

# Lamond Capital Partners LLC

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Part 2A of Form ADV: Firm Brochure  
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This brochure provides information about the qualifications and business practices of Lamond Capital Partners LLC (“Adviser”). You should review this brochure in conjunction with the brochure supplement for certain Adviser personnel who advise your account for more information on the qualifications of Adviser and its personnel. Information herein is provided in response to instructions and guidance issued in connection with Form ADV Part 2A. You should refer to those materials, including defined terms used therein, in reviewing this brochure. If you have any questions about the contents of this brochure, please contact us at [info@lamondcapital.com](mailto:info@lamondcapital.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.

Additional information about Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

## **ITEM 2. MATERIAL CHANGES**

This brochure dated July 2012 serves as an update to the brochure dated February 2012. While there have been no material changes to the brochure, Adviser has made certain routine updates.

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## **ITEM 4. ADVISORY BUSINESS**

### **The Adviser**

Adviser is an investment adviser organized as a Delaware limited liability company on October 17, 2011. David A. Lamond is the sole owner of Adviser.

### **Advisory Services**

Adviser provides investment advisory services to pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and whose securities are not registered under the Securities Act of 1933, as amended (the “Securities Act”) (each, a “Fund” and collectively, the “Funds”). As the investment adviser of the Funds, Adviser’s services consist of identifying investment opportunities and management, monitoring, and acquisition and disposition of investments of the Funds. Investment advice is provided directly to the Funds, subject to the discretion and control of the general partner or the board of directors of the applicable Fund, and not individually to the limited partners or shareholders of the Funds.

The Funds currently advised by Adviser have one main strategy. The Funds seek to invest primarily, although not exclusively, in publicly-traded equity securities of technology-related issuers.

Adviser may in the future organize other investment funds, including feeder funds or parallel funds for the Funds or personnel of the Adviser, or manage investment funds or separately managed accounts that may either co-invest with the Funds or follow an investment program similar to or different from the Funds’ program. Adviser may also establish special purpose vehicles or subsidiaries and it or the Funds may invest in or act through such special purpose vehicles or subsidiaries.

Services are provided to the Funds in accordance with the Advisory Agreements with the Funds and/or organizational documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund. Further details regarding Adviser’s management of the Funds is provided below in Item 8.

Adviser does not participate in wrap fee programs.

### **Assets Under Management**

As of July 2, 2012, Adviser’s regulatory assets under management were approximately \$164,842,000, all of which are managed on a discretionary basis.

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

As provided under the governing documents and investment management agreements of the Funds, Adviser or its affiliates will receive from the Funds both a management fee and an annual performance allocation based upon the performance of the Funds.

Generally, the Adviser receives a management fees quarterly in advance equal to either 1.25% or 1.50% per annum of a Fund’s net asset value. The Adviser deducts the management fee from a Fund’s assets. If investors redeem during a quarter, Adviser refunds a pro rata portion of the pre-paid fee to the Fund’s account.

The Adviser also receives an annual performance allocation equal to either 15% or 20% of a Fund’s net profits, if any, for the applicable year, subject to a “loss recovery account” or “high water mark.” Performance allocations are made at the end of the financial year to which they pertain, or upon an

investor's withdrawal or redemption from, or termination of, a Fund. In measuring investor assets for the calculation of performance allocations, Adviser includes realized and unrealized capital gains and losses, after deduction of all expenses including its management fee.

Details on the management fee and performance allocation are set forth in the Funds' offering memoranda and organizational documents. Although Adviser has entered into agreements with the Funds providing for such fees and allocations, the foregoing fees and allocations are negotiable and may be reduced or waived in certain circumstances, including with respect to investors that are employees of, or affiliated with, Adviser. In addition, Adviser may negotiate alternative fees or allocations on a client-by-client basis with other funds or separate account clients that it manages in the future. Different client facts and circumstances will be considered in determining such fees or allocations, including the client's investment strategy, assets under management, account composition, reporting requirements, economies of scale, if any, and any other factors Adviser deems relevant. All such fees will be set forth in agreements with such clients.

### **Other Expenses**

Generally, each Fund will bear its respective share of the following expenses: legal, accounting, bookkeeping, tax compliance, auditing, consulting and other professional expenses, including those of valuation firms; administration fees and other expenses charged by or relating to the services of third-party providers of administration services; third-party and out-of-pocket research and market data expenses; interest and fees on margin loans, committed loan facilities, total return swaps and other indebtedness; bank service, custodial and similar fees; fees and expenses (including travel expenses) related to the analysis, purchase or sale of investments, whether or not the investments are consummated; expenses related to the purchase, monitoring, sale, settlement, custody or transfer of Fund assets including brokerage and other transaction costs; entity-level taxes; investor reporting expenses; start-up costs, including the initial offering and organizational expenses, such as the cost of preparing organizational documents, the cost of negotiating initial agreements with service providers, the cost of negotiations with potential investors, and other legal, accounting and administrative expenses related thereto; fees and expenses relating to the offer and sale of shares; and other ordinary and extraordinary expenses associated with the operation of the Fund and their investment activities. Please also refer to the discussion of Adviser's brokerage practices in Item 12 below.

Adviser and its supervised persons do not accept compensation or commissions for the sale of securities or other investment products.

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

The investors in the Funds are generally charged both a management fee and a performance allocation, as described above in Item 5. Performance allocations are structured to comply with Section 205 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Performance allocations may create an incentive for Adviser to make investments that are riskier or more speculative than would be the case in the absence of a financial incentive based on the performance of a Fund. Adviser monitors the investments made for the Funds on an ongoing basis and endeavors to ensure that investments made for the Funds are appropriate without regard to the potential for performance-based fees.

## **ITEM 7. TYPES OF CLIENTS**

Adviser currently provides investment advisory services to the Funds, as discussed in Item 4 above. Investment advice is provided directly to the Funds, subject to the discretion and control of the general partner or the board of directors of the applicable Fund, and not individually to the investors in the Funds. Adviser may advise different types of clients in the future.

Interests in the Funds are offered pursuant to applicable exemptions from registration under the 1940 Act and the Securities Act. Investors in the Funds may include high net worth individuals, trusts, estates, charitable organizations, pension plans, corporations, limited partnerships, limited liability companies, and similar entities. Each investor in the Funds must generally be an “accredited investor” as defined in Regulation D promulgated under the Securities Act and a “qualified purchaser” under the 1940 Act. Additional restrictions may apply, and are set forth in the offering or organizational documents for each Fund.

The minimum initial investment in each Fund is \$10,000,000.00. The minimum amount may be waived, and a Fund may accept lower amounts (subject to Cayman Islands law, as applicable), in the discretion of the directors or the general partner, as applicable. The Adviser does not have a minimum size for a Fund.

Adviser may provide advisory services to other funds and separately managed accounts for similar or different types of clients in the future.

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

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

As noted above, the Funds seek to invest primarily, although not exclusively, in publicly-traded equity securities of technology-related issuers. The Funds seek to achieve their investment objective by constructing a portfolio of long and short positions in the stocks of primarily U.S.-listed companies. The Funds also will invest in the stocks of non-U.S. listed companies. Non-U.S. investments may include securities in companies located in emerging markets. In addition, derivative instruments, such as options, forward contracts and swaps, may be used to attempt to hedge long and short stock positions, as well as for investment purposes. The Funds will employ leverage. The Funds may engage in a wide range of transactions designed to enhance the Fund’s return and lower risk, such as securities lending and repurchase agreements. The Funds may also invest in cash and money market debt securities from time to time. There can be no assurance that Adviser will, in fact, select the optimum mix of securities for the needs of a Fund.

Adviser’s investment process involves in-depth strategic and financial analysis. In reviewing potential investments in issuers, Adviser places particular emphasis on its assessment of industry growth opportunities and risks, competitive positioning, management capability and absolute and relative valuation versus competitors, as well as balance sheet and cash flow analysis. The Funds’ portfolio is allocated primarily between long positions in securities that Adviser considers undervalued in the marketplace and short positions in securities that Adviser considers overvalued in the marketplace, although a Fund may make investments for reasons other than valuation (for example, for hedging purposes).

As part of its in-depth research, in addition to financial analysis, Adviser dedicates significant resources to utilizing its extensive industry contacts to assess a company’s strategic position and growth opportunities. This strategic evaluation generally may include market and customer research, product and

cost comparisons with a company's key competitors, management interviews and reference checks and discussions with sell-side analysts.

The above description is a simplified summary of the strategies that Adviser employs. Investors and prospective investors can find further detail about the strategies in the relevant Fund's offering memorandum and organizational documents. Investors should only make an investment decision after careful review of those details and the risks relevant to a strategy.

### **Investment Risks**

An investment in a Fund involves a high degree of investment risk, including the risk that the entire amount invested may be lost. A Fund will make investments using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objective of a Fund will be realized. Below is a list of potential investment risk factors that are reportable in this brochure. There is no guarantee that this is a complete list of the risks, that a Fund will be able to control investment risks or that the risks will not aggregate in a manner adverse to that Fund. Additional risks associated with an investment in a Fund may be disclosed in the offering documents of that Fund.

**Investors and prospective investors should review the offering memorandum and organizational documents of the Fund in which they are invested (or are seeking to invest) for additional information about the risks associated with an investment in such Fund.**

The risks associated with particular investments by a Fund include, but are not limited to, the following:

*General Investment Risks.* A potential investor in a Fund should note that the prices of the securities and other instruments in which the Fund invests may be volatile. Market movements are difficult to predict and are influenced by, among other matters, government trade, fiscal, monetary and exchange rate and control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly.

In addition, a Fund's success depends on Adviser's ability to implement its investment strategy. Any factor that would make it more difficult to execute more timely trades, such as a significant lessening of liquidity in a particular market, may also be detrimental to profitability. No assurance can be given that the investment strategies to be used by a Fund will be successful under all or any market conditions.

*General Economic Conditions.* The success of any trading activity may be affected by general economic conditions, which may affect the level and volatility of securities prices, interest rates and the extent and timing of investors' participation in the markets for currencies, securities and other instruments. Unexpected volatility or liquidity in the markets in which a Fund holds positions could impair its ability to carry out its investment strategy or cause it to incur losses.

*Equity Securities.* The market price of securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in a Fund is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or particular industries or issuers represented in those markets. The values of equity securities may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or

currency rates or adverse investor sentiment generally. They may also decline due to factors that affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities that Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame Adviser anticipates. As a result, a Fund may lose all or substantially all of its investment in any particular instance.

*Short Selling.* The Funds will engage in short selling as part of their general investment strategy. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows a Fund potentially to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, because the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. A Fund's obligations under its short sales will be marked to market daily and collateralized by its assets held at the broker, including its cash balance and its long securities positions. Because short sales must be marked to market daily, there may be times when the broker compels a Fund to post additional margin, and if this margin is not posted, the affected short sales must be settled prematurely, and a substantial loss may occur.

Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby increasing the loss. Short-selling exposes a Fund (and thus the investors) to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain *de minimis* threshold. In addition, other non-U.S. jurisdictions where a Fund may trade have adopted reporting requirements. If a Fund's short positions or its strategy become generally known, it could have a significant effect on Adviser's ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities sold short by a Fund, forcing it to cover its positions at a loss. Such reporting requirements may also limit Adviser's ability to access management and other personnel at companies where Adviser seeks to take a short position. In addition, if other investors engage in imitative behavior by taking positions in the same issuers as a Fund, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to borrow by a Fund could decrease drastically. Such events could make a Fund unable to execute its investment strategy. The SEC restricts the short sale of securities that fall more than 10 percent in a given day (referred to as the "modified uptick rule"). It is unclear what effect these restrictions will have on a Fund, but Adviser currently believes that it will be able to continue to carry out its investment strategy while complying with this rule. If the SEC were to adopt additional restrictions on short sales, such restrictions could restrict a Fund's ability to engage in short sales in certain circumstances, and it may be unable to execute its investment strategy as a result.

The SEC and regulatory authorities in other jurisdictions have in the past adopted, and may again adopt, bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for a Fund to execute certain investment strategies and may have a material adverse effect on its ability to generate returns. In addition, engaging in short selling may increase the risk of a Fund becoming subject to government investigation.

*Technology Sector Risk.* Companies in the technology sector are subject to significant competitive pressures, such as aggressive pricing of their products or services, new market entrants, competition for market share, short product cycles due to an accelerated rate of technological developments and the potential for limited earnings and/or falling profit margins. These companies also face the risks that new services, equipment or technologies will not be accepted by consumers and businesses or will become rapidly obsolete. These factors can affect the profitability of technology companies and, as a result, the value of their securities. Also, patent protection is integral to the success of many companies in the technology sector, and profitability can be affected materially by, among other matters, the cost of obtaining (or failing to obtain) patent approvals, the cost of litigating patent infringement and the loss of patent protection for products (which significantly increases pricing pressures and can materially reduce profitability with respect to such products). In addition, many technology companies have limited operating histories. Prices of these companies' securities historically have been more volatile than other securities, especially over the short term. Because the Funds invest a significant portion of their net assets in the equity securities of technology companies, each Fund's net asset value may be more volatile than a fund that is invested in a more diverse range of market sectors.

*Investments in Companies with Smaller Capitalizations or Limited Coverage.* The Funds may invest in the securities of companies with smaller capitalizations or that are the subject of little or no analysis or coverage by Wall Street or similar overseas firms. Investments in such companies may involve greater risk than is customarily associated with investments in the securities of companies with larger capitalizations or with greater Wall Street or similar coverage. For example, smaller companies often have limited product lines, markets, and/or financial resources, may be dependent for management on one or a few key persons, may lack substantial capital reserves, may not have established performance records and may be more susceptible to losses. Also, the securities of companies with smaller capitalizations or limited Wall Street or similar coverage may be thinly traded (and therefore may have to be sold at a discount from then-current market prices or in small lots over an extended period of time) and may be subject to wider and more abrupt price swings, thus creating the potential for greater losses than investments in the securities of companies with larger capitalizations or greater Wall Street or similar coverage. In addition, in connection with such reduced liquidity, transaction costs incurred by a Fund with respect to investments in the securities of companies with smaller capitalizations or limited Wall Street, analyst or similar coverage may be higher than the transactions costs that Fund would have incurred if it had invested only in the securities of larger capitalization companies or companies with greater Wall Street, analyst or similar coverage.

*Volatility and Liquidity in Global Financial Markets.* The financial crisis in the U.S. and global economies over the past several years, including the European sovereign debt crisis, has resulted, and may continue to result, in an unusually high degree of volatility in the financial markets and the economy at large. Both domestic and international equity and fixed income markets have been experiencing heightened volatility and turmoil, with issuers that have exposure to the real estate, mortgage and credit markets particularly affected. It is uncertain how long these conditions will continue.

In addition to the recent unprecedented turbulence in financial markets, the reduced liquidity in credit and fixed income markets may negatively affect many issuers worldwide. Illiquidity in these markets may mean there is less money available to purchase raw materials, goods and services, which may, in turn, bring down the prices of these economic staples. It may also result in issuers having more difficulty obtaining financing and ultimately a decline in their stock prices. The values of some sovereign debt and of securities of issuers that hold that sovereign debt have fallen. These events and the potential for continuing market turbulence may have an adverse effect on a Fund. In addition, global economies and financial markets are becoming increasingly interconnected, which increases the possibilities that conditions in one country or region might adversely impact issuers in a different country or region.



This reduced liquidity also may result in more difficulty in obtaining financing by issuers and the Funds. In addition, these conditions could lead to reduced demand for the securities in which a Fund invests, which may in turn decrease the value of the Fund's assets. Because the securities held by the Funds are marked to market and fluctuate in value based on supply and demand, reduced liquidity in the markets for certain securities could depress the value of a Fund's assets to less than their intrinsic value. If investors in a Fund seek to redeem their investment, the Fund may be forced to sell its investments at less than intrinsic value in order to meet such redemption requests.

The U.S. federal government and certain foreign central banks have acted to calm credit markets and increase confidence in the U.S. and world economies. Certain of these entities have injected liquidity into the markets and taken other steps in an effort to stabilize the markets and grow the economy. The ultimate effect of these efforts is not yet known. Changes in government policies may exacerbate the market's difficulties and withdrawal of this support, or other policy changes by governments or central banks, could negatively affect the value and liquidity of certain securities.

The situation in the financial markets has resulted in calls for increased regulation, and the need of many financial institutions for government help has given lawmakers and regulators new leverage. The Dodd-Frank Act has initiated a dramatic revision of the U.S. financial regulatory framework that is now expected to unfold over several years. The Dodd-Frank Act covers a broad range of topics, including (among many others) a reorganization of federal financial regulators; a process intended to improve financial systemic stability and the resolution of potentially insolvent financial firms; new rules for derivatives trading; the creation of a consumer financial protection watchdog; the registration and additional regulation of hedge and private equity fund managers; and new federal requirements for residential mortgage loans. Instruments in which the Funds may invest, or the issuers of such instruments, may be affected by the new legislation and regulation in ways that are unforeseeable. Most of the implementing regulations have not yet been finalized. Accordingly, the ultimate impact of the Dodd-Frank Act, including on the derivative instruments in which the Funds may invest, is not yet certain.

Because the situation in the markets is widespread and largely unprecedented, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these market conditions.

*Investments in Investment Companies and Other Collective Investment Vehicles.* The Funds may, under certain circumstances, invest in open-end and closed-end registered investment vehicles, exchange-traded funds and other collective investment vehicles. Any such investments are generally subject to the risks described herein based on the securities and other assets held by such vehicles, and such investments will also increase the fees and expenses payable by the Funds, since such investment vehicles also generally bear fees and expenses in connection with their operations and investment activities in addition to the fees and expenses borne by the Funds.

*Non-U.S. Exchanges and Markets.* The Funds may engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges and is frequently less regulated. For example, certain of those exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants, as do U.S. exchanges. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute certain

trades and may also be subject to a variety of political influences and the possibility of direct government intervention. Investments in non-U.S. markets will generally also be subject to the risk of fluctuations in the exchange rate between the local currency and the dollar and to the possibility of exchange controls. Non-U.S. markets may also be less liquid and more volatile than comparable U.S. markets. Foreign brokerage commissions and other fees are also generally higher than in the United States.

*Non-U.S. Investments.* Investments in non-U.S. issuers or securities principally traded outside the United States may involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting reporting and disclosure requirements than domestic issuers. The securities of some non-U.S. governments and companies generally are less liquid and at times more volatile than comparable U.S. securities.

*Emerging Markets Investments.* The Funds may invest in the securities of issuers in emerging markets. A Fund's investments in, and exposures to, emerging markets involve special risks not present in U.S. investments that can increase the chances that it will lose money. For example, the value of a Fund's emerging markets securities or exposures may be affected by social, political and economic developments and U.S. and foreign laws relating to foreign investment, and may have significantly less liquidity than developed markets. The extent of economic development, political stability, market depth, infrastructure, capitalization and regulatory oversight in emerging markets can be less than in more developed foreign markets. Other risks include trading, settlement, custodial, and other operational risks; withholding or other taxes; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make emerging markets securities less liquid, more volatile and harder to value than developed market securities.

The growth of many emerging markets' economies is to a significant degree export-driven. Accordingly, emerging markets are often affected by changes in the economies of the U.S. and other main trading partners, by protectionist impulses in those countries and by the development of export sectors in lower-wage economies. In the event that growth in the export sector declines, the burden of future growth will increasingly be placed on domestic demand.

*Currency Risk.* The value of a Fund's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when a Fund changes investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time and can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments. Because of these risks, Adviser anticipates that it will typically seek to hedge non-U.S. dollar denominated investments with equal and offsetting currency positions.

*Derivative Investments.* Derivatives are financial contracts whose value depends on, or is derived from, an underlying product, such as the value of a securities index or individual security. The risks generally associated with derivatives include the risks that: (1) the value of the derivative will change in a manner detrimental to a Fund; (2) before purchasing the derivative, a Fund will not have the opportunity to observe its performance under all market conditions; (3) another party to the derivative may fail to comply with the terms of the derivative contract; (4) the derivative may be difficult to purchase or sell; and (5) the derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations.

Derivatives markets can be highly volatile. The profitability of investments by a Fund in the derivatives markets depends on the ability of Adviser to analyze correctly these markets, which are influenced by, among other things, changing supply and demand relationships, governmental, commercial and trade programs and policies designed to influence world political and economic events, and changes in interest rates. In addition, the assets of a Fund may be pledged as collateral in derivatives transactions. Thus, if a Fund defaults on such an obligation, the counterparty to such transaction may be entitled to such collateral, which could be a substantial portion of its assets.

*Forward Contracts.* Adviser may enter into forward contracts on behalf of a Fund that are not traded on exchanges and are generally not regulated. There are no limitations on daily price movements of forward contracts. Banks and other dealers with whom a Fund may maintain accounts act as principals in these markets, negotiating each transaction on an individual basis. Such participants may require a Fund to deposit margin with respect to such trading, although margin requirements are often minimal or non-existent. A Fund's counterparties are not required to continue to make markets in such contracts. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread. Arrangements to trade forward contracts may be made with only one or a few counterparties, and liquidity problems therefore might be greater than if such arrangements were made with numerous counterparties. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which Adviser would otherwise recommend, to the possible detriment of a Fund.

*Futures Contracts and Options on Futures Contracts.* In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations to a Fund. The counterparty for futures contracts and options on futures contracts traded in the United States exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members, it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing members or clearinghouse will be able to meet its obligations to a Fund. In such a situation, the investor is subject to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss.

*Option Transactions.* The purchase or sale of an option by a Fund involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying futures contract or other instrument for a specific price at a certain time or during a certain period. Purchasing put and call options, as well as writing (that is, taking a short-term position in) such options, are highly specialized activities and entail greater than ordinary investment risks. Purchasing options involves the risk that the underlying instrument does not change in price in the manner expected, so that the option expires worthless and the investor loses its premium. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than an investment in the underlying securities. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying futures contract or other instrument in excess of the premium payment received. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted.

*Futures Cash Flow.* Futures contracts gains and losses are marked-to-market daily for purposes of determining margin requirements. Option positions generally are not, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options, there may be periods in which positions on both sides must be closed down prematurely due to short-term cash flow needs. Were this to occur during an adverse move in the spread or straddle relationships, a substantial loss could occur.

Most United States futures exchanges limit fluctuations in certain commodity interest contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a particular contract has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Contract prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent Adviser from promptly liquidating unfavorable positions and subject a Fund to substantial losses, which could exceed the margin initially committed to such trades.

Each exchange on which futures are traded and the Commodity Futures Trading Commission (the “CFTC”) (for U.S. based-exchanges) typically have the right to suspend or limit trading in the contracts that each such exchange lists. Such a suspension or limitation could render it impossible for the Funds to liquidate its positions and thereby expose it to losses. In addition, there is no guarantee that exchange and other secondary markets will always remain liquid enough for Adviser to close out existing futures positions. It is also possible that an exchange or the CFTC could order the immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

*OTC Transactions.* A Fund may engage in transactions involving securities traded on “over-the-counter” (“OTC”) markets. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes a Fund to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. Therefore, to the extent that a Fund engages in trading on OTC markets, it could be exposed to greater risk of loss through default than if it confined its trading to regulated exchanges.

*Counterparty Risk.* Certain markets in which the Funds may effect transactions are “over-the-counter” or “interdealer” markets, and may also include unregulated private markets. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of counterparties. The Funds may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of a Fund to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund. Similar risks also arise in connection with derivative instruments and brokerage arrangements that the Funds may put in place.

The Funds may only close out “over-the-counter” transactions (including swaps and contracts for differences) with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. Also, if the counterparty defaults, a Fund will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the Fund will succeed in enforcing contractual remedies. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for a Fund to enforce its contractual rights may lead the Fund to decide not to pursue its claims against the counterparty. A Fund thus assumes the risk that it may be unable to obtain payments owed to it under contracts relating to over-the-counter transactions or that those payments may be delayed or made only after the Fund has incurred the costs of litigation.

*Swaps.* The Funds may utilize swaps and other derivative transactions to obtain a desired exposure. Notional amounts of swap transactions are not subject to any limitations, and swap contracts, when equivalent to a short position in the underlying instrument, may expose the Funds to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent a Fund invests in repos, swaps, forwards, futures, options and other “synthetic” or derivative instruments, counterparty exposures can develop and the Fund takes the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits. In addition, many swaps will be centrally cleared and exchange traded under the provisions of the Dodd-Frank Act. Such swaps will be subject to the same risks as future contracts, as discussed above.

*Other Instruments and Future Developments.* The Funds may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized instruments to create “synthetic” or derivative investments in the future. In addition, a Fund may take advantage of opportunities with respect to certain other “synthetic” or derivative instruments that are not presently contemplated for use by the Fund or that are currently not available, but that may be developed to the extent such opportunities are both consistent with the Fund’s investment objective and legally permissible for the Fund. Special risks may apply to the Funds’ investments in the future, in addition to the risks described above.

*Lack of Liquidity in Markets.* The markets for many securities and other investments are or can be thinly traded from time to time. This lack of liquidity and market depth could disadvantage the Funds, both in the realization of the prices that are quoted and in the execution of orders at desired prices or in desired quantities. Also, domestic and international securities exchanges and the SEC and other regulatory authorities have authority to suspend trading in a particular security without notice.

*Potential Impact of a Limited Number of Investments.* The Funds may invest in a limited number of securities and other instruments. Accordingly, a Fund could become concentrated in relatively fewer securities and/or other instruments at any given time. As a result of the foregoing, the aggregate return of a Fund could be derived from a relatively undiversified, limited number of securities and other instruments. If a large portion of the assets of a Fund is held in cash or cash-like instruments, performance might also be affected.

*Borrowing.* Borrowing for investment purposes generally provides exposure to changes in price at a ratio greater than 1:1 in reference to the amount invested. The Funds will employ leverage and may otherwise engage in borrowing for investment, liquidity or other purposes. Leverage and other borrowing for investment purposes can be expected to magnify both the favorable and unfavorable effects of price movements in the investments made by a Fund, which may subject the investors to substantial risk of loss. In addition, regardless of the price movements of a Fund's investments, it will incur expenses whenever it borrows (such as fees, commissions, interest and taxes), which will reduce the return to the investors.

*Potentially High Transaction Costs.* Each Fund's investment program will involve active management of its portfolio. This could result in a Fund taking frequent trading positions. Consequently, a Fund's portfolio turnover and brokerage commission expenses may exceed those of many investment entities of comparable size and will ultimately affect the return achieved by the Fund. In addition, to the extent that a Fund holds its investments for only a short period of time, it is unlikely to be eligible for long-term capital gains treatment with respect to such investments.

*Deregistered Securities.* A Fund may hold securities that have been deregistered subsequent to being purchased by the Fund. Such securities may be subject to substantial holding periods or may not be traded in public markets. Such securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded or not subject to restrictions on resale. No assurance can be given that any such securities will resume trading on a public market even if a public market for securities of the same class were to develop.

*Insolvency or Failure of Brokerage Firms or Banks.* Institutions, such as brokerage firms or banks, may hold certain of the assets of a Fund in "street name." In particular, a Fund's prime brokers will have custody of its securities, cash, distributions and rights accruing to its securities accounts. Bankruptcy, inadequate controls or fraud at one of these institutions, in particular the prime brokers, which hold the majority of the assets of a Fund, could impair the operational capabilities or the capital position of the Fund.

SEC rules require the prime brokers to maintain physical possession and control of fully paid securities held in a Fund's account and to establish certain reserves for the benefit of customers. In addition, as a Fund may borrow money or securities or utilize operational leverage with respect to its assets, the Fund will post certain of its assets as collateral securing the obligations or leverage ("Margin Securities"). The prime brokers generally hold the Margin Securities on a commingled basis with margin securities of their other customers and may use certain of the Margin Securities to generate cash to fund leverage employed by the Funds, including pledging or rehypothecating such Margin Securities.

In the event of a prime broker's insolvency, the prime broker may have insufficient assets to meet all of its obligations to customers, and the Funds would typically not have a right to recover its securities held by the prime broker, but would rather have only an unsecured claim against the prime broker and participate *pro rata* with other customers of the prime brokers in the proceeds of the sale of customer securities. In addition, even if a prime broker does have sufficient assets to meet all customer claims, there may be substantial delays in the repayment of the assets of a Fund in the event that the prime broker was to become insolvent, as well as a risk of total loss of such assets. In such event, the timing and amount of recovery from the prime broker will depend on the circumstances of its insolvency (including the amount and value of assets still held by the prime broker) and any related liquidation proceedings. Each prime broker has netting and set off rights over all the assets held by it for a Fund (which may indirectly include amounts held for its benefit in the special segregated bank account) to satisfy the obligations of the Fund under its agreements with that prime broker, including obligations relating to any margin or short positions. Any Margin Securities included in such assets might be subject to claims of a

prime broker's creditors in the event of the prime broker's insolvency. Moreover, through intentional fraud, reckless or negligent behavior, insufficient internal controls or otherwise, a prime broker may convert a Fund's assets to its own use or may improperly commingle a Fund's assets with its own assets or other customers' assets in such a way as to impair its ability to reclaim its assets in the event of the prime broker's insolvency. Similar risks apply to a Fund's use of futures commission merchants and derivatives dealers.

In order to manage the risks associated with the insolvency of a prime broker, a Fund may establish relationships with multiple prime brokers. However, there can be no assurance that a Fund will be able to establish or maintain such relationships. In addition, a Fund may not be able to identify potential solvency concerns with respect to its prime brokers or to transfer assets from one prime broker to another prime broker in a timely manner.

The prime brokers may hold a Fund's securities through third parties such as clearing corporations, clearing and other brokers, or banks. In addition, a Fund may hold securities, cash and other assets directly with banks or other third parties not associated with the prime brokers. As a result, a Fund may be subject to credit risk with respect to such third parties as well as with respect to the prime brokers. In addition, certain assets of a Fund may be held by non-U.S. affiliates of its prime brokers and entities other than the prime brokers. Assets held by such non-U.S. affiliates may be subject to legal regimes that provide fewer or different investment protections than the U.S. For example, a Fund may provide certain of its assets as collateral to counterparties in connection with "over-the-counter" derivatives contracts such as swaps, forwards and certain options, and a Fund is likely to be an unsecured creditor of any such counterparty in the event of its insolvency.

*Repurchase Agreements.* A Fund may enter into repurchase agreements with respect to its portfolio. Repurchase agreements involve the sale of securities held by a Fund with an agreement by the Fund to repurchase the securities at an agreed upon price, date and interest payment. The use by a Fund of repurchase agreements involves many of the same risks of leverage since the proceeds derived from such repurchase agreements may be invested in additional securities. Repurchase agreements involve the risk that the market value of any securities acquired with the proceeds from the repurchase agreement may decline below the price of the securities a Fund has sold but is obligated to repurchase.

If the buyer of securities under a repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce a Fund's obligation to repurchase the securities, and a Fund's use of the proceeds of the repurchase agreement may effectively be restricted pending such decision. Also, a Fund would bear the risk of loss to the extent that the proceeds of the repurchase agreement are less than the value of the securities subject to such agreement.

*Reverse Repurchase Agreements.* In a reverse repurchase agreement, a Fund buys, and the seller agrees to repurchase, a security at a mutually agreed upon time and price. The reverse repurchase agreement thereby determines the yield during the purchaser's holding period, while the seller's obligation to repurchase is secured by the value of the underlying security. Reverse repurchase agreements could involve risks in the event of a default or insolvency of the other party to the agreement, including possible delays or restrictions upon a Fund's ability to dispose of the underlying securities. A Fund may enter into reverse repurchase agreements with certain banks or non-bank dealers.

*Securities Lending Risk.* A Fund may lend securities from its portfolio to brokers, dealers and other financial institutions needing to borrow securities to complete certain transactions. The Fund continues to be entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords the Fund an opportunity to earn interest on the amount of the loan and on

the loaned securities' collateral. The Fund might experience risk of loss if the institution with which it has engaged in a portfolio loan transaction breaches its agreement, if its securities lending agent becomes insolvent, or if the value of the instruments in which the lending agent invests borrowers' collateral declines. In connection with its securities lending transactions, a Fund may return to the borrower or a third party that is acting as a "placing broker" a part of the interest earned from the investment of collateral received for securities loaned.

*Debt and Other Income Securities.* The Funds may invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

The debt securities in which the Funds may invest are not necessarily required to satisfy any minimum credit rating standard and may include instruments that are considered to be of relatively poor standing and have predominantly speculative characteristics with respect to capacity to pay interest and repay principal. The Funds may invest in bonds rated lower than investment grade, which may be considered speculative. The Funds may also invest in high-risk instruments that are low rated or unrated.

*U.S. Government Securities.* U.S. government securities include direct obligations of the U.S. Treasury and obligations issued by U.S. government agencies and instrumentalities, including securities that are supported by: (1) the full faith and credit of the United States (*e.g.*, certificates of the Government National Mortgage Association); (2) the right of the issuer to borrow from the U.S. Treasury (*e.g.*, Federal Home Loan Bank securities); (3) the discretionary authority of the U.S. Treasury to lend to the issuer (*e.g.*, Fannie Mae securities); and (4) solely the creditworthiness of the issuer (*e.g.*, Freddie Mac securities). Neither the U.S. government nor any of its agencies or instrumentalities guarantees the market value of the securities they issue. Therefore, the market value of such securities can be expected to fluctuate in response to changes in interest rates.

*Cash and Other Investments.* A Fund may invest all or a portion of its assets in cash or cash items for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by Adviser. A Fund may also hold interests in investment vehicles that hold cash or cash items. While investments in cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses. Investments in cash items and money market funds may also provide less liquidity than anticipated by a Fund at the time of investment.

*Convertible Securities.* Convertible securities are generally debt securities or preferred stocks that may be exchanged under certain circumstances for shares of common stock (collectively, "Convertibles").



Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks). A Convertible's value usually reflects both the stream of current income payments and the value of the underlying common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly.

An issuer may be more likely to fail to make regular payments on a Convertible than on its other debt because other debt securities may have a prior claim on the issuer's assets, particularly if the Convertible is preferred stock. However, Convertibles usually have a claim prior to the issuer's common stock.

In addition, for some Convertibles, the issuer can choose when to convert to common stock, or can "call" (redeem) the Convertible. An issuer may convert or call a Convertible when it is disadvantageous for a Fund, causing the Fund to lose an opportunity for gain. For other Convertibles, a Fund can choose when to convert the security to common stock or to put (sell) the Convertible back to the issuer.

Convertible securities may or may not be rated within the four highest categories by Standard & Poor's Rating Services and Moody's Investors Service and, if not so rated, would not be investment grade. To the extent that convertible securities are rated lower than investment grade or not rated, there would be greater risk as to timely repayment of the principal of, and timely payment of interest or dividends on, those securities.

Also, in the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of a Fund's holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared or the issuer enters into another type of corporate transaction that increases its outstanding securities.

*Start-Up Periods.* The Funds may encounter start-up periods during which it will incur certain risks relating to the initial investment of newly contributed assets. Moreover, the start-up periods also represent a special risk in that the level of diversification of a Fund's portfolio may be lower than in a fully invested portfolio.

*Future Regulatory Change is Impossible to Predict.* The securities and derivatives markets are subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC, the CFTC and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of prohibitions or restrictions on short-selling, speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities and derivatives both inside and outside the United States is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Funds is impossible to predict, but could be substantial and adverse.

## **ITEM 9. DISCIPLINARY INFORMATION**

Item 9 is not applicable to Adviser, as it has no reportable material legal or disciplinary events.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Related Broker-Dealers, Futures Commission Merchant/Commodity Pool Operator/Commodity Trading Advisor**

Neither Adviser nor any of its management persons is registered or have an application pending to register as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”) or commodity trading advisor (“CTA”). In addition, neither Adviser nor any of its management persons is an associated person of an FCM, a CPO or CTA.

### **Related General Partners**

Affiliates of Adviser serve as general partners of certain of the Funds. For a description of material conflicts of interest created by the relationship among the Adviser and the general partners, as well as a description of how such conflicts are addressed, please see Item 11 below.

### **Selection of Investment Advisers**

Adviser does not recommend or select other investment advisers for its clients, although it may do so in the future.

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

### **Code of Ethics**

Adviser has adopted a Code of Ethics (the “Code of Ethics”) pursuant to Rule 204A-1 under the Advisers Act that states that it is generally improper for Adviser or employees or certain other persons covered by the Code of Ethics (as used in this Item 11, “employees”) to use for their own benefit (or the benefit of anyone other than a client) information about Adviser’s trading or investment recommendations for a client or take advantage of investment opportunities that would otherwise be available for a client. The Code of Ethics requires all employees to comply with applicable U.S. federal securities laws at all times. The Code of Ethics prohibits, among other activities, personal trading in certain securities if the employee has actual knowledge that the security is being considered for purchase or sale for Adviser’s clients and certain short-term trading.

The Code of Ethics outlines written policies regarding personal trading in any brokerage or trading account in which an employee, or any member of such employee’s immediate family, has any direct or indirect control or beneficial ownership. The personal trading policies adopted by Adviser generally restrict personal trading of certain securities and require employees to seek pre-approval prior to trading in certain securities. An employee is required to disclose all of his or her personal account holdings to Adviser upon employment. Employees must provide certain quarterly and annual securities holdings reports.

The Code of Ethics requires Adviser’s chief compliance officer to regularly monitor all trading activity in personal accounts to determine whether all personal trading activity in its employees’ accounts is consistent with the requirements set forth in the Code of Ethics and does not otherwise indicate any

improper trading activities. Employees are required to immediately report any violation of Adviser's personal trading policies of which they become aware to the Adviser's general counsel.

This summary of the Code of Ethics is qualified in its entirety by the Code of Ethics, which is available to clients and prospective clients upon request sent by email to [info@lamondcapital.com](mailto:info@lamondcapital.com).

### **Conflicts of Interest**

The material reportable conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this brochure and in the offering documents of each Fund and these materials should be read in their entirety.

The Funds are subject to a number of actual and potential conflicts of interests. Certain employees, consultants and affiliates of Adviser (or employees or consultants of its affiliates) may invest in the Funds. These persons will likely be subject to reduced or no management fees and reduced or no performance allocations. Accordingly, such investors may experience substantially greater performance from their investments in a Fund than will other investors.

While Adviser and its affiliates currently provide advice only to three funds, they are not restricted from forming additional investment vehicles, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with a Fund and/or may involve substantial time and resources of Adviser. Such investment accounts or investment vehicles may have investment objectives and policies that are identical to those of a Fund. Adviser and its affiliates may give advice and recommend securities to managed accounts or other investment funds that may differ from advice given to, or securities recommended or bought for, a Fund, even though its investment objectives may be the same or similar. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of Adviser and its officers and employees are not devoted exclusively to the business of a Fund but are allocated between the business of the Fund and the management of the monies of other clients of Adviser.

In the future, if it is determined that it would be appropriate for a Fund and one or more other investment accounts managed by Adviser or its affiliates to participate in an investment opportunity, Adviser will seek to execute orders for all of the participating investment accounts, including the Fund, on an equitable basis, taking into account such factors as the investment objectives of the client accounts, the potential investment needs of the client accounts, the appropriateness of the investment to a client's account performance, time horizon and risk objectives, exiting levels of client ownership in the investment and in similar types of companies, and the immediate availability of cash or buying power to fund the investment.

Adviser may have an incentive to direct a Fund's brokerage business to brokers or dealers who have in the past or may in the future refer clients or investors to Adviser or its affiliates in order to incentivize brokers or dealers to refer more clients to Adviser. Nonetheless, Adviser will remain subject to its best execution obligations in relation to the Funds and their other clients when making brokerage allocation decisions.

The employees and officers of Adviser are subject to a policy on the improper use of non-public information, which may restrict trading in the securities of companies in which the Funds invest or may seek to invest.

## **ITEM 12. BROKERAGE PRACTICES**

### **Brokerage Policy and Procedures**

It is Adviser's policy to execute portfolio transactions for client accounts in the best interests of clients, including to seek to obtain "best execution" of each transaction made by Adviser for a client's account (except where Adviser does not have the authority to select the broker or dealer or to negotiate the price or commission). The term "best execution" means seeking the best price and execution for a security in the marketplace as well as ensuring that, in executing client transactions, clients do not incur unnecessary brokerage costs and charges. Adviser is not obligated to obtain the lowest possible commission cost, but rather, should determine whether the transaction represents the best qualitative execution for clients. Adviser has adopted procedures to help it apply this policy.

### **Selection of Broker-Dealers**

Adviser makes investment decisions and arranges for the placement of buy and sell orders and the execution of portfolio transactions for the Funds. In arranging for the execution of portfolio transactions on behalf of the Funds, Adviser seeks to obtain best execution at favorable prices on behalf of the Funds. Adviser has discretion to execute trades, select broker-dealers and negotiate commissions.

In selecting a broker to execute a transaction, Adviser may consider a variety of factors, including, but not limited to, the following: price, commission, size of the order, difficulty of execution, degree of skill required by the broker-dealer, trading and execution, clearing and settlement capabilities, financial stability, reputation, past history of prompt and reliable execution of client trades, operational efficiency with which transactions are effected, access to markets, access to capital to accommodate trades, ability to maintain confidentiality, market knowledge, willingness and ability to make a market in a particular security, brokerage and research services provided or the ability to accommodate third party research arrangements, overall responsiveness to Adviser's needs and willingness to work with Adviser, and depth of services provided (including research and coverage). In selecting broker-dealers, Adviser does not adhere to any prescribed formulas but, rather, makes a subjective determination after weighing a combination of the foregoing factors. The overriding objective in the selection of broker-dealers is their ability to secure the best possible execution of orders taking into account all of the foregoing factors. "Best execution" is not synonymous with the lowest brokerage commission. Consequently, in a particular transaction a client may pay a brokerage commission in excess of that which another broker-dealer might have charged for executing the same transaction.

The Funds do not intend to engage in cross trades with other funds or accounts for which Adviser or an affiliate serves as general partner, managing member or other similar role.

### **Research and Other Soft Dollar Benefits**

Adviser believes that valuable brokerage and research services can be provided to the Funds by brokerage firms effecting transactions for the Funds. Accordingly, Adviser does not intend to seek lower brokerage commissions to the extent that doing so might detract from the provision of such brokerage and research services. Brokerage and research services may either be obtained from brokerage firms or paid for by brokerage firms and may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; and software, data bases and other technical and telecommunications services and equipment utilized in the investment management process and consulting fees in connection with investigating and monitoring potential and existing investments. Research services may be proprietary research (created or developed by the broker-dealer) and research created or developed by a third party. Research services, whether obtained by the use of commissions

arising from a Fund's portfolio transactions or paid for by Adviser and charged to a Fund as described above, may be used by Adviser for the benefit of other Funds. In formulating and implementing its policies with regards the use of commissions or "soft dollars" it is Adviser's intent to stay within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

When Adviser uses brokerage commissions to obtain research or other products or services, Adviser receives a benefit because Adviser does not have to produce or pay for such research, products or services. Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than in Adviser's clients interest in receiving most favorable execution.

### **Directed Brokerage**

Adviser does not have client directed brokerage arrangements.

### **Aggregation of Orders**

While the Adviser currently does not aggregate orders (because, currently, it generally places trades for only one master fund in a master-feeder structure), it may do so in the future. In that case, subject to the discretion of Adviser, Adviser will generally aggregate buy or sell orders for two or more Funds into a single large order, and place the aggregated order with a single broker or dealer for execution. In many instances, such aggregation of orders can result in lower commissions, a more favorable net price or more efficient execution than if each Fund's order were placed separately. There may, however, be instances in which order aggregation results in a less favorable transaction than a particular Fund would have obtained by trading separately. Similarly, when orders are not aggregated, there may be circumstances when purchases or sales of portfolio securities for one or more Funds will have an adverse effect on other Funds. Adviser is not obligated to place all transactions on an aggregated basis, and in determining whether or not to aggregate orders Adviser relies on the judgment of certain of its trading personnel as to what course of action is likely to be fair and in the best interests of the relevant accounts on an overall basis. That is, Adviser seeks to avoid putting any Fund account at an advantage or disadvantage compared to Adviser's other client accounts that are buying or selling the same security. Each Fund participating in an aggregated order will participate at the same price as all other participants, and all transaction costs on the order will be allocated *pro rata* to all participating Funds.

## **ITEM 13. REVIEW OF ACCOUNTS**

### **Oversight and Monitoring**

Adviser provides continuous advisory services for the Funds. The portfolio investments of each Fund are primarily reviewed by a team of investment and other professionals, which currently includes the Portfolio Manager, Analysts and Chief Operating Officer. Each Fund is monitored on an ongoing basis for overall adherence to the Fund's investment objective and strategies, as well as any guidelines or restrictions.

### **Reporting**

Adviser provides reports in accordance with the applicable Fund's organizational and offering documents and as may be agreed with particular investors. Generally, the administrator sends monthly reports to investors. Adviser has engaged an independent public accounting firm, Rothstein Kass, to prepare audited financial statements of the Funds within 120 days of each fiscal year end.

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

Adviser does not receive an economic benefit from any person who is not a client for providing investment advice or other advisory services.

#### **ITEM 15. CUSTODY**

The Adviser is deemed to have custody of the assets of each Fund.

To comply with the requirements of the Advisers Act and the rules thereunder, each Fund is audited each year by an independent public accountant, and these audited financial statements are provided to Fund investors within 120 days of fiscal year end.

#### **ITEM 16. INVESTMENT DISCRETION**

Adviser has full investment discretion over all Funds. Adviser provides investment advice directly to the Funds pursuant to a written investment management agreement with the Funds, subject to the discretion and control of the general partner or the board of directors of the applicable Fund, and not directly to the investors in the Funds. Powers of attorney and any restrictions on Adviser's authority are set forth in the offering memorandums and organizational documents of the Funds. Fund investors have no ability to modify a Fund's investment strategy and thus should carefully read a Fund's offering memorandum and organizational documents.

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

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Adviser has adopted proxy voting policies and procedures. Such policies and procedures are designed to ensure that in cases where Adviser votes proxies with respect to securities held by a Fund, such proxies are voted in the best interest of such Fund, and in so doing, Adviser will maximize the economic value of the investments made by the relevant Fund. Adviser's proxy voting policy is designed to ensure that if a material conflict of interest is identified in connection with a particular proxy vote, that the vote is not improperly influenced by the conflict. It is the general policy of Adviser to vote or give consent on all matters presented to security holders in any vote, and Adviser's policies and procedures have been designed with that in mind. However, Adviser reserves the right to abstain on any particular vote or otherwise withhold its vote or consent on any matter if, in the judgment of the Adviser, the costs associated with voting such vote outweigh the benefits to the relevant Funds or if the circumstances make such an abstention or withholding otherwise advisable and in the best interests of the relevant Fund.

Adviser may subscribe to and engage the services of a third party vendor as its proxy agent.

This summary of Adviser's voting policies and procedures is qualified in its entirety by Adviser's voting policies and procedures. Adviser will make information regarding how proxies were voted available upon request to any client and a copy of Adviser's voting policies and procedures is available to any client upon request sent to [info@lamondcapital.com](mailto:info@lamondcapital.com).

**ITEM 18. FINANCIAL INFORMATION**

Item 18.A is not applicable to Adviser, as it does not require or solicit prepayment of fees six months or more in advance.

In response to Item 18.B, Adviser is not currently aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds.

Item 18.C is not applicable to Adviser, as it has not been subject to a bankruptcy petition during the past ten years.

**ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Item 19 is not applicable to Adviser as it is not registered with any State securities authority.