

PDT PARTNERS

Form ADV Brochure

Part 2A

PDT Partners, LLC

**1745 Broadway, 25th Floor
New York, New York 10019**

May 15, 2012

This brochure provides information about the qualifications and business practices of PDT Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 621-0400. 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.

PDT Partners, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about PDT Partners, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 - MATERIAL CHANGES

Not applicable.

ITEM 3 - TABLE OF CONTENTS

ITEM 1 - COVER PAGE	i
ITEM 2 - MATERIAL CHANGES	ii
ITEM 3 - TABLE OF CONTENTS.....	iii
ITEM 4 - ADVISORY BUSINESS	1
ITEM 5 - FEES AND COMPENSATION	2
ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	3
ITEM 7 - TYPES OF CLIENTS	4
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS	5
ITEM 9 - DISCIPLINARY INFORMATION.....	12
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	13
ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING	14
ITEM 12 - BROKERAGE PRACTICES.....	18
ITEM 13 - REVIEW OF ACCOUNTS	19
ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION	20
ITEM 15 - CUSTODY.....	21
ITEM 16 - INVESTMENT DISCRETION	22
ITEM 17 - VOTING CLIENT SECURITIES	23
ITEM 18 - FINANCIAL INFORMATION	24

ITEM 4 - ADVISORY BUSINESS

The Process Driven Trading group of Morgan Stanley (the “PDT Group”) was founded in 1993 as a proprietary trading group within Morgan Stanley & Co. LLC (together with its affiliates other than PDT (as defined below) and PDT’s controlled subsidiaries, “Morgan Stanley”) and since that time has developed and deployed quantitative strategies to trade liquid assets globally for Morgan Stanley.

PDT Partners, LLC (“PDT”) was formed in September 2010 and expects to commence its investment advisory activities on or around July 1, 2012 (the “Commencement Date”). PDT expects to separate from Morgan Stanley (the “Separation”) at the end of 2012 with the rights to the PDT Group’s intellectual property. Until Separation, PDT will be a controlled subsidiary of Morgan Stanley, and the principal owners of PDT will be Morgan Stanley and an entity with a number of equity partners (“PDT Capital Group”) that is controlled by Peter Muller, PDT’s Chief Executive Officer. At Separation, control of PDT will transfer to PDT Capital Group. Morgan Stanley has the option to acquire a preferred interest in PDT shortly after Separation, but will cease being the controlling owner of PDT upon Separation.

Beginning on the Commencement Date, PDT will provide investment advisory services to a group of pooled investment vehicles (the “Fusion Fund”) on a discretionary basis using quantitative investment strategies. Until Separation, PDT will also manage proprietary capital for Morgan Stanley (the “MS Portfolio”) utilizing related quantitative investment strategies. Following Separation, PDT expects to provide investment advisory services to additional pooled investment vehicles (together with the “Fusion Fund” and any other pooled investment vehicles managed by PDT, the “Funds”) but will cease managing the MS Portfolio.

Using quantitative models developed by PDT, including models that were developed from those originally created by the PDT Group, PDT will trade a broad range of liquid, publicly traded U.S. and non-U.S. securities and other instruments, including equities, futures contracts, foreign exchange contracts, and derivatives thereon.

Each Fund will be managed according to the investment objectives and policies set forth in its offering documents. PDT will not tailor the Funds’ investment programs for any particular Fund investor.

As of May 15, 2012, PDT had no regulatory assets under management.

ITEM 5 - FEES AND COMPENSATION

Fee Schedules; Calculation and Deduction of Fees

PDT will not receive any management fees for managing the MS Portfolio. Morgan Stanley will, however, be responsible for the non-compensation expenses incurred by PDT in managing the MS Portfolio. Until Separation, Morgan Stanley will also pay compensation to PDT and PDT Group employees, which compensation will be based, in part, on the returns of the MS Portfolio managed by PDT and PDT Group employees.

With respect to the Funds, PDT expects to receive a management fee based on the net asset value of each Fund, generally ranging from 2% to 3% per annum, and performance-based compensation (which may be paid or allocated to an affiliated entity) based on the net capital appreciation of each Fund, generally ranging from 20% to 50% per annum, and subject to a hurdle rate and/or high watermark. Information relating to the actual fee charged to any Fund will be set forth in the offering materials for that Fund. The management fee will be paid monthly in advance and the performance-based compensation will be paid or allocated at the end of each fiscal year. PDT will deduct fees directly from the assets of the Funds. PDT may, in its sole discretion, waive, reduce, or modify fees with respect to any investor in a Fund, including, without limitation, any employee of PDT.

Other Fees and Expenses

In addition to the management fee and performance-based compensation described above, the Funds will incur other expenses. Other expenses that will be borne by the Funds, whether incurred directly or indirectly, will include, but not be limited to: offering and organizational expenses; fund administration expenses; directors fees; external accounting, auditing, and tax preparation and consulting fees; fees of professional consultants and experts relating to investments; external legal fees; brokerage, clearing, and settlement fees; taxes and regulatory fees; custodial fees; market data and other data costs (including risk analytical software); costs attributable to certain software and hardware; certain data center costs; depreciation costs associated with production hardware; technology costs associated with connecting to trading venues, trading counterparties, prime brokers, and similar service providers; expenses of preparing and distributing reports, financial statements, and documents to investors and prospective investors; insurance premiums; interest and financing expenses; expenses relating to short sales; proxy service provider fees; costs of investor meetings; costs and expenses related to the reorganization, dissolution, winding-up, or termination of a Fund; and costs and expenses associated with litigation, arbitration, regulatory examinations, and governmental investigations, and other extraordinary expenses. Consultant expenses payable may be structured as a flat fee, a fee based on the performance of any investments or trading decisions made at the recommendation of a consultant, or in such other manner as is agreed upon by such consultant and PDT.

Certain of these expenses are expected to be subject to an expense cap. Each Fund may have different policies with respect to which expenses are borne by the Fund and the level of any expense cap. Certain of the expenses will be paid by PDT on behalf of the Funds and reimbursed by the Funds. None of the fees and expenses described in this section will reduce the management fee or performance-based compensation described above.

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

Prior to Separation, PDT will simultaneously manage assets for the Fusion Fund and the MS Portfolio. Since Morgan Stanley controls PDT until Separation and employees of PDT and the PDT Group have deferred compensation linked to the performance of the MS Portfolio, PDT will have an incentive to devote more research and development time, and/or to allocate investment opportunities, to the MS Portfolio over the Fusion Fund.

After Separation, PDT will simultaneously manage assets for multiple Funds. Because certain of the Funds will have higher performance-based compensation than other Funds, and PDT employees are expected to have more capital invested in those Funds than in other Funds, PDT will also have an incentive to favor those Funds over the other Funds.

As of the registration date, PDT will have adopted trade allocation and other policies and procedures that it believes are reasonably designed to address these and other conflicts of interest, which are described in the offering materials of the relevant Fund.

ITEM 7 - TYPES OF CLIENTS

PDT's clients will be the Funds, which are pooled investment vehicles. Until Separation, PDT will also manage the MS Portfolio.

Fund investors will generally be required to make minimum initial investments of \$10,000,000. Fund investors will generally be required to be "accredited investors" and "qualified purchasers" and meet other investor qualification criteria required by applicable securities and commodities laws and regulations.

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

Methods of Analysis and Investment Strategies

PDT will use a quantitative investment approach. PDT's researchers, many of whom hold advanced degrees in mathematics and science, will seek to identify indicators with predictive value, using mathematical techniques. The indicators may be technical (e.g., price or volume) or fundamental (information relating to companies, industries, or markets). The research results will be incorporated into proprietary models that analyze large amounts of real-time and historical data to generate buy or sell orders in equity securities, futures contracts, foreign currency contracts, and other products.

PDT's investment strategies will vary by assets traded, forecasting technique, predictive horizon, risk profile, and other characteristics. Some of PDT's strategies will aim to be market neutral; others will take directional market exposure within prescribed risk parameters. All of PDT's quantitative strategies are designed to systematically identify, and take advantage of, pricing anomalies and discrepancies in various related and unrelated securities and financial instruments.

The orders generated by PDT's investment strategies will primarily be executed through PDT's proprietary trading platform. PDT's trading platform will seek to optimize order execution by managing market impact and risk across multi-period horizons and by responding to changing market conditions.

PDT will monitor the strategies it trades on behalf of the Funds and the MS Portfolio throughout the day and may intervene to reduce perceived risks if it believes markets or assets are reacting to events outside the models' design parameters.

Material Risks

The following is a summary of material risks for PDT's investment strategies and methods of analysis. This summary does not describe every risk, and not all of the risks described will be equally relevant for each Fund. Investors should understand that all of PDT's investment strategies will involve substantial risk of loss, including the potential loss of their entire investment. No guarantee or representation is made that a Fund's investment objective will be achieved. Fund investors should carefully review the offering materials of the relevant Fund for additional information on the risks associated with an investment in the Fund.

Quantitative Strategies; Model Risk

In managing the Funds' portfolios, PDT will use quantitative models that trade on signals that it believes, in the aggregate, are indications of future price movement. However, financial markets are complicated and can act in unpredictable ways. The models utilized by PDT will not be able to take into account all of the complexities of the financial markets, including events or circumstances that are not readily foreseeable, such as natural disasters, accounting fraud, litigation, or regulatory developments. Even if all of the assumptions underlying the models are correct, there is no assurance that prices will move as the models predict. As a result, PDT's models may perform substantially worse than expected, resulting in losses.

The performance of quantitative models may decay over time. Models must be constantly reevaluated in light of, and, in some cases, adjusted to account for, rapidly changing market conditions. All changes to models (including incremental improvements to current models) expose the Funds to the possibility of unforeseen losses from a variety of factors, including conceptual failures and implementation failures. The determination as to when to turnover a model change is complicated and involves balancing the

implementation and modeling risks associated with turning over new code with the expected benefits of the change. If PDT turns over a new model too quickly or too slowly, the performance of a Fund may be negatively impacted, and the Fund could incur material losses. Fund investors may not be made aware of any weaknesses or errors in models discovered by PDT (regardless of whether or not such weaknesses or errors are corrected by PDT).

Dependence on Technology

PDT's investment processes, including research, production trading, risk management, and trade allocation, are highly automated and rely heavily on technology, including hardware, software, and other computerized or automated processes. The performance of a Fund, as well as various critical processes of PDT, could be severely compromised by coding errors, computer viruses, telecommunications failures, power loss, natural disasters, security breaches, software related "system crashes," disruption or deterioration of services of third party providers, terrorist attacks, and similar events. Any event that interrupts PDT's computer and telecommunications operations could result in, among other things, the inability of PDT to establish, modify, liquidate, hedge, or monitor a Fund's investments and therefore could have a material adverse effect on the operating results of a Fund.

Reliance on Data

The quantitative models that will be utilized by PDT to trade the Funds' portfolios rely on historical and current market and other data provided by third parties. Any interruption in the flow of, or an inability to appropriately process, such data could disrupt PDT's ability to effectively trade and manage the portfolios. In addition, no assurance can be provided that the data supplied by third parties will be accurate. Investment decisions made, or programming code developed, on the basis of inaccurate information could have a material adverse impact on the Funds' portfolios.

Further, it will not be possible for PDT to integrate all relevant data into the quantitative models it develops. PDT will make subjective decisions regarding what data it should integrate into its models. In making such determinations, PDT may consider such factors as it deems relevant in its sole discretion, which may include the cost of obtaining such data and the reliability of the third party providing such data. No assurance can be provided that PDT will make selections that result in the Funds achieving their investment objective.

Human Error

While PDT's trading strategies will primarily utilize quantitative models and automated processes, the activities and decisions of the personnel will play a vital role in PDT's investment approach.

PDT's personnel will make subjective decisions in implementing the trading strategies, including determinations in connection with developing and making changes to quantitative models and decisions relating to the timing of trade orders that are placed manually. Subjective decisions by individuals could result in unforeseen consequences to the trading strategies, which could result in losses. The research and modeling processes utilized by PDT are complex and rely on theories and research being translated into computer code. Any errors made by individuals in such translation to computer code or with respect to the input of data may be difficult to detect and could result in errors in the models that result in losses. Given the manner in which the Funds will trade, a single software coding error could result in the execution of thousands of unwanted trades.

While PDT will take certain steps to attempt to mitigate the risk of human error, such steps may be unsuccessful, and, in any event, will never be able to eliminate all human error. Fund investors should

not expect to be made aware of model or technology errors discovered by PDT (regardless of whether or not such errors are corrected by PDT). All errors will be for the account of the Fund, except as set forth in the offering materials of the relevant Fund.

Frequent or Short Term Trading

The Funds will trade frequently. Consequently, the Funds will bear significant brokerage, clearing, and trading fees.

Competition Among Quantitative Managers; Correlated Trading

There are a large number of investment managers that utilize quantitative models in their trading strategies. There may be attempts by other participants in the market to duplicate PDT's models or trading strategies. To the extent that such persons are utilizing models that are similar to those utilized by PDT, a Fund may be competing for investment or arbitrage opportunities with such participants, and the trading by such other persons may impact the opportunities and profitability of the Fund. To the extent that such participants take the same action with respect to a particular position as a Fund, the ability of the Fund to purchase or dispose of its investments at attractive prices may be adversely affected.

In addition, the liquidation of a large number of positions in a short period of time by market participants that utilize quantitative models in their trading strategies could have a material adverse effect on the value of a Fund's portfolio. During the summer of 2007, there was a widespread de-levering by investment managers using similar quantitative models that created overlapping trades, high volatility, and imbalanced liquidity. The liquidation of positions during this period resulted in material losses for many funds using quantitative models—even those funds that did not initiate the de-levering. Any market circumstance similar to, but not limited to, the foregoing could have a material adverse effect on the Funds.

Regulatory Focus on Algorithmic Trading

Algorithmic trading is the subject of ongoing regulatory attention. The Securities and Exchange Commission ("SEC"), the Commodity Futures Trading Commission ("CFTC"), the European Securities and Markets Authority, and the InterContinentalExchange, among other regulators and exchanges, have undertaken efforts to review the impact of algorithmic trading on the functioning of markets and to suggest systems and controls for trading participants to ameliorate any adverse impact. While the impact of such regulatory focus on PDT is not yet clear, it is possible that new regulations may require additional transparency with respect to the trading strategies used by firms deploying quantitative or algorithmic strategies, such as PDT. Such transparency requirements would make it more likely that PDT's proprietary trading strategies could become known by its competitors, which could have a material adverse effect on the Funds.

New financial transaction taxes and higher exchange fees (for placing and/or cancelling orders) have been proposed, and even de minimis taxes or a small increase in exchange fees could have a substantial negative impact on the returns of investment funds that trade frequently.

Key Personnel; Retention

The performance of the Funds will depend to a large degree on the efforts of the individuals employed by PDT. Competition among alternative investment managers is intense for the most highly skilled individuals. If Peter Muller or any senior PDT employee ceases to remain part of PDT, no assurance can

be given that PDT would be able to find and recruit a replacement with similar experience or ability or as to the length of time the search for a replacement would take.

Leverage

The Funds will utilize leverage as part of their investment program, and the amount of such leverage is expected to be significant. A Fund may obtain leverage by trading on margin or by trading derivative instruments that are inherently leveraged (including, among other things, futures contracts, forward contracts, options, and swaps). Leverage will exaggerate the effect on the value of interests in a Fund of any increase or decrease in the market value of its securities, thus increasing the volatility of a Fund. In addition, monies borrowed will be subject to interest costs that may or may not be recovered through appreciation of the securities purchased or the yield from such securities. As a result of recent proposals that may require banking entities to hold higher levels of capital (e.g., Basel III capital ratio rules), the financing costs to which the Funds are subject will likely increase. Any material increase in financing costs would have a material adverse effect on the performance of the Funds.

Counterparty Risk

The Funds will be exposed to the credit risk of the banks, brokers, dealers, exchanges, and other counterparties through which they deal. The Funds' prime brokers or other financing counterparties will hold Funds assets, including assets held as collateral for margin loans or other financing provided to the Funds. If a prime broker or counterparty becomes insolvent, the assets and/or collateral of the Funds held by such prime broker or counterparty may not be recoverable by the Funds. Further, even if the Funds are able to recover a portion of such assets or amounts, such recovery could take a significant period of time.

The Funds will also be subject to risk of loss of their assets on deposit with a sub-custodian in the event of the sub-custodian's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on behalf of the Funds, or the bankruptcy of an exchange clearing house. The Funds will also be subject to risk of loss of its funds on deposit with non-U.S. brokers because non-U.S. regulatory bodies do not uniformly require such brokers to segregate customer funds.

In the case of the bankruptcy of a broker-dealer through which the Funds deal, PDT may not be able to fully resume trading for the Funds for some period of time due to its reliance on the insolvent broker-dealer for exchange connectivity and market data. The opportunity cost to the Funds of not trading those markets for a period of time could be substantial.

Short Sale Transactions

Short selling involves selling securities that may or may not be owned by the seller 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 the investor to profit from declines in the value of securities. In addition, positions that are economically similar to short sales may be established through derivatives trading.

A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, exposing the short seller to the theoretically unlimited cost of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Similarly, a short position established synthetically through a derivative could also result in a substantial loss if the value of the underlying asset or index actually increases rather than decreases.

Many jurisdictions have recently imposed restrictions and reporting requirements on short selling. For example, in 2008, the SEC suspended short selling on over 900 public companies (including issuers in the financial services industry) and, in 2010, the SEC adopted a short sale price test rule, which limited short selling an issuer following a 10% decline in its trading price. These restrictions and reporting requirements, and any restrictions and reporting requirements enacted in the future, may change the manner in which a Fund trades and may prevent a Fund from successfully implementing its investment strategies. In addition, reporting requirements relating to short selling may provide transparency to a Fund's competitors as to its short positions, which may have a detrimental impact on the Fund's returns.

Equity Securities and Equity-Related Securities

The Funds will invest in equity securities and may also invest in equity-related instruments, such as stock options and individual stock futures. The value of equity securities varies in response to many factors. Factors specific to an issuer, such as certain decisions by management, lower demand for its products or services, or even loss of a key executive, could result in a decrease in the value of the issuer's securities. Factors specific to the industry in which the issuer participates, such as increased competition or costs of production or consumer or investor perception, can have a similar effect. The value of an issuer's stock can also be adversely affected by changes in financial markets generally, such as an increase in interest rates or consumer confidence, that are unrelated to the issuer itself or its industry. These factors and others can cause significant fluctuations in the prices of the securities in which a Fund invests and can result in significant losses.

PDT does not intend to perform due diligence on the fundamental soundness of the business model or management of the issuers in which a Fund will invest. PDT's models will not take into account all, or potentially any, of the factors that contribute to the value of a particular company's equity securities.

Derivative Instruments Generally

Derivative instruments, or "derivatives," include instruments and contracts which are derived from, and are valued in relation to, one or more underlying securities, financial benchmarks, or indices (e.g., swaps, credit derivatives, futures contracts, index futures, forward contracts, and options). Many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Derivatives may entail investment exposures that are greater than their initial margins or option premiums would suggest, meaning that a small investment in derivatives could have a large potential impact on a Fund's performance. Derivatives are also subject to various other types of risk, including market risk, liquidity risk, structuring risk, counterparty financial soundness, credit worthiness and performance risk, legal risk, and operational risk.

Currencies

A Fund may trade currencies on a speculative basis and may otherwise have exposure to currencies through securities, derivatives, and other instruments that it may choose not to hedge against the U.S. dollar. To the extent unhedged, the value of a Fund's assets will fluctuate with U.S. dollar exchange rates as well as the price changes of a Fund's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which a Fund makes its investments will reduce the effect of increases and magnify the effect of decreases in the prices of the Fund's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on a Fund's non-U.S. dollar securities. Exchange rates can change dramatically over

short periods of time, particularly during times of political or economic unrest or as a result of actions taken by central banks, which may be intended directly to affect prevailing exchange rates.

Hedging Transactions

The Funds will engage in hedging techniques, involving a variety of derivative transactions. Hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of hedging instruments and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of a Fund's positions. Although the contemplated use of hedging instruments is intended to minimize the risk of loss resulting from a decline in the value of the hedged position, the use of such instruments may limit any potential gain which might result from an increase in the value of such position. The ability of a Fund to hedge successfully cannot be assured.

Exchange-Traded Funds

The Funds will invest in exchange-traded funds ("ETFs") for hedging or speculative purposes. While an investment in an ETF is generally expected to have low volatility and to have a positive correlation to the performance of broader markets, an investment in an ETF that is specific to an industry or sector may have higher volatility and lower correlation to the performance of broader markets. In addition, a Fund will be subject to fees (including, without limitation, management fees and/or distribution fees) in respect of its investment in an ETF, which will not offset the management fee and/or other fees to which a Fund investor may be subject in respect of its investment in a Fund. Moreover, as ETFs are investment companies that are registered under the Investment Company Act of 1940 (the "1940 Act"), a Fund (as a private investment fund) will be limited in the percentage of any single ETF that it can acquire.

Money Market and Other Liquid Instruments

A Fund may, from time to time, hold cash, cash equivalents, U.S. Treasuries, and other short-term securities, or money market funds in order to fund anticipated redemptions or expenses, manage counterparty risk, or for such other reasons as determined by PDT in its sole discretion. Any such temporary or defensive positions could prevent a Fund from achieving its investment objective.

Futures Contracts

A Fund may trade futures contracts. Futures prices can be highly volatile. Because of the low margin deposits normally required in futures and options trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor.

Certain futures positions at times may be less liquid than at other times because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that a Fund may indirectly hold or control in particular commodities.

Foreign futures transactions involve executing and clearing trades on a foreign exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of

the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, a Fund may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures.

Effect of Speculative Position Limits

The CFTC and various exchanges have rules limiting the maximum number of contracts which any person or group may own, hold, or control. In addition, in applying such limits, the CFTC and various exchanges may require aggregation of the positions owned, held, or controlled by related entities. Even if activities of PDT on behalf of a Fund are conducted separately from the activities of other funds and accounts managed by PDT, Morgan Stanley, Chalkstream (as defined in Item 10 -- Other Financial Industry Activities and Affiliations), or their affiliates, it is possible that the CFTC and some exchanges may require aggregation of a Fund's positions in futures contracts with positions held by such other funds and accounts. Any such limits may adversely impact a Fund; by way of example, such limits may prevent a Fund from acquiring positions that might otherwise have been desirable or profitable. The MS Portfolio may utilize available position limits, and, as a result, the Funds, and not the MS Portfolio, could be required to limit their use of futures contracts or liquidate their positions on such exchanges. It is expected that the MS Portfolio (before Separation) and other Funds (after Separation) will have priority over the Fusion Fund with respect to available position limits.

Options

Although options may be used as a hedge against changes in market conditions, trading in options may also be speculative. Options transactions may be highly leveraged, and gains and losses are therefore magnified. There could be adverse consequences to a Fund in options transactions, for example, if PDT's prediction of movements in the direction of the securities markets is inaccurate. If a Fund were to write an uncovered call option, the Fund would be subject to the risk of unlimited loss.

Swap Agreements

PDT may enter into swap agreements on behalf of a Fund. Swap agreements are privately negotiated over-the-counter derivative products in which two parties agree to exchange payment streams that may be calculated in relation to a rate, index, instrument, or certain securities and a particular "notional amount." Swaps may be subject to various types of risks, including market risk, liquidity risk, structuring risk, tax risk, and the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty. Swaps can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swaps may increase or decrease a Fund's exposure to equity securities, long-term or short-term interest rates, non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of securities, or inflation rates and may increase or decrease the overall volatility of a Fund's portfolio. Swap agreements can take many different forms and are known by a variety of names. A Fund will not be limited to any particular form of swap agreement if PDT determines that other forms are consistent with the Fund's investment objective and policies. The most significant factor in the performance of swaps is the change in individual equity values, specific interest rate, currency, or other factors that determine the amounts of payments due to and from the counterparties. If a swap calls for payments by a Fund, the Fund must have sufficient cash availability to make such payments when due.

ITEM 9 - DISCIPLINARY INFORMATION

Not applicable.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

The principal owners of PDT are Peter Muller and Morgan Stanley. Morgan Stanley is a corporation whose shares are publicly held and traded on the New York Stock Exchange under the symbol “MS”. Morgan Stanley is a financial holding company under the Bank Holding Company Act of 1956, as amended. As a result, PDT is part of a large global financial services and banking group and has business relationships with Morgan Stanley affiliates. These relationships can cause conflicts of interest.

Until Separation, PDT will be affiliated with Morgan Stanley & Co. LLC (“MS&Co.”), a registered broker dealer under the Securities Exchange Act of 1934 (the “34 Act”). After Separation, PDT will no longer be affiliated with MS&Co., although Morgan Stanley may own a preferred interest in PDT. PDT expects that MS&Co. will serve as a prime broker and executing broker for the Funds and, prior to Separation, may be the sole prime broker and executing broker for the Fusion Fund. MS&Co. may engage other affiliates of Morgan Stanley in its provision of prime brokerage services to the Funds. Certain employees of the PDT Group are currently registered representatives of MS&Co., but are expected to cease to be registered with MS&Co. and become employees of PDT prior to the Commencement Date. In addition, certain employees of the PDT Group are, and until Separation will continue to be, associated with Morgan Stanley International Plc or Morgan Stanley Asia Limited, entities licensed by the UK Financial Services Authority and the Hong Kong Securities and Futures Commission, respectively. These individuals are expected to become employees of PDT or subsidiaries of PDT on or around Separation. See Item 11 for detail on the conflicts of interest that can arise from these affiliations.

Peter Muller, one of the principal owners of PDT, is a co-founder of Chalkstream Capital Group, L.P. (“Chalkstream”), which is registered as an investment adviser with the SEC, where he serves as Chairman of Chalkstream’s Investor Committee. Certain potential conflicts of interest are expected to arise in connection with Peter Muller’s involvement with the investment management of Chalkstream, on the one hand, and the Funds, on the other hand. For example, Peter Muller’s involvement in Chalkstream may require substantial time and effort, which time and effort he might otherwise expend on managing the Funds. In addition, even if activities of PDT on behalf of the Funds are conducted separately from the activities of Chalkstream and its affiliates, it is possible that the CFTC and certain exchanges will require aggregation of the Funds’ positions in futures contracts with positions held by Chalkstream and its affiliates.

As of the registration date, PDT will have adopted policies and procedures in connection with such activities in order to address and monitor these conflicts of interest.

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

Code of Ethics and Personal Trading

As of the registration date, PDT will have adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “Advisers Act”). Each of PDT’s employees will be required to acknowledge the Code. The Code will require employees to act in the best interests of clients and to refrain from putting their personal interests above the interests of clients.

The Code will require all employees to pre-clear trades for covered securities, as defined under the Code, in a personal account. The Code will also impose holding periods and reporting requirements for covered securities. Trading on material non-public information will be prohibited by the Code. Investments in private placements, participation in an outside business activity, and political contributions will require pre-approval from the Chief Compliance Officer. The Code will also place limits on the value of gifts and entertainment that may be received and/or given by employees. Exceptions may be granted only with approval from the Chief Compliance Officer. Violations of the Code will be subject to sanction.

Fund investors and prospective Fund investors may obtain a copy of the Code by sending a written request to PDT Partners, LLC, 1745 Broadway, 25th Floor, New York, NY 10019, Attention: Chief Compliance Officer.

Participation or Interest in Client Transactions

Until Separation, PDT will simultaneously manage assets for the Fusion Fund and the MS Portfolio. The management of the Fusion Fund’s assets, on the one hand, and the MS Portfolio, on the other hand, will raise conflicts of interest, and may result in adverse consequences to the Fusion Fund.

In designing the investment model used by the Fusion Fund, PDT took into account the anticipated impact of such strategy on the MS Portfolio. As a result, PDT incorporated into the Fusion Fund’s model only signals that were not utilized or were under-utilized by the MS Portfolio (i.e., signals that PDT believed could be incorporated into the Fusion Fund’s model without materially compromising the risk-adjusted returns of the MS Portfolio). The decision as to which signals to incorporate into the Fusion Fund’s model was, and in the future will be, influenced by the fact that capacity related to certain signals is used, or reserved for use, by other accounts managed by PDT or its affiliates.

PDT expects the MS Portfolio and the Fusion Fund to have correlated trading because they will trade many of the same securities using related and/or similar signals. As a result, PDT expects that trading by the MS Portfolio will negatively impact the Fusion Fund. The degree of the impact will vary based on the size of each portfolio and the correlation between the Fusion Fund and the strategies utilized by the MS Portfolio. As the size of the MS Portfolio and/or the Fusion Fund increases or the correlation between the Fusion Fund’s strategies and the strategies utilized by the MS Portfolio increases, this impact will increase.

PDT does not currently intend to aggregate orders for the MS Portfolio with those for the Fusion Fund and instead intends to trade the orders independently. Because many of the strategies to be traded by PDT for the MS Portfolio have shorter trading horizons than the Fusion Fund, it is likely that in many instances the MS Portfolio will buy (or sell) a security or other instrument before the Fusion Fund, which may cause the Fusion Fund to have its orders filled at a less favorable price than they would have been filled in the absence of trading by the MS Portfolio. In addition, because strategies with shorter trading horizons are sensitive to (and trade in response to) changes in market conditions, the MS Portfolio will

likely trade, on average, more often in the same direction as the Fusion Fund than in the opposite direction, which may have a material adverse impact on the prices paid or received by the Fusion Fund.

Prior to Separation, Morgan Stanley will have continuous visibility into the positions traded on behalf of the MS Portfolio and therefore will be able to make decisions regarding withdrawal of capital with the benefit of information that will not be provided to investors in the Fusion Fund.

It is expected that, from time to time, positions in the MS Portfolio will be sold or otherwise transferred to the Funds. In negotiating the terms of such transactions, Morgan Stanley will be acting solely for its own interest and on its own behalf and not for the interest of, or on behalf of, the Funds or their respective investors. It is expected that a third-party will review the terms of each such transaction before its completion and approve or disapprove it on behalf of the Funds. PDT, and not Morgan Stanley, will be solely responsible for determining on behalf of the Funds whether to effect any such transaction on the terms offered by Morgan Stanley.

The officers and employees of PDT and its related persons may buy or sell securities or other instruments that PDT recommends to the Funds. Moreover, PDT may recommend to the Funds the purchase or sale of securities in which PDT or its officers, employees, or related persons have a financial interest. These transactions will be subject to PDT's policies and procedures regarding personal securities trading, as well as to the requirements of the Advisers Act and other applicable laws.

Broker-Dealer Affiliations

PDT expects that MS&Co. will serve as a prime broker for the Funds and that trades for the Funds will be executed through MS&Co., to the extent permitted under applicable law, regulation, or regulatory guidance, and subject to the agreement with MS&Co. PDT expects that MS&Co. will have a substantial portion of the Funds' prime brokerage and trading business. If MS&Co. or any of its affiliates holding a Fund's assets fails or becomes insolvent, the Fund will likely have difficulty recovering the assets on deposit. In addition, the Fund may be unable to trade for some period of time while it establishes connectivity to other brokers, which would have a material adverse impact on the Funds.

In deciding whether to select and/or retain Morgan Stanley to provide prime brokerage or other services and in negotiating the terms of such services, PDT will be particularly conflicted. Due to PDT's affiliation with Morgan Stanley prior to the Separation, the fact that employees of PDT Group are currently employed by Morgan Stanley, and the fact that Morgan Stanley has an option to acquire a preferred interest in PDT for a limited period of time following the Separation, PDT will likely be incentivized to select and/or retain Morgan Stanley over other parties to be one of the providers of prime brokerage or other services and to provide Morgan Stanley with favorable terms in its role as service provider.

PDT's recommendations to the Funds may involve securities in which MS&Co., or its officers, employees, or other affiliates, has a financial interest. MS&Co. and its officers, employees, and other affiliates, may purchase or sell for their own accounts securities that PDT recommends to the Funds.

Subject to the restrictions imposed on such transactions by applicable law, PDT will effect transactions through MS&Co. on an agency basis where MS&Co. will act as agent in connection with the purchase and sale of securities from market participants and will charge the Funds a commission on the transactions. Since these are agency transactions, there will be no mark up or mark down on the price of the security.

PDT will effect transactions on behalf of the Funds through MS&Co. when, in its judgment, a Fund may thereby obtain the best execution of the transaction. Subject to its duty to seek best execution, PDT may effect such transactions through MS&Co. even though the total brokerage commission for the transaction may be higher than that which might have been charged by another broker for the same transaction.

PDT may effect “agency cross transactions” in which MS&Co. acts as agent for both the buyer and seller in the transaction. Any agency cross transaction will be effected in compliance with applicable law, as well as policies and procedures PDT has designed to prevent and disclose potential conflicts of interest. MS&Co. can receive a commission from the seller and the buyer when it executes transactions on an agency cross basis under certain conditions.

On occasion, PDT may effect internal “cross” transactions between Funds in which one Fund will purchase securities held by another Fund. Such transactions will be entered into generally only when PDT deems the transaction to be in the best interests of both Funds and at a price PDT has determined by reference to independent market indicators and which it believes to constitute “best execution” for both parties. Neither PDT nor any related party will receive any compensation in connection with such “cross” transactions.

PDT and its affiliated investment advisers may execute client transactions with broker/dealers that do not have their own clearing facilities and who may clear such transactions through MS&Co. MS&Co. will receive a clearing fee for these transactions.

Exchange, ECN and ATS Activities

PDT’s affiliates have ownership interests in, and/or board seats on, exchanges, electronic communication networks (“ECNs”), or other alternative trading systems (“ATSs”). In certain instances, PDT’s affiliates may be deemed to control one or more of such exchanges, ECNs, or ATSs based on the level of such affiliates’ ownership interests and whether such affiliates have board representation. Consistent with its fiduciary obligation to seek best execution, PDT may, from time to time, directly or indirectly, effect Fund trades through exchanges, ECNs, or other ATSs in which PDT’s affiliates have an ownership interest, which may confer an indirect economic benefit on PDT’s affiliates. Currently, PDT’s affiliates own over 5% of the outstanding voting securities and/or have a member on the board of (i) BATS Trading, Inc., operator of BATS Electronic Trading Network (commonly referred to as “BATS”), (ii) the entities that own and control the Block Interest Discovery Service (commonly referred to as “BIDS”), (iii) the entity that owns and controls Pure Trading, (iv) Liquidity Hub Limited, (v) Turquoise, (vi) TradeWeb Newco, (vii) OTC Derivnet, (viii) Munciecenter, (ix) Markit, (x) FxAll, (xi) ICE US Holding Company, LP, (xii) Olivetree, and (xiii) Chi-X Global Holdings LLC (CXG). PDT’s affiliates may acquire interests in, and/or take board seats on, other ECNs or other ATSs (or increase ownership in the entities listed above) in the future.

PDT’s affiliates receive cash credits from certain exchanges, ECNs, and ATSs for orders that provide liquidity to their books. Such exchanges, ECNs, and ATSs also charge explicit fees for orders that extract liquidity from their books. From time to time, the amount of credits that PDT’s affiliates receive from one or more exchange, ECN, or ATS may exceed the amount that is charged. Under these limited circumstances, such payments would constitute payment for order flow.

Investment Banking Activities

PDT believes that the nature and range of clients to whom Morgan Stanley affiliates render investment banking and other services is such that it would be inadvisable to exclude these companies from a Fund’s portfolio. Accordingly, it is likely that a Fund’s holdings will include the securities of corporations for

whom Morgan Stanley affiliates perform investment banking and other services. To meet applicable regulatory requirements, there will be periods when PDT will not purchase or sell securities of companies for which Morgan Stanley affiliates are performing investment banking services. Investors will not be advised of that fact. In addition, PDT generally will not purchase or sell securities of companies that are directly or indirectly controlled by Morgan Stanley.

Investment Limits

Various federal, state, or foreign laws, rules and regulations, as well as certain corporate charters adopted by issuers in which PDT may invest, limit the percentage of an issuer's securities that may be owned by PDT and its affiliates. PDT is more likely to have to curtail trading as a result of these limits than investment advisers that are not affiliated with large financial institutions or financial holding companies. These ownership limitations may be in the form of, among others: (i) a strict prohibition against owning more than a certain percentage of an issuer's securities (the "threshold"); (ii) a "poison pill" that would have a material dilutive impact on the holdings in that issuer should PDT and its affiliates exceed the threshold; (iii) provisions that would cause PDT and its affiliates to be considered "interested stockholders" of an issuer if PDT and its affiliates exceed the threshold; and (iv) provisions that may cause PDT and its affiliates to be considered an "affiliate" or "control person" of the issuer. PDT will generally avoid exceeding the threshold in these situations. With respect to situations in which PDT and its affiliates may be considered "interested stockholders" (or a similar term), PDT will generally avoid exceeding the threshold because, if it were considered an interested stockholder, PDT, along with its affiliates, would be prohibited (in some cases absent board and/or shareholder approval) from entering into certain transactions or performing certain services (including investment banking, financial advisory, and securities lending) with or for the issuer. In other cases, PDT and its affiliates will generally avoid exceeding the threshold because if they did, they would be deemed affiliates of the issuer and therefore be restricted in trading the issuer's securities.

General Process with Potential Conflicts

All of the transactions described above involve the potential for conflicts of interest between PDT or its related persons and the Funds. The Advisers Act imposes certain requirements designed to decrease the possibility of conflicts of interest between an investment adviser and its clients. In some cases, transactions may be permitted subject to fulfillment of certain conditions. Certain other transactions may be prohibited. In addition, PDT and its affiliates have in some cases, and will in other cases, institute policies and procedures designed to mitigate conflicts of interest and resolve conflicts of interests, when they do arise, in a manner that is consistent with PDT's fiduciary duty to its clients and complies with applicable law.

ITEM 12 - BROKERAGE PRACTICES

When selecting trading and other counterparties, and evaluating the performance of those counterparties, PDT's brokerage committee will take into account a number of factors, including, without limitation, commission rates, trading and technology infrastructure (including speed and reliability of execution), stock lending supply and rates, ability to execute and process transactions with appropriate levels of confidentiality, operational processes, and the financial strength, integrity, and stability of the broker or counterparty. Item 11 ("Broker-Dealer Affiliations" and "Exchange, ECN and ATS Activities") above describes in greater detail the manner in which PDT may utilize an affiliated party to effect client transactions and the conflicts of interest that can arise.

PDT may select a broker-dealer that furnishes PDT directly or through correspondent relationships with research (including third-party research) or other services which provide, in PDT's view, appropriate assistance to PDT in the investment decision-making process. Such research or other services may include research reports on companies, industries, and securities; economic and financial data; economic surveys and analyses; recommendations as to specific securities; financial publications; computer databases; quotation equipment and services; access to hardware that cannot be otherwise be accessed in certain markets; and technological solutions relating to data distribution, data center space, and other services. In some circumstances, the commissions paid on transactions with broker-dealers or merchants providing such services may exceed the amount another broker-dealer or merchant would have charged for effecting such transactions. Although PDT does not currently expect to have "soft dollar" arrangements, it retains the flexibility to enter into such arrangements in the future. Any such arrangements are expected to be in compliance with Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended.

PDT does not currently intend to aggregate orders. However, in the future, purchases and sales of securities for a Fund may be aggregated or bunched with orders for other accounts managed or advised by PDT or its affiliates (including, without limitation, the MS Portfolio). When a broker or dealer cannot fill all orders at the same price, PDT or an affiliate thereof may, in its discretion, average the various prices, and charge or credit accounts with the average price. Thus, the effect of the aggregation may operate on some occasions to a Fund's disadvantage.

ITEM 13 - REVIEW OF ACCOUNTS

PDT will operate multiple automated and manual processes to monitor ongoing trading activity. These reports and alerts are designed to ensure that trading activity is consistent with the general investment objectives of each Fund, and provide timely information to portfolio managers or heads of strategy, as applicable, and the operations team.

Reports

PDT will provide investors in each Fund with monthly written reports setting forth each investor's investment in the Funds and certain other information. Each Fund investor will also be furnished with a set of audited financial statements for each relevant fiscal year and, where applicable, a Schedule K-1 or other IRS Form indicating such investor's share of the Fund's income, gain, loss, deductions, and credits relevant for U.S. federal income tax purposes.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

Not applicable.

ITEM 15 - CUSTODY

PDT will be deemed to have “custody,” as defined under Rule 206(4)-2 under the Advisers Act, of the assets for the Funds for which its affiliate serves as general partner or for which PDT is the managing member. In those cases, the Funds will provide audited financial statements on an annual basis in accordance with applicable law.

ITEM 16 - INVESTMENT DISCRETION

PDT will have discretionary authority to manage the assets of the Funds. PDT's discretion will be exercised in a manner consistent with the stated investment objectives and guidelines of each Fund.

ITEM 17 - VOTING CLIENT SECURITIES

In order to eliminate potential conflicts of interests, PDT will retain a third party vendor to provide proxy advisory and voting services on behalf of the Funds. Such services will include in-depth research, analysis, and voting recommendations as well as vote execution, auditing, and consulting assistance for the handling of proxy voting responsibility. Fund investors may request information on PDT's proxy voting policies by sending a written request to PDT Partners, LLC, 1745 Broadway, 25th Floor, New York, NY 10019, Attention: Chief Compliance Officer.

ITEM 18 - FINANCIAL INFORMATION

Not applicable.