of advantages. However, the use of affiliated brokers creates certain conflicts of interest, and may result, among other things, in the CTC Funds paying higher commissions to execute its transactions, or receiving less advantageous executions, than might otherwise be the case. The affiliate relationship between CTC and such brokers might reduce the incentive to CTC to use other brokers in such cases, even where the terms might be more favorable to the CTC Funds.

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

Code of Ethics. CTC has adopted a 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 provisions relating to the protection of client trading opportunities, confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, limitations on and procedures regarding outside business activities, and personal securities trading procedures, among other

things. All supervised persons at CTC must acknowledge the terms of the Code of Ethics annually, or as amended.

CTC's Code of Ethics includes a personal securities trading policy that applies to the personal trading accounts of all of CTC's "access persons" (as described in the Code of Ethics), including accounts for certain members of their families and households and certain related entities. Access persons are required to pre-clear certain securities transactions in such personal trading accounts with CTC's Managing Director or Chief Compliance Officer (or his or her designee), and are required to submit pre-trade notifications for all transactions in their personal securities accounts, which are subject to periodic review by the Chief Compliance Officer. The Chief Compliance Officer maintains a "restricted list" of securities that may not be traded by access persons, which includes securities of issuers for which CTC personnel are in possession of material, non-public information. Access persons are required to file reports of their personal securities holdings on an annual basis, as well as quarterly securities transaction reports.

CTC's clients or prospective clients may request a copy of CTC's Code of Ethics by contacting Joe Harriman at (312) 863-4525.

Participation in Client Transactions and Personal Trading.

Agency Cross Trades. Although CTC does not currently do so, CTC may in the future effect "agency cross trades" (i.e., a transaction executed on behalf of a CTC Fund in which an affiliate of CTC acts as broker for such CTC Fund and another person on the opposite side of the transaction) even though CTC's affiliate will act as broker for, receive commissions from, and have a potentially conflicting division of loyalties and responsibilities regarding, both parties to such trades. This creates a potential conflict of interest between the duties of CTC to the CTC Funds and its desire to direct trades to its affiliates. In selecting brokers for the CTC Funds, CTC generally adheres to the criteria described below in "*Brokerage Practices*" in an effort to achieve best execution for its clients.

Principal Trades. A principal trade is a transaction between CTC or an affiliate thereof and a client account. CTC and its affiliates do not currently engage in principal trades with the CTC Funds, but may determine to do so in the future. Pursuant to Section 206(3) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), any principal trade must be disclosed to, and requires the consent of, the CTC Fund or other client that is opposite CTC or its principals or affiliates in such principal trade. Principal trades create a potential conflict of interest between the duties of CTC and/or its principals and affiliates to CTC's clients and their desire to maximize their own profits or obtain other benefits with respect to their proprietary trading activities. To help mitigate this potential conflict of interest, the CTC Funds may engage an independent intermediary to act as agent of the applicable CTC Funds to give or withhold consent to such principal trade.

CTC anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause client's to purchase or sell securities in which CTC, its affiliates (including Chicago Trading Company) and/or clients, directly or indirectly, have a position or financial interest. Among other things, the CTC Funds may invest in other collective investment vehicles operated by CTC or its affiliates, and from which CTC or such affiliates may receive asset- and/or performance-based compensation.

CTC's employees and persons associated with CTC are required to follow CTC's Code of Ethics, which includes certain qualifications on the ability of CTC's personnel to trade instruments held by clients. Subject to satisfying this policy and applicable laws, officers, directors and employees of CTC and its affiliates may trade for their own accounts in securities and derivatives which are recommended to and/or purchased for clients, as described above in "*Other Financial Industry Activities and Affiliations.*" The Code of Ethics is designed to assure that the personal transactions, activities and interests of the

principals, employees and affiliates of CTC will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of certain transactions, and requires that the interests of client accounts be placed ahead of those of CTC employees in their personal trading. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same instruments as clients, there is a possibility that employees might benefit from market activity by a client in an instrument held by an employee. Employee trading is regularly monitored under the Code of Ethics in an effort to prevent conflicts of interest between CTC and its clients. In addition, to mitigate the conflicts of interest associated with investments by the CTC Funds in other collective investment vehicles managed by CTC or its affiliates, the CTC Funds will not be charged additional fees by such investment vehicles (in addition to the management fees and performance allocations described herein) in respect of such investments, although they will be responsible for their allocable share of the expenses of such investment vehicles.

BROKERAGE PRACTICES

CTC will select the brokers to be utilized by the CTC Funds, and will have discretion to select different brokers to be used for each transaction and to negotiate the rates and commissions its clients will pay. CTC may not adhere to any rigid formulae in making the selection of brokers, but will continue to seek “best execution” for its clients in the selection process. In selecting brokers to execute transactions, CTC need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Brokers will be selected generally on the basis of best execution, which may be determined by considering, in addition to price and commission rates, other factors including special execution capabilities, research, clearance, settlement, other transaction charges, block trading and block positioning capabilities, financial strength and stability, efficiency of execution and error resolution, the availability of stock to borrow for short trades, custody, recordkeeping and similar services (“**Products and Services**”).

Research and Other Soft Dollar Benefits. In exchange for the direction of commission dollars to certain brokers, credits (or soft dollars) may be generated which may be used by CTC to pay for the Products and Services provided by, or paid by, such brokers (“**Credits**”). Although the commission rates charged by such brokers may not be represented as reflecting such additional Products and Services, the commission rates charged by such brokers may be higher or lower than the commission rates charged by other Brokers, and the CTC Funds may be deemed to be paying for such other Products and Services provided by the Broker which are included in the commission rate (i.e., “paying up”). Products or Services may be in any form (e.g., written, oral or on-line). CTC generally expects to limit its use of soft dollars to “research Products and Services” covered by the “safe harbor” of Section 28(e) under the Securities Exchange Act of 1934 (“Section 28(e)”) as determined by CTC.

CTC may derive substantial direct or indirect benefit from these Products and Services, particularly to the extent it uses Credits to pay for research or other expenses which it would otherwise be required to pay. To the extent that CTC receives the benefits of Products and Services, a potential conflict of interest exists between CTC’s duty to manage or trade for the CTC Funds in the best interests of their respective investors and in an effort to obtain best execution, and CTC’s desire to receive the potential benefits of these Products and Services. In addition, CTC may use Products and Services in servicing some or all of its clients and the clients of its affiliates, and some Products and Services may not necessarily be used by a particular CTC Fund even though its commission dollars may have been used to acquire the Products

and Services. A CTC Fund, therefore, may not, in a particular instance, be the direct or indirect beneficiary of the Products or Services provided.

In the last fiscal year, CTC and its affiliates have acquired research reports and services, front-end order entry software licenses and communication lines with the brokerage commissions generated by the CTC Funds. In connection with its utilization of these soft dollar benefits, CTC has made a good faith determination that the commissions payable to the broker providing such Products and Services are reasonable in relation to the value of the Products and Services provided by such brokers.

Brokerage for Client Referrals. Although CTC does not currently do so, CTC may in the future direct brokerage business to brokers who refer prospective clients or investors to CTC. Because such referrals, if any, are likely to benefit CTC, but will not necessarily provide any significant benefit to CTC's clients, CTC will have a conflict of interest when allocating brokerage business to a broker who has referred clients or investors to CTC. To prevent brokerage commissions from being used to pay investor referral fees, CTC will not allocate brokerage business to a referring broker unless they determine in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to CTC's clients.

REVIEW OF ACCOUNTS

Account Reviews. CTC conducts daily trade reconciliations and reviews of the positions held by the CTC Funds. These reviews are conducted by Joe Harriman, CTC's Director of Operations (or his designee).

Client Reporting. CTC furnishes audited financial statements annually to all investors in the CTC Funds. Such investors are also provided with monthly unaudited reports including information regarding such fund's net assets and performance.

CLIENT REFERRALS AND OTHER COMPENSATION

CTC currently has no arrangements whereby it receives an economic benefit from any person who is not a client for providing investment advice or other advisory services to its clients, and does not directly or indirectly compensate any third-parties for advisory client referrals (although it may determine to do so in the future).

CUSTODY

CTC has custody of the funds and securities of the CTC Funds, which are maintained at one or more "qualified custodians," as defined under Rule 206(4)-2 of the Advisers Act. A "qualified custodian" generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. An independent public accountant will audit each of the

CTC Funds on an annual basis, and copies of the audited financial statements will be sent to the investors in the CTC Funds, as described above in “*Review of Accounts.*”

INVESTMENT DISCRETION

CTC exercises discretionary authority over the accounts of its clients. CTC receives discretionary authority from the CTC Funds through the constituent documents of the funds, which grant a power of attorney in favor of CTC to select the identity and amount of any investments to be bought or sold for the CTC Funds. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the CTC Funds’ accounts.

VOTING CLIENT SECURITIES

CTC holds the authority to vote proxies for securities held by the CTC Funds. However, in light of CTC’s trading methodology and investment focus, CTC does not believe that it would be cost-effective for the firm to review each proxy vote and assess the underlying proposals. Consequently, CTC has engaged ProxyEdge as a voting and research platform, and relies upon ProxyEdge to independently vote proxies in connection with the securities held by the CTC Funds. In general, CTC generally expects proxies to be voted in accordance with management proposals, unless such a vote is clearly not in the best interests of CTC’s clients. Clients generally may not direct specific proxy votes for the securities held in their accounts.

Clients may obtain a copy of CTC’s proxy voting policies and procedures and information about how any proxies were voted on behalf of the client’s account(s) by contacting Joe Harriman at (312) 863-4525.

FINANCIAL INFORMATION

CTC is required to provide you with certain financial information or disclosures about its financial condition. CTC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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