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This Brochure provides information about the qualifications and business practices of New Sky Capital, LLC (“NSC”). If you have any questions about the contents of this Brochure, please contact us at (215) 407-6093. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

NSC is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.

Additional information about NSC also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

Not applicable.

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ITEM 4 – ADVISORY BUSINESS

NSC was formed in Delaware on September 5, 2008, and is owned by Stefania A. Perrucci.

NSC will provide discretionary investment management services primarily with respect to inflation sensitive assets to U.S. and non-U.S. institutional clients (“Clients”) consisting principally of private investment funds (“Private Funds”). Information about each Private Fund, including information about investment strategies, fees, risks and other material information, is contained in its offering memorandum or offering circular (each, a “Memorandum”).

The Private Funds have not yet begun operations and as such, NSC does not yet have any assets under management. NSC expects the Private Funds to begin trading on or around the first quarter of 2013.

NSC provides advisory services to its Clients based on their respective investment objectives and guidelines. The investment objectives and guidelines for each Private Fund are set forth in its Memorandum.

ITEM 5 – FEES AND COMPENSATION

NSC does not have a standardized fee schedule for its discretionary investment management services. NSC generally receives a management fee of up to 2% per annum of assets under management, which is charged quarterly either in advance or in arrears. NSC or its affiliates also may receive performance-based compensation of up to 20% of the increase in net asset value of a Client’s account above a “high water mark” (*i.e.*, the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged annually in arrears and upon an intra-year withdrawal of capital from a Client’s account or a redemption by an investor in a Private Fund. NSC’s performance-based compensation is calculated taking into account both realized and unrealized gains. NSC Management LLC, a related person of NSC, holds a class of interests and/or shares in certain of the Private Funds managed by NSC and is allocated net profits from such Private Funds in respect of such interest and/or shares on the same terms as the performance-based compensation described above. NSC does not receive performance-based compensation from a Private Fund that makes a performance allocation of net profits to NSC Management LLC. Fees and other material terms regarding an investment in a particular Private Fund are set forth in such Private Fund’s Memorandum.

Fees charged in arrears will be prorated for any partial period and fees charged in advance will be refunded for partial periods. Fees may be reduced or waived in certain circumstances or with respect to certain investors (*e.g.*, principals and employees of NSC). Fees charged with respect to an investment in a Private Fund advised by NSC are set forth in such Private Fund’s Memorandum.

Clients may terminate NSC’s advisory services at any time without penalty generally upon thirty days’ prior written notice. Withdrawals or redemptions by investors in a Private Fund can be

made on the terms described in the Private Fund's Memorandum. Upon termination of any Client account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

NSC's fees do not include brokerage and transaction fees, costs and charges, and other related costs and expenses that will be incurred by Clients regarding the trading and maintenance of Client accounts. Clients may incur certain charges imposed by custodians, brokers and other third parties such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to NSC's fees, and NSC does not receive any portion of these commissions, fees, and costs.

Item 12 describes the factors that NSC considers in selecting broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

As set forth in Item 5 above, NSC or its affiliates may receive performance-based compensation of up to 20% of the increase in net asset value of a Client's account above a "high water mark" (*i.e.*, the previous highest net asset value at which performance-based compensation was paid). Performance-based compensation generally is charged annually in arrears and upon the intra-year withdrawal of capital from a Client's account or a redemption by an investor in a Private Fund. NSC's performance-based compensation is calculated taking into account both realized and unrealized gains. Performance-based compensation will be in conformity with Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"), as applicable. Please see Item 5 for more information.

Performance-based fee arrangements may create an incentive for NSC to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities.

NSC has procedures designed and implemented so that all Clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among Clients.

ITEM 7 – TYPES OF CLIENTS

NSC provides investment advice to U.S. and non-U.S. institutional clients consisting primarily of Private Funds. NSC does not have a standard minimum account size.

INVESTMENT OBJECTIVES AND STRATEGIES

Investment Objective. NSC's investment objective is to generate attractive risk-adjusted absolute returns. NSC's primary investment strategy is focused on inflation-sensitive assets, with an emphasis on fixed income securities and derivatives. Specifically, NSC aims at building a balanced portfolio of inflation strategies that will (i) profit in either inflationary or deflationary environments (no preferred habitat); (ii) benefit from both fundamental and technical market factors (holistic approach), and (iii) have limited downside, positive convexity, and low correlation to traditional asset classes.

Investment Philosophy. NSC believes that there are structural inefficiencies in the inflation market, and that these structural inefficiencies have become more important after the 2008-9 global financial crisis, due to an exponential growth in the market coupled with a more limited capacity by market makers to intermediate flows owing to balance sheet reductions, risk constraints, and capital costs. NSC believes that these inefficiencies are likely to continue for the foreseeable future, in conjunction with: (i) the secular increase in government securities issuances (to fund chronic budget deficits), and (ii) the renewed focus on financial regulations in the aftermath of the last global crisis (resulting in risk constraints, increased cost of capital, and inflation risk to be accounted more explicitly). NSC believes that the strength of its investment strategy comes from its unique understanding of the inflation market coupled with the fact that the inflation market has not yet reached full maturity. Indeed, traditional asset managers have focused most of their attention on index-replicating strategies, rather than active alpha, and there is often a lack of skills in approaching opportunities, which results in relative value trades being missed or being implemented with sub-optimal timing.

Investment Process. NSC employs a holistic investment approach, where fundamental and technical analysis are seen not as antagonistic but complementary. NSC's view of the world is shaped by (i) top-down considerations, such as global economic indicators, policy considerations, and consensus views; (ii) top-down macro-economic models and equilibrium relationships shedding light on the balance of risks; (iii) bottom-up flows, such as sovereign issuance and over-the-counter inflation structured products, structural positions of market makers, and utilities functions of different agents; and (iv) bottom-up market and pricing models, inflation compensation in the cash and derivatives market, carry and seasonality, and volatility models.

Investment Instruments. Instruments employed will typically include (but not be limited to) nominal and real interest rate securities (such as government bonds and inflation-linked bonds in both developed and emerging markets), exchange-traded futures (such as interest rate and commodity futures), and over-the-counter derivatives (such as interest rate and inflation swaps and options). Other inflation-sensitive instruments (for example, other non-credit sensitive fixed income instruments) might be employed opportunistically.

Investment Strategies. Specific investment strategies of NSC include directional strategies (e.g., long/short break-even inflation) and arbitrage strategies (e.g., break-even curve trades and cash versus swap break-even inflation trades).

Risk Management. NSC's investment process is rooted in risk management and the preservation of capital. Risk management is a holistic process, with both quantitative and qualitative aspects. Some of the risk-management techniques used by NSC are described below.

Daily Calculation Of Portfolio Risk. NSC has developed the models it uses for valuation and risk management in house. 95% Value at Risk (VAR) is calculated daily, and daily VAR is typically in the 1.0%-2.0% range of portfolio value.

Sizing. Sizing of individual strategies depends on their return/risk contribution to the portfolio, including diversification and carry, as well as practical considerations (mainly liquidity, ease of unwinding under stressed conditions, and market structural positions and flows).

Stop-Loss: NSC may set targets on the upside and stop-losses on the downside. Stop-loss levels may be effective at limiting downside. Target-gain levels may instill discipline in realizing profits. Liquidity is a crucial consideration. Portfolio and risk are managed actively. This may both add value and mitigate risk to the portfolio. Stop-loss and target-gain levels are set and managed in the sole discretion of NSC.

Diversification: NSC monitors strategy correlation on a daily basis. Although there is a global component to inflation, different strategies typically display small correlation among themselves and to other traditional asset classes. In other words, a limited number of inflation strategies (usually 3 to 5 at a time and typically in different countries) with different drivers and catalysts, allow the portfolio to achieve an acceptable degree of diversification. NSC actively tries to combine trades expressing non-correlated investment themes in order to build a balanced portfolio, which is not overly sensitive to a single factor.

Leverage. NSC does not have an explicit limit on leverage as other risk measures are given priority. However, based on past experience, NSC expects to use leverage (sum notional of spread trades plus absolute notional of long-only and short-only trades, normalized to the 10-year point on the curve) less than or equal to 5:1 on average, although this is not a cap and higher levels of leverage may be used.

THE ABOVE-DESCRIBED STRATEGIES WHICH MAY BE PURSUED BY NSC ARE NOT INTENDED TO BE EXHAUSTIVE AND OTHER STRATEGIES MAY ALSO BE EMPLOYED BY NSC.

INVESTMENT RISKS

Global Economic and Market Conditions. NSC's portfolio might be directly and/or indirectly sensitive to global macroeconomic risks, geopolitical event risk, and risk associated with fiscal and monetary policies implemented in different countries. In addition, the success of NSC's activities may be affected by global economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and

international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a portfolio's investments. Unexpected volatility or illiquidity could impair a portfolio's profitability or result in losses.

Transactions in Currencies, Securities and Commodity Interests. There is no assurance that NSC will correctly evaluate the nature and magnitude of the various factors that could affect the prospects of the currencies, securities and commodity interests purchased or sold short by NSC. A Client may lose its entire investment or may be required to accept cash or other consideration with a value less than the Client's original investment. Under such circumstances, the returns generated from NSC's investments may not compensate the Client adequately for the risks assumed.

Fixed Income Securities. NSC may take long and short positions in bonds or other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by a sovereign government or one of its agencies or instrumentalities; and commercial paper. Such securities and instruments may have speculative characteristics. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which NSC invests will change in response to fluctuations in interest rates. Generally, when interest rates decline, the value of a long fixed income position can be expected to rise while that of a short fixed income position can be expected to decline. Conversely, when interest rates rise, the value of a long fixed income position can be expected to decline while that of a short fixed income position can be expected to rise. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

Interest Rate Risk and Volatility. The market value of securities and derivative held in NSC's portfolios will typically be sensitive to change in interest rates (nominal and/or real). Debt securities, including U.S. and foreign government securities are subject to price fluctuations during the period they are outstanding depending upon the interest rate fluctuation during such period. This is called the interest rate fluctuation risk of debt securities. In general, as interest rates fall, the security's price will rise, and as interest rates rise, the security's price will fall. When interest rates fluctuate, the duration (which is based on the weighted average life of the cash flow of a security) may be used as an indication of the degree of change in the debt security's price. The bigger its duration value, the larger the change in the debt security's price for a given movement in interest rates. In addition, the market value of securities and derivatives held in NSC's portfolios might be sensitive to change in interest rate volatility and inflation expectations.

Inflation Expectations and Inflation Risk Premium. The price and total rate of return of certain cash and derivative instruments employed by the Fund will be directly or indirectly sensitive to change in inflation expectations and inflation risk premia.

Equity Securities. NSC's investment portfolio may include positions in equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of the issuer, the market in which the issuer competes, and industry market conditions and the general economic environment.

Commodity Risk. Given that commodities prices are an important component to inflation and general price levels, NSC's investment strategy and the instruments employed therein might have direct or indirect sensitivity to changes in commodity prices. Several factors may affect the prices of commodities, including, but not limited to: (i) global supply and demand, which may be influenced by such factors as forward selling by the various commodities producers, purchases made by the commodities' producers to unwind their hedge positions and production and cost levels in the major markets for commodities; (ii) domestic and foreign interest rates and investors' expectations concerning interest rates; (iii) domestic and foreign inflation rates and investors' expectations concerning inflation rates; (iv) investment and trading activities of mutual funds, hedge funds and commodity funds and (v) global or regional political, economic or financial events and situations.

Highly Volatile Markets. The movement of currencies and the prices of financial instruments in which NSC's may invest can be highly volatile and may be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The effect of such factors on exchange rates, interest rates, the prices of securities and commodity interests in general, or a particular security or commodity interest, is difficult to predict. In addition, there is unpredictability as to change in general economic conditions, which may affect the profitability of NSC's investment program.

Competition. The investment industry is extremely competitive. In pursuing its investment and trading methods and strategies for Clients, NSC competes with many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, NSC may have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs and more investment professionals than NSC has or expects to have in the future.

Currency and Exchange Rate Risks. Although NSC does not expect foreign exchange risk to be a major driver of risk or return for its inflation strategy, there might be at times residual sensitivity to movement in currency exchange rates in the instruments used to implement its inflation-sensitive strategy. It might not be practical or possible to hedge such risk. Note that part of NSC's strategy involves investing in and selling short currencies. Accordingly, a portion of the income received by Clients will be denominated in currencies other than the U.S. dollar. Since NSC will invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in currency exchange rates will affect the value of a Client's portfolio and the unrealized appreciation or depreciation of investments. Further, a Client may incur costs in connection with conversions between various currencies. Clients will remain subject to substantial exchange-rate risk and to the extent that such risk is hedged will be subject to material hedging costs.

Sovereign Debt and Risks of Government Intervention. The prices of instruments in which NSC may trade or invest are subject to certain risks arising from government regulation of or intervention in the markets, through regulation of the local market, restrictions on foreign investments by residents or limits on inflows of investment funds. Such regulation or intervention could adversely affect NSC's performance. Dealing by NSC in investments issued or guaranteed by sovereign governmental entities also presents risk of loss in the event of a default by a government or governmental entity.

Trading on Emerging Market Exchanges. NSC may trade on exchanges where the protections provided by U.S. and European regulations do not apply. Some emerging market commodity exchanges, for example, are "principals' markets" in which performance with respect to a commodity interest contract is the responsibility only of the individual member with whom the trader has entered into the contract and not of the exchange or its clearinghouse, if any. Due to the absence of a clearing house system on certain foreign markets, such markets are significantly more susceptible to disruptions than are U.S. and European exchanges and, therefore, trading thereon potentially is subject to greater risks than trading in the United States and Europe. In the case of trading on emerging market exchanges, a Client may be subject to the risk of the inability of or refusal by its counterparties to perform with respect to its contracts with the Client. NSC also may not have the same access to certain trades as do various other participants in these markets.

Liquidity of Markets and Investments. Although the vast majority of NSC's positions are expected to be liquid, and liquidity is a crucial consideration in NSC's investment process, some instruments might have limited market depth or higher bid-ask spreads, and may take longer to liquidate. During periods of market illiquidity, NSC may not be able to sell assets in a Client's portfolio or may only be able to do so at unfavorable prices. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which NSC may transact in certain derivative instruments could prevent prompt liquidation of positions, thereby increasing the potential for greater loss.

Forward Trading. NSC intends to invest in forward contracts and options thereon. Such contracts and options, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by NSC due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which NSC would otherwise recommend, to the possible detriment of a Client. Market illiquidity or disruption could result in significant losses to a Client.

Derivative Transactions Generally. NSC intends to engage in other derivative transactions such as swaps, collars, caps, floors, both for hedging purposes and as an alternative to direct investments in the underlying currencies, securities or indices. The risks associated with derivative transactions are potentially greater than those associated with the direct purchase or sale of the underlying currencies or securities because of the additional complexity and potential for leverage. In addition, derivatives may create credit risk (the risk that a counterparty on a derivative transaction will not fulfill its contractual obligations), as well as legal, operations, reputational and other risks beyond those associated with the direct purchase or sale of the underlying currencies or securities to which their values are related.

Swaps. The use of swaps is a highly specialized activity, which involves investment techniques and risks different from those associated with ordinary securities transactions. Whether NSC's use of swap agreements will be successful will depend on the ability of NSC to properly value and trade swaps in light of interest rates and other applicable factors. In the event a swap position is entered into for hedging purposes, there is the risk that the swap position may correlate imperfectly with the price of the asset or liability being hedged. Moreover, the Client bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. Accordingly, NSC enters transactions only with counterparties deemed creditworthy by NSC.

Credit Risk and Counterparty Risk. Although NSC does not expect credit risk to be a major driver of risk or return for its inflation strategy, there might be at times residual sensitivity to movement in credit spreads in the instruments used to implement its inflation-sensitive strategy. It might not be practical or possible to hedge such risk. A portion of a portfolio's assets will be invested in the debt securities of private and governmental issuers, thus exposing the portfolio to the credit and political risk of the issuer. Adverse changes in financial, economic and political conditions could cause an issuer to default on its obligations to the Client.

Trading in Options. NSC may purchase and sell ("write") options on securities, currencies, indices and commodities on national and international exchanges and over-the-counter markets. The seller ("writer") of a put option which is covered (e.g., the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received, and gives up the opportunity for gain on the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying instrument, the loss on the put will be offset in whole or in part by any gain on the underlying instrument.

Futures. NSC may engage in transactions in commodity futures contracts, options on futures contracts and in other products which may be traded on commodities exchanges regulated by the CFTC or international exchanges. Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures

trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets.

Short Sales. NSC will effect short sales of currencies and securities in those instances when NSC believes that a given currency or security is over valued or over priced or as part of a hedging strategy. Short sales are transactions in which NSC sells a currency or security NSC does not own (if a security, by borrowing such security) in anticipation of a decline in the market value of the currency or security. Although the gain is limited by the price at which it sold the currency or security short, losses from short sales may be unlimited if the currency or security sold short continues to appreciate. Additionally, even though NSC secures a “good borrow” of a security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing NSC to purchase the security at the then prevailing market price which may be higher than the price at which such security was originally sold short by NSC.

Recent market turmoil, combined with the perception that short selling is one of the potential causes of market fragility, has led to regulations restricting the use of short sales. The U.S. and certain other jurisdictions recently have promulgated such regulations. As a result, NSC may be prohibited from using short sales to hedge certain positions. In addition, these regulations may lead to crowded shorts and increased borrowing costs. The specific regulations in effect at any given time vary with regulators’ perceptions of market risk and it is not possible to gauge what, if any, regulations will be in effect in the future.

Concentration of Investments. Although NSC monitors and measure risk daily at the portfolio level, it does not set explicit exposure limits, thus its investment strategy might appear concentrated. NSC may at certain times assume concentrated investment positions (relative to its capital) in currencies or securities, with the result that a loss in any such position could have a material adverse impact on a Client’s capital.

Leverage. NSC’s strategy typically employs leverage. NSC manages leverage risk on a daily basis but generally does not have an explicit limit on leverage or individual exposures as other risk measures are given priority. NSC may obtain its leverage in any manner deemed appropriate by NSC, including by borrowing to buy currencies and securities or by entering into reverse repurchase agreements and derivative transactions that have the effect of leveraging a portfolio’s investments. The amount of leverage varies and may at times be substantial. To the extent NSC purchases currencies and securities with borrowed funds, its net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. If the interest expense on borrowings were to exceed the net return on the assets purchased with borrowed funds, NSC’s use of leverage would result in a lower rate of return than if NSC did not use leverage.

Repurchase Agreements and Reverse Repurchase Agreements. NSC may enter into repurchase and reverse repurchase agreements. Repurchase agreements entail the purchase of a security from a bank or broker-dealer that agrees to repurchase the security at NSC’s cost plus interest within a specified time. If the party agreeing to repurchase should default, as a result of bankruptcy or otherwise, NSC may seek to sell the securities which it holds, which action could involve costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. If the seller becomes insolvent and subject to liquidation or reorganization

under applicable bankruptcy or other laws, NSC's ability to dispose of the underlying securities may be restricted. Similarly, the entering into of reverse repurchase agreements involves certain risks. A reverse repurchase agreement involves the sale of a security by NSC and its agreement to repurchase the security at a specified time and price. Under a reverse repurchase agreement, the portfolio continues to receive any principal and interest payments on the underlying security during the term of the agreement.

Loans of Portfolio Securities. NSC may from time to time lend securities from its portfolio to brokers, dealers and financial institutions and receive collateral in the form of cash or securities in an amount equal to at least 100% of the current market value of the loaned securities, including any accrued interest or dividend receivable. NSC will retain all rights of beneficial ownership as to the loaned portfolio securities, including voting rights and rights to interest or other distributions, and will have the right to regain record ownership of loaned securities to exercise such beneficial rights. Such loans will be terminable at any time. NSC may pay finders', administrative and custodial fees to persons unaffiliated with NSC in connection with the arranging of such loans.

Stock Index Futures. The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, investors may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause temporary price distortions. Successful use of stock index futures contracts by NSC also is subject to its ability to correctly predict movements in the direction of the market.

Trading in Indices and Financial Instruments. NSC may trade indices and financial instruments. The effect of governmental intervention may be particularly significant at certain times in indices and financial instruments futures and options markets and such intervention (as well as other factors) may cause all these markets to move rapidly in the same direction because of, among other things, interest-rate fluctuations.

Exchange Traded Funds (ETFs). Exchange traded funds (ETFs) represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes, either broad stock market, stock industry sector, international stock, or U.S. bond. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). When interest rates rise, bond prices will generally decline, adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of

capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to exactly replicate the performance of the indexes because of their expenses and other factors.

Overall Investment Risk. All investments in securities, currencies and commodity interests risk the loss of capital. The nature of the securities, currencies and commodity interests to be purchased and traded by a portfolio and the investment techniques and strategies to be employed by NSC may increase this risk. While NSC will use its best efforts in the management of each portfolio, there can be no assurance that a portfolio will not incur losses. Many unforeseeable events, including actions by various government agencies, and domestic and international economic and political developments, may cause sharp market fluctuations, which could adversely affect performance.

Portfolio Turnover. NSC has not placed any limits on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of NSC, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate.

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

Fixed Income Arbitrage. Fixed income arbitrage strategies generally involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the position will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably, causing a loss to the spread position. Substantial risks are involved in trading in government securities, corporate securities, investment company securities, commodity and financial futures, options, and the various other financial instruments and investments that fixed income arbitrage strategies may trade. Substantial risks are also involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate, asset-backed and mortgage-backed securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks, including the risk of an issuer's inability to meet principal and interest payments on its obligations. Government policies, especially those of the Federal Reserve Board and non-U.S. central banks, have profound effects on interest and exchange rates that, in turn, affect prices in areas of the

investment and trading activities of fixed income arbitrage strategies. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

Hedging Transactions. NSC may utilize a variety of financial instruments, such as derivatives including options and forward contracts, both for investment purposes and for risk management purposes. However, NSC is not obligated to, and may elect not to, hedge against risks. While NSC may enter into hedging transactions to seek to reduce risk, such transactions will not always be possible to implement and when possible will not always be effective in limiting losses and may result in a poorer overall performance for a portfolio than if it had not engaged in any such hedging transactions. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk of certain issuers (relating both to particular securities and counterparties), as well as risks to which NSC chooses to expose a portfolio as part of its investment strategies. The risk reduction techniques used by NSC may also increase the volatility of a portfolio and/or result in a loss if the counterparty to the transaction does not perform as promised.

Insolvency of Brokers and Others. A Client will be subject to the risk of failure of the brokerage firms that execute its trades, the clearing firms that such brokers use, or the clearing houses of which such clearing firms are members. In relation to one's right to the return of assets equivalent to its investment to which legal and beneficial title has been transferred to a prime broker, a Client will rank as one of such prime broker's unsecured creditors and, in the event of the insolvency of the prime broker, the Client may not be able to recover such equivalent assets in full. In addition, a Client's cash held with the prime broker will not be segregated from the prime broker's own cash and will be used by the prime broker in the course of its business and the Client will, therefore, rank as an unsecured creditor in relation thereto.

Model Risk. NSC employs a number of models to guide its investment process and decisions. Model error is an unavoidable part of modeling complex financial instruments and markets and can negatively impact the value of a portfolio. Models and systems may entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that NSC will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose a Client to the risk of significant losses. In addition, the analytical techniques used by NSC cannot provide any assurance that a Client will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by NSC change in ways not anticipated by NSC. The effectiveness of quantitative models and systems may diminish over time, and attempts to apply existing quantitative models and systems to new or different markets, strategies or financial instruments may prove ineffective.

THE FOREGOING LISTS OF RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN NSC'S INVESTMENT PROGRAM.

ITEM 9 – DISCIPLINARY INFORMATION

NSC does not have any disciplinary or legal events to report.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

NSC serves as the managing member of the domestic Private Funds. Other than as described Item 5 above, NSC does not receive any additional economic benefit for serving as managing member of the domestic Private Funds.

NSC is a related person of NSC Management LLC, which holds a class of interests and/or shares in certain of the Private Funds managed by NSC and is allocated net profits from such Private Funds in respect of such interest and/or shares. See Item 5.

New Sky Capital (UK), Ltd., an English corporation, is a subsidiary of NSC and may, at times, provide inflation research to NSC. NSC, and not the Private Funds or any Client, is responsible for any fees or expenses of New Sky Capital (UK), Ltd.

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

NSC has adopted a Code of Ethics (the “Code”) which sets forth the ethical and fiduciary principles and related compliance requirements under which NSC operates and the procedures for implementing those principles. The Code includes provisions that govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

The principals and employees of NSC and their related accounts (collectively, “Employees”) are permitted to maintain personal securities accounts provided that such accounts are disclosed to NSC and that any personal trading is consistent with applicable law and with the Code. Subject to compliance with the Code, Employees may buy, sell or hold, for their own personal accounts, securities that NSC also may buy, sell or hold for Clients, although it is not expected that Employees will generally do so to any great extent, which will help to mitigate any potential conflict of interest.

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

- prohibit Employees from taking personal advantage of opportunities belonging to Clients;
- prohibit trading on the basis of material nonpublic information;
- place limitations on personal trading by Employees and impose preclearance (in certain cases) and reporting obligations with respect to trading; and

- require initial and annual reports of securities holdings and quarterly transaction reports by Employees.

NSC's Code is available to any Client or prospective client upon request by contacting Stefania A. Perrucci at (215) 407-6093.

NSC, consistent with Clients' investment objectives and in accordance with applicable law, may cause accounts it manages to effect, and will recommend to Clients or prospective clients, the purchase or sale of securities in which NSC, directly or indirectly, has a position or interest. NSC may recommend to Clients an investment in a Private Fund that it advises or for which a related person serves as the managing member, general partner or investment adviser, or from which a related person otherwise receives performance-based compensation. The potential conflict of interest regarding such relationship is disclosed to investors and prospective investors in a Private Fund prior to their making an investment in a Private Fund. See also Items 4 and 10.

From time to time, it may be appropriate for more than one of the accounts managed by NSC to trade in the same securities at the same time. As a general rule, such orders are combined (or bunched) and allocations among NSC's Clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise based on an allocation amount determined at the time of the order. If the orders are combined (or bunched), each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price). While NSC's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on an overall or trade-by-trade basis that any particular Client will not be treated more favorably than another.

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

ITEM 12 – BROKERAGE PRACTICES

General. NSC's selection of brokers is guided and/or limited by (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) its obligation, to the extent applicable and subject to the conditions hereinabove specified, to select brokers who offer overall best execution on Clients' trades, and (iii) with respect to a Private Fund, the Private Fund's Memorandum.

Best Execution. NSC will seek the best combination of brokerage expenses and execution quality when choosing brokers and dealers, but, as discussed below, it is not required to select the broker or dealer that charges the lowest transaction cost. In evaluating "execution quality," historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions may be a principal factor, but other factors may also be relevant, including: the execution, clearance, and settlement and error correction capabilities of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker's or dealer's willingness to commit capital; reliability and financial stability; the size

of the transaction; availability of securities to borrow for short sales; and the market for the security. From time to time, brokers may assist NSC in raising additional capital from investors. Subject to its obligation to seek best execution, NSC may consider referrals of investors to NSC in determining its selection of brokers. However NSC will not commit to an investor or broker to allocate a particular amount of brokerage in any such situation.

Soft Dollars. NSC will in its discretion select brokers based upon execution efficiencies and cost considerations. Brokers may also be selected on the basis of research and other services, including “soft dollar” arrangements, provided to NSC or its affiliates. Accordingly, in certain circumstances, higher commissions may be paid to these brokers than to brokers that do not provide such services. To the extent NSC enters into any “soft dollar” arrangements, such arrangements will be made in compliance with the safe harbor provisions contained in Section 28(e) of the 1934 Act, and the goods and services acquired from brokers pursuant thereto may include, but are not limited to, quantitative and qualitative research information and recommendations for investment and analyses and reports covering a broad range of economic factors, markets and trends that are used to assist NSC in the investment decision-making process.

Aggregation of Orders. NSC may aggregate sale and purchase orders of securities held by Clients with similar orders being made simultaneously for other accounts or entities if, in the reasonable judgment of NSC, such aggregation is reasonably likely to result in an overall economic benefit to Clients based on an evaluation that the Clients will benefit from relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for Clients will be effected simultaneously with the purchase or sale of like securities for such other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, and at the sole discretion of NSC, the Client may be charged or credited, as the case may be, the average transaction price.

Miscellaneous. From time to time, NSC may execute over-the-counter trades on an agency basis rather than on a principal basis. In these situations, the broker used by NSC may acquire or dispose of a security through a market-maker (a practice known as “interpositioning”). The transaction may thus be subject to both a commission and a markdown. NSC believes that the use of a broker in such instances is consistent with their duty of obtaining best execution. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

Additional costs could be incurred in connection with investment activities in emerging markets. Brokerage commissions in such markets generally are higher than in developed countries. Increased custodian costs as well as administrative difficulties (such as the applicability of foreign laws to foreign custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in such jurisdictions.

NSC has not placed any limits on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time they have been held when NSC, in its discretion, determine that investment conditions warrant such action. A high rate of portfolio turnover involves a correspondingly greater expense than a lower rate.

ITEM 13 – REVIEW OF ACCOUNTS

Client accounts are reviewed on a regular basis, typically daily or multiple times per week, by Dr. Perrucci to ensure that investment objectives are adhered to. As part of this review, Dr. Perrucci ascertains whether the position sizes and levels of exposures of the Client accounts' portfolios are consistent with the investment objectives of such accounts.

Within 120 days after the end of each fiscal year, investors in Private Funds receive annual audited financial statements. In addition, investors in Private Funds receive monthly unaudited performance information.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

NSC may compensate third parties, including registered broker-dealers, for referring prospective advisory clients (or investors in a Private Fund) to it, at no additional cost to the Client (or investor). Such referral fees generally will be a percentage of the annual management fees and/or performance-based compensation earned by NSC or its affiliates. Such referral arrangements will conform to Rule 206(4)-3 under the Investment Advisers Act of 1940, as applicable. See also Item 10.

Other than the soft-dollar benefits described in Item 12 above, NSC does not receive any economic benefit for providing advice to its Clients from anyone other than its Clients.

ITEM 15 – CUSTODY

As managing member to certain Private Fund Clients, NSC is deemed to have custody of the assets of those Private Fund Clients. In accordance with Rule 206(4)-2, audited financial statements are furnished annually to all investors in the Private Funds.

Clients are urged to carefully review all statements and contact NSC if they have any questions.

ITEM 16 – INVESTMENT DISCRETION

Consistent with a Client's investment objectives and in accordance with the applicable investment management agreement, NSC has authority, without obtaining specific Client consent, to determine the types and amounts of securities to be bought and sold, pursuant to discretion granted to it by its Clients. Limitations on NSC's authority are guided by, among other things, (i) its responsibility to act as a fiduciary when handling Clients' accounts, (ii) the

investment strategies and objectives of its Clients, and (iii) with respect to a Private Fund, the Private Fund's Memorandum.

ITEM 17 – VOTING CLIENT SECURITIES

NSC does not vote proxies that it receives in respect of Clients securities. NSC's proxy voting policy is available upon request. A Client may obtain NSC's proxy voting policy by contacting Stefania A. Perrucci at (215) 407-6093.

ITEM 18 – FINANCIAL INFORMATION

NSC has no financial condition that impairs its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy proceeding.