

**PEAK6 ADVISORS LLC**  
**Part 2A of Form ADV: Firm Brochure**

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**Form ADV, Part 2A (the “Brochure”) provides information about the qualifications and business practices of PEAK6 Advisors LLC, an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). If you have any questions about the contents of this brochure, please contact us at 312-362-2401. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.**

**Registration with the SEC does not imply a certain level of skill or training.**

**Additional information about PEAK6 Advisors LLC is also available at  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## **SUMMARY OF MATERIAL CHANGES**

PEAK6 Advisors LLC's ("PEAK6") most recent update to the second part of its Form ADV, also known as its "brochure," was made in March 2013. Revisions to this brochure are primarily to add information regarding revisions to the investment strategy for PEAK6 Performance Fund LLC and PEAK6 Performance Fund Ltd. (the "Performance Funds"), clarification of the fees and compensation applicable to the Performance Funds, PEAK6 Achievement Fund LLC and PEAK6 Achievement Fund Ltd. (the "Achievement Funds" and together with the Performance Funds, the "Funds"), the winding down of PEAK6 Vega Fund LLC and PEAK6 Vega Fund Ltd. (the "Vega Funds"), amendments to the standard of care applicable to the PEAK6 trade error policy, updated risk disclosures, updated conflicts and to provide clarifications to prior disclosures. We encourage you to review the document in its entirety.

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## **ADVISORY BUSINESS**

PEAK6 was founded in December 2005. The principal owners of PEAK6 are Matthew Hulsizer and Jennifer Just, who own their interests indirectly through an affiliate of PEAK6, PEAK6 Investments, L.P. (“PEAK6 Investments”), and Joseph Scoby who owns 50% of PEAK6 directly. As of February 28, 2013, client assets under management for which PEAK6 earns performance-based incentive fees were \$1,146,134,000, all of which were, and continue to be, managed on a discretionary basis.

PEAK6 serves as the discretionary investment manager or managing member (“Investment Adviser”) to private investment funds and to the trading vehicles employed by the private investment funds. The private investment funds for which PEAK6 serves as Investment Adviser include the Achievement Funds, the Performance Funds and the Vega Funds. However, the Vega Funds expect to begin winding down operations on March 31, 2013. The trading vehicles employed by the Funds are referred to as the “Trading Subsidiaries” throughout this brochure. For convenience, this brochure refers to trading activities on behalf of the Funds unless otherwise indicated, but it is important to note that the majority of the Funds’ trading activity occurs at the Trading Subsidiaries level in order to enhance the Funds’ ability to execute transactions more efficiently and cost effectively and to obtain leverage on more favorable terms.

The Achievement Funds invest all or substantially all of their assets into the trading vehicle PEAK6 Achievement Master Fund Ltd. The investment strategies employed by PEAK6 with respect to the Achievement Funds generally combine elements of fundamental long-short equity and corporate credit relative value trading, but may also include statistical arbitrage, convertible arbitrage and other related strategies or variations thereof depending on the investment opportunity.

The Performance Funds invest substantially all of their assets into the trading vehicle PEAK6 Performance Management LLC (the “Onshore Trading Subsidiary”), a registered broker-dealer, which may invest portions of those assets into the trading vehicle PEAK6 Cayman Management Ltd. (together with PEAK6 Achievement Master Fund Ltd., the “Offshore Trading Subsidiaries”). The investment strategies employed by PEAK6 with respect to the Performance Funds generally include volatility arbitrage and opportunistic volatility trading strategies, the latter of which is a strategy that takes an opportunistic approach to trading volatility that focuses on finding dislocations in securities that have explicit or overlooked optionality.

The Funds may pursue or invest in additional investment strategies, techniques or products not described above as determined by PEAK6 to be in the best interest of the Funds. PEAK6 may add strategies if appropriate market opportunities either are no longer available to the Funds or are identified as determined by PEAK6. For additional detail on the strategies and material risks of the Funds see the section of this brochure entitled “Methods of Analysis, Investment Strategies and Risk of Loss.”

PEAK6 has full discretion in trading on behalf of the Funds. It is not required to, and does not, seek approval from the Funds, or the investors in the Funds, with respect to its trading.

## **FEES AND COMPENSATION**

### *Management and Performance Fees*

In its role as Investment Adviser, PEAK6 receives asset-based management fees and a share of net profits, if any, of each investor in the Funds in the form of performance-based incentive fees. The fee structure of the Achievement Funds and the Performance Funds is as follows:

Achievement Funds: PEAK6 generally charges investors in the Achievement Funds a quarterly management fee equal to an annual rate of 2% of the value of each investor's investment. The management fee calculation is made prior to the value of each investor's investment being reduced by the management fee then being calculated and any incentive fee that may be due. However, the management fee calculation does not include withdrawals made at the end of any quarter. The management fee is paid within 35 business days after the end of each quarter, is paid whether or not the Achievement Funds are profitable in a given quarter and is prorated if an investor withdraws at a time other than at a quarter-end. PEAK6 also generally receives an annual incentive fee equal to 20% of new net profits achieved by an investor's investment in the Achievement Funds. New net profits are calculated before reduction for the incentive fee being calculated but after any increase resulting from the payment of any withdrawal related fees. The incentive fee is also calculated at the time any full or partial withdrawal is made as if the withdrawal was made at the end of the calendar year. The incentive fee is subject to a "high-water mark" that requires that cumulative losses from prior calculation periods be recouped before incentive fees are due. PEAK6 Investments along with certain employees do not pay management or incentive fees with respect to their investments in the Achievement Funds.

In addition to the fee structure noted above, PEAK6 has issued classes of the Achievement Funds which have different annual management and quarterly incentive fee terms. Currently, management fee terms range from 1-2% and incentive fee terms range from 12.5-28% with respect to those classes. Furthermore, the Achievement Funds may issue additional classes in the future which may differ in terms of the level of management and incentive fees charged.

Lastly, PEAK6 may issue classes to which all or part of an item of gain or loss (or both) derived from a particular investment or a particular asset or claim or loss of an Achievement Fund is allocated (a "Liquidating Class"). The management fee payable by investors in a Liquidating Class equals an annual rate of 0.5% of the portion of the investor's investment allocated to the Liquidating Class ("Liquidating Class Investment"). The management fee calculation is made prior to reduction for the management fee being calculated and any incentive fee that may be due. PEAK6 also receives an incentive fee with respect to a Liquidating Class Investment. Upon initiating a Liquidating Class Investment, the high water mark attributable to the investor's investment in the Achievement Fund will be reduced in proportion to the value of the Liquidating Class and the proportional amount of the high water mark will be carried over with the Liquidating Class Investment. Upon liquidation of a Liquidating Class Investment, except for in-kind distributions as discussed below, any profit or loss earned with respect to the Liquidating Class Investment will proportionately adjust the high water mark attributable to the portion of an investor's investment in a non-Liquidating Class. The incentive fee applicable to a Liquidating Class Investment will then be calculated net the performance of the investor's investment in a non-Liquidating Class. If the investor has withdrawn in full its investment in a non-Liquidating Class as of such time, the profits and losses (and high water mark) attributable to the liquidated Liquidating Class Investment shall apply against any remaining Liquidating Class Investments attributable to the investor.

If there is an in-kind distribution of a Liquidating Class Investment, PEAK6 will forego any management fee or incentive fee from the date that the payment in-kind was made and the Liquidating Class high water

mark will be reduced proportionately with respect to the Liquidating Class Investment (which may be reduced to \$0 if the entire Liquidating Class Investment is distributed in kind).

For purposes of determining incentive fees, management fees and expenses attributable to an investor's Liquidating Class Investment, the Achievement Funds will value each Liquidating Class Investment at fair value, which may be cost until the Liquidating Class Investment is liquidated or distributed. Any expenditure that relates solely to a particular Liquidating Class Investment will be deemed to decrease the value of the Liquidating Class Investment. PEAK6, in its sole discretion, will determine whether an expenditure relates solely to a particular Liquidating Class Investment.

Performance Funds: PEAK6 generally charges investors in the Performance Funds a quarterly management fee equal to an annual rate of 2% of the value of each investor's investment. The management fee calculation is made prior to the value of each investor's investment being reduced by the management fee then being calculated, any incentive fee that may be due, ongoing selling commissions, if any, and state taxes, if any. However, the management fee calculation does not include subscriptions and/or withdrawals made at the end of any quarter. The management fee is paid within 35 business days after the end of each quarter, is paid whether or not the Performance Funds are profitable in a given quarter and is prorated if an investor withdraws at a time other than at a quarter-end. PEAK6 also generally receives a performance-based annual incentive fee equal to 20% of new net profits, after deduction of the management fee and any operating expenses, achieved by an investor's investment in the Performance Funds. The incentive fee is also calculated at the time any full or partial withdrawal is made as if the withdrawal was made at the end of the calendar year. The incentive fee is subject to a "high-water mark" that requires that cumulative losses from prior calculation periods be recouped before incentive fees are due. PEAK6 Investments along with certain employees do not pay management or incentive fees with respect to their investments in the Performance Funds.

#### *Fund Operating Expenses*

In addition to management and performance fees, the Funds pay various transactional expenses and operating costs. Specifically, the Funds pay certain expenses relating to investment activities, including brokerage commissions, prime brokerage fees, data feed costs, market data costs, interest expenses, stock loan expenses, regulatory and self-regulatory fees, and other transaction charges. The Funds may also bear expenses relating to cash management, order management system and execution, portfolio accounting systems, risk management, class action filing systems or services, anti-money laundering and other compliance support systems and other analytics and fees relating to the Funds' administration, such as administrator fees, legal fees, management and fund liability insurance premiums, audit and accounting fees, tax and custodial fees and related expenses. In addition, the Funds indirectly bear their *pro rata* share of the costs and expenses incurred by the Trading Subsidiaries. Additional information on the Funds' expenses can be obtained in the respective Funds' offering document.

#### *Brokerage and Transaction Costs*

The transaction costs most frequently incurred by the Funds are brokerage commissions, which are direct charges of a broker-dealer that acts as the Funds' agent in executing a trade, and bid-ask spreads, which represent the difference between the prices at which dealers purchase and sell instruments traded by the Funds. The Funds also incur other transaction costs and expenses in connection with their trading and investment activities, and custodian fees for Fund assets held in cash or securities at various banks, broker-dealers and other financial institutions. For a discussion of the brokerage arrangements that PEAK6 enters into on behalf of the Funds see the "Brokerage Practices" section in this brochure.

### *Negotiation of Fees, Waivers*

Other than with regard to the Achievement Funds, PEAK6's fees are generally not negotiable, however, PEAK6 may, in its discretion, waive all or a portion of its management or incentive fees for a particular investor.

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As discussed in the previous section, entitled "Fees and Compensation," PEAK6 receives performance-based compensation in the form of an incentive fee based on a Fund investor's new net profits. The performance-based compensation received by PEAK6 creates a conflict between PEAK6's interest earning a profit in the short term with the long-term interests of the Funds and their investors. Specifically, PEAK6 may have an incentive to invest the Funds' assets in investments that are riskier or more speculative than would be the case if PEAK6 were only compensated based on a flat percentage of capital, because these investments may allow PEAK6 to collect larger performance-based compensation.

### **CLIENTS**

PEAK6 provides discretionary investment advice to the Funds and the Trading Subsidiaries. Investors in the Funds, which generally must be "accredited investors" and "qualified purchasers" as such terms are defined under federal securities laws, include, but are not limited to, high net worth individuals, other pooled investment vehicles, registered investment companies, pension and profit-sharing plans, trusts and other charitable organizations and other corporations or business entities. The minimum investment in the Funds range from \$1 million to \$10 million, although these minimums can generally be reduced or waived in PEAK6's sole discretion.

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### *Summary of Strategies Employed by PEAK6 on Behalf of the Achievement Funds*

The Achievement Funds' objectives are to invest capital based upon two core trading philosophies: first, generation of attractive risk adjusted returns that have a low correlation with returns of more traditional asset classes by investing when and where PEAK6 believes such returns can be achieved and second, preservation of capital. The Achievement Funds' core strategy will be to use fundamental research and trading skill, supported by information processing technology, to identify mispriced corporate securities and their derivatives along the capital structure of the same, or across different, issuers. It will seek situations with a catalyst and/or what PEAK6 believes is a compelling mispricing of securities or derivatives relative to PEAK6's estimated value of such instrument. PEAK6 will seek to find the optimal expression of an investment thesis using equities, bonds and the associated derivatives. PEAK6's research will not only focus on differences between the expected value of a security relative to the current price but attempt to capitalize on the distributions of the expected returns. The Achievement Funds' strategy mainly combines elements of strategies known as fundamental long-short equity and corporate credit relative value trading. On an opportunistic basis, the Achievement Funds' portfolio may also include trades generally associated with statistical arbitrage, convertible arbitrage and other such strategies. The Achievement Funds may trade various indices, futures and exchange-traded funds consisting of, among other things, corporate credit, equity and currencies, as part of its overall portfolio management. The Achievement Funds have full flexibility to engage in any of the aforementioned strategies or variations thereof depending on the investment opportunity. The Achievement Funds are expected to actively trade with the majority of its positions in U.S. issuers and some exposure to European and U.K. issuers, although the Achievement Funds may trade globally (other than in emerging markets). In general, the Achievement Funds will attempt to avoid investments in illiquid and hard to value assets.

The trade identification process for the Achievement Funds varies by strategy and can include one or more types of analyses, including, but not limited to, absolute risk return, relative value, historical analysis, trading dynamics, fundamental research, and micro and macro events. The number of issuers traded and positions will vary depending upon the industry sector and capital allocation to each strategy. The sectors traded and holding periods also vary by strategy. The sector books are expected to be divided into a more frequently traded front book and a more long-term oriented back book.

Capital allocations to the various industry sectors and trade ideas will generally be made at the beginning of each week with a view toward allocating to the sectors and trade ideas that offer the greatest risk-adjusted opportunities. Intraday, the Achievement Funds' sector team captains and portfolio managers also take positions. In general, capital may be re-allocated very frequently and opportunistically, even intraday, if deemed appropriate by PEAK6. Targeted average weightings for each industry sector and trade idea depend on market conditions, as allocations are made opportunistically. Sectors currently contemplated for investment by the Achievement Funds include (i) Financials, (ii) Consumer, (iii) Industrials, (iv) Telecommunications, Media and Technology and (v) Natural Resources, although the Achievement Funds may not be invested in any or all of such sectors and additional sectors may be added at any time. The Managing Member may cause the Achievement Funds to hold a significant amount of cash at times rather than being invested in any of the aforementioned instruments. The markets in which the Achievement Funds invest, and the strategies, instruments and techniques that the Achievement Funds may use, will be determined solely at the discretion of PEAK6. PEAK6 may also add new strategies or eliminate strategies if market appropriate opportunities are either no longer desirable or identified as determined by PEAK6.

The Achievement Funds will attempt to avoid systematic risks for which PEAK6 does not believe they are being adequately compensated. The Achievement Funds will seek to do so using a combination of portfolio construction and risk management techniques. Diversification and combination of offsetting positions of correlated instruments along with non-linear hedging instruments may be used as a first order tool. This may be complemented by an overlay investment aimed at reducing any undesired exposures to risk factors at the overall portfolio level. The effect of the overlay may result in reduced or increased exposures in PEAK6's discretion. There can be no assurance that attempts of PEAK6 to mitigate risks will be successful. Systematic risks cannot be eliminated and thus investors will have significant risk of losses. The portfolios of the Achievement Funds are expected to be composed of securities deemed to be liquid and the Achievement Funds will generally seek to avoid any positions in hard to value assets, recognizing however that liquidity conditions can deteriorate.

The Achievement Funds will use proprietary software tools, on a perpetual and royalty-free basis, developed and refined over a period of more than ten years by PEAK6's affiliate, PEAK6 Investments. These will be used as decision support tools to process, aggregate and enrich information as well as for risk management. These tools are ancillary to the skills of the Achievement Funds' investment committee and are operated by PEAK6 personnel who understand how to leverage the use of these tools. PEAK6 and the Achievement Funds have also entered into software or technology licenses and service agreements with third parties.

#### *Summary of Strategies Employed by PEAK6 on Behalf of the Performance Funds*

The Performance Funds' objectives are to achieve absolute returns that have a low correlation with the returns of more traditional asset classes. The Performance Funds aim to achieve their objective through investing capital based upon two core trading philosophies: to preserve capital and generate positive returns by investing when and where PEAK6 believes such returns can be achieved. PEAK6 applies the Performance Funds' capital with an objective of achieving absolute returns in most market conditions, short term and long term.



PEAK6 has complete authority to pursue various strategies and techniques on behalf of the Performance Funds which include, but are not limited to: volatility arbitrage, “opportunistic volatility trading,” a strategy that takes an opportunistic approach to trading volatility that focuses on finding dislocations in securities that have explicit or overlooked optionality, as well as any additional, similar, related or complementary strategies or techniques deemed appropriate by PEAK6 from time to time. Any strategy implemented by PEAK6 may be used alone or together with other strategies. For example, the opportunistic volatility strategy may use aspects of the volatility arbitrage strategy in order to take advantage of opportunistic market conditions. PEAK6 may also trade OTC instruments and in the futures markets. In most cases, the Performance Funds’ positions will be leveraged.

Volatility Arbitrage: The Performance Funds’ volatility arbitrage strategy is generally described as a relative value and balanced equity volatility strategy that seeks to capitalize on inefficiencies in the U.S. derivatives markets. In pursuing this strategy, PEAK6 monitors, among other measures, the “vega” and “theta” of the Performance Funds’ volatility arbitrage portfolio. Generally, vega is the change in price of an option that occurs with a 1.0 point change in volatility, and the vega ratio is the ratio of the vega for long positions compared to the vega for short positions. Theta measures the decline in the price of an option as the maturity date approaches and the theta ratio is the theta for long positions compared to the theta for short positions. The volatility arbitrage strategy targets an implied vega ratio of 1.0, which implies neutrality with respect to future movements in implied volatility. Typically, under this strategy, the Performance Funds will trade with an implied vega ratio in the range of 0.90 to 1.175, and an implied theta ratio of 0.80 to 1.25, although these ranges may be higher or lower and may vary considerably over time. The volatility arbitrage strategy is not based on a macro bias but rather by managing risk exposures within a narrow band that net exposures remain relatively neutral.

The Performance Funds seek to capture the difference between the theoretical price of an option as determined by PEAK6 and the price of the option in the marketplace. The theoretical price of an option is determined using a variety of proprietary software tools. These tools, amongst other functions, measure, on a real-time basis, the actual volatility of an underlying instrument (*e.g.*, a stock, an exchange traded fund or an index), and compare this volatility to the implied volatility of the options on that underlying instrument. When there is a difference between actual and implied volatility, there is a potential trading opportunity. PEAK6 generally causes the Performance Funds to sell options which have a price higher than the model suggests (expensive options) and buy options which have a price lower than the model suggests (cheap options). PEAK6 attempts to reduce or hedge the risk of directional moves in the market by purchasing or selling the instruments underlying certain of the Performance Funds’ options positions or by purchasing or selling other options. PEAK6 may buy or sell options and hedge simultaneously, or “leg” into positions by either first buying or selling options and then hedging, or by first buying (selling) the underlying instrument and then buying or selling the options.

Currently, the investment selection process takes into consideration a variety of analyses, including quantitative, relative value, fundamental and risk management. An example of the investment process for this strategy would generally include a quantitative analysis of current volatility versus fair value based on past realized volatilities. It would also generally include a relative value analysis by comparing the volatility levels of a particular security to the volatility levels of other similar securities, and, also a brief fundamental analysis for any major catalysts that may cause abnormal volatility levels or gap risk. Lastly, a risk analysis would take place in an effort to determine whether or not the potential trade increases or decreases overall risk in that issuer and/or the entire portfolio associated with the strategy.

Opportunistic Volatility Trading: The Opportunistic Volatility Trading strategy is an opportunistic approach to trading volatility that focuses on finding dislocations in securities (with securities defined in the broadest possible manner herein) that have explicit or overlooked optionality. The strategy’s goal is to create an optimal portfolio for a period of time that displays positive convexity and/or asymmetric

return profiles. The portfolio managers aim to achieve that goal through consideration of all asset classes and then choosing the optimal security to express a viewpoint, or take advantage of a divergence, in a way that has the highest return/risk ratio. The strategy may utilize various techniques and products including, but not limited to equity securities, options, warrants, debt securities, OTC instruments, asset backed securities and other related techniques and products, as described below. The Performance Funds may take relatively large positions in connection with this strategy.

The investment process for the opportunistic volatility trading strategy may take into consideration overarching market themes, including, but not limited to, large macro themes within sectors, economies, sovereign actions and large shifts in global asset classes. In considering market themes, the portfolio managers seek dislocations in correlated and uncorrelated assets and/or securities. The investment process may also take into consideration events serving as a catalyst (*e.g.* mergers and acquisitions, spinoffs, bankruptcies etc.) and will utilize all securities in a company's capital structure in order to perform an analysis of the potential opportunity. As with analyzing market themes, the portfolio managers seek dislocations in the securities but with a focus on dislocations in a company's capital structure. The investment process generally takes into consideration the general market environment, including liquidity, concentration of holders of certain trades, availability of capital, inflation, interest rates and other factors.

After identifying potential opportunities through the process described above, an analysis of individual securities that appear to be mispriced based upon the initial general assessment is conducted. If a trade opportunity is believed to exist after these assessments, fundamental analysis would then be conducted to obtain a deep understanding of the issuer's capital structure and general economic health. Fundamental analysis includes, but is not limited to, analyzing the company's filings (*e.g.* 10Qs, 10Ks, earnings announcements, new issues filings, etc.), analyst reports and other relevant research. A scenario analysis would then be performed to construct and optimize trades that utilize volatility products across asset classes.

The average number of total positions for this strategy is approximately 200 from a universe of approximately 5,000 issuers. These estimates and also the investment process as described in the example above may change at any time given changing opportunities in the marketplace.

Capital allocations to the strategies implemented by PEAK6 on behalf of the Performance Funds are generally made at the beginning of each month with a view toward allocating to the strategies that have the greatest short-term and long-term opportunities. Capital may be re-allocated more frequently if deemed appropriate by PEAK6. Targeted average strategy weightings for each equity strategy depend on market conditions, as allocations are made opportunistically. PEAK6 may cause the Performance Funds to hold a significant amount of cash at times rather than pursuing one of the trading strategies. The Performance Funds' trading strategies may be used alone or together with other strategies. The markets in which the Performance Funds invest, and the strategies, instruments and techniques that the Performance Funds may use, will be determined solely at the discretion of PEAK6. PEAK6 may also add new strategies or eliminate strategies if market appropriate opportunities are no longer desirable as determined by PEAK6.

The Performance Funds primarily trade using proprietary software tools, on a non-exclusive, perpetual and royalty-free basis, developed and refined over a period of more than ten years by PEAK6's affiliate, PEAK6 Investments. These tools are ancillary to the skills of the Performance Funds' portfolio managers and no representation is made or implied as to the quality of these tools or their fitness for their purpose. If an error is discovered, programming or otherwise, in one of the tools utilized, PEAK6 will not be liable for any losses or damages caused by such error and, under normal circumstances, will not inform investors.

The trading for the Performance Funds will utilize both a systematic and technical as well as a fundamental approach in making investment decisions. Investment decisions are not usually “black box,” but rather the software tools are operated by the Performance Funds’ portfolio managers who understand how to leverage the use of these tools. The trade identification process varies by strategy and can include one or more types of analyses, including, but not limited to, absolute risk return, relative value, historical analysis, fundamental research, and micro and macro events. The number of issuers traded and positions vary depending upon the strategy traded and capital allocation to each strategy. The sectors traded and holding periods also vary by strategy.

### *Risk Management*

PEAK6 has a disciplined approach to risk management that is intended to limit exposure by evaluating the different ways the Funds can lose money and absolute dollars at risk. PEAK6 reviews the Funds’ overall portfolios on an ongoing basis in an effort to maximize the Funds’ returns relative to their risks. PEAK6 has established specific risk guidelines for the portfolios of the Funds, which are monitored by an independent risk control manager. PEAK6 utilizes proprietary and vendor risk management software to evaluate the effect of potential movements in the market for the Funds’ strategies, as well as specific positions. The software allows for real-time monitoring of potential profit and loss in the Funds’ assets. The software is used, among other purposes, to allow PEAK6 to: (i) analyze risk according to each instrument, issuer, portfolio manager, industry group or option contract expiration date, each as is applicable to a Fund; (ii) evaluate the effect of potential movements in various markets on each of the Funds’ portfolios as well as each individual position in each of the Funds’ inventory; and (iii) attempt to hedge price exposure in an efficient manner. The software attempts to give PEAK6 the ability to identify positions that have moved outside of these parameters so that it may take corrective action. An important element of the Performance Funds’ risk management approach is to attempt to create a broad and diverse portfolio. Further, the Performance Funds do not attempt to seek neutrality or a one-to-one ratio between long and short positions.

### *Material Risks of PEAK6’s Strategies*

Investing in securities and derivatives involves a risk of loss that investors in the Funds should be prepared to bear. By investing in these Funds, investors are relying on the discretionary, market judgment of PEAK6 trading in a wide range of strategies and markets. The following is a summary of some of the material risks associated with the Funds’ strategies. This summary does not attempt to describe all of the risk associated with an investment in the Funds. Although no summary can fully describe all of the risks associated with an investment in the Funds, the offering documents of the Funds contain a more complete description of the risks associated with an investment in the Funds.

No Limitation of Trading Strategies: Although PEAK6 currently intends to focus on the strategies described in each of the Funds’ offering documents, it may utilize any trading strategy it deems appropriate to take advantage of market opportunities. PEAK6’s trading methods may change over time as it develops new and discards old trading methods and strategies in response to market conditions and other factors. Given the broad potential range of strategies, it is not possible to precisely describe the risks associated with all such strategies.

Market Disruption: The Funds may incur major losses in the event of disrupted markets, and other extraordinary events that may not be consistent with historical pricing relationships on which PEAK6 bases a number of its trading positions. The risk of loss from a disconnect from historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Funds from their banks, dealers and other counterparties is typically reduced in disrupted markets. Such a

reduction may result in substantial losses to the Funds. Market disruptions caused by unexpected credit crises, political, military and terrorist events may from time to time cause dramatic losses for the Funds, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Model Risk: PEAK6 will utilize quantitative valuation models in implementing the Funds' investment programs. As market dynamics shift over time, due to factors such as changed market conditions and participants, a previously highly successful model could become outdated or inaccurate, perhaps without PEAK6 recognizing that fact before substantial losses are incurred. There can be no assurance that PEAK6 will be successful in developing and maintaining effective quantitative models.

Importance of Market Judgment: Although PEAK6 relies heavily on trading technologies, software and systems to evaluate trades, PEAK6's quantitative strategies are by no means wholly systematic; the market judgment and discretion of PEAK6 are fundamental to the implementation of these strategies. The greater the importance of subjective factors, the more unpredictable a trading strategy becomes.

Hedging Risks: Although certain of the Funds' investments are intended, in part, to hedge the Funds' other holdings, there is no guarantee that they will do so to the degree predicted by theory. The Funds will enter into offsetting transactions in related instruments from which they expect to earn profits or hedge exposure to risk. If the value of the positions changes in a direction or manner that PEAK6 has failed to protect against with hedging transactions or if the instruments used in the Funds' hedging transactions are not as "related" as anticipated, the Funds may have an imperfect hedge. Also, the Funds may not be able to maintain a short position in an instrument, in which case the hedge is eliminated. In any of these cases, the Funds may realize significant losses on transactions.

Dodd-Frank Act; Regulation of the OTC Derivatives Market: The Dodd-Frank Wall Street Reform and Consumer Protection Act, referred to in this brochure as the "Dodd Frank Act," became law in July 2010. The Dodd-Frank Act contains numerous far reaching reforms to the financial industry including, but not limited to, provisions that comprehensively regulate the OTC derivatives markets for the first time. Many of these reforms require regulatory rulemakings by various governmental authorities that have not yet been completed. It is possible that these rulemakings could impose additional direct or indirect costs on the Funds, limit the types of strategies that the Funds may pursue or adversely impact the desirability of certain classes of investments or the anticipated return on certain investments.

Derivatives and OTC Risks: The Funds may make use of various derivative instruments, such as forward contracts, futures contracts, options on the foregoing, and swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in these instruments and the possibility of counterparty non-performance, as well as material and prolonged deviations between the actual and the theoretical value of a derivative. In addition, the markets for some derivatives can frequently have limited liquidity, which can make it difficult as well as costly for the Funds to close out positions in order either to realize gains or to limit losses. The Funds intend to purchase and/or sell derivatives that are principal-to-principal or OTC contracts between the Funds and third parties entered into privately, rather than on an established exchange. As a result, the Funds will not be afforded the regulatory protections of an exchange, its clearinghouse or of a government regulator that oversees the exchange or clearinghouse if a counterparty fails to perform. The risk of nonperformance or the lack of financial soundness and creditworthiness of the counterparty can be significant in the case of OTC instruments. Further, prices of derivative instruments are highly volatile. In privately negotiated transactions, the risk of the negotiated price deviating materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices. Many derivatives are valued on the basis of dealers pricing of these instruments. However, the price at which dealers value a particular derivative and the price which the same dealers would actually be willing to pay for such

derivative should the Funds be forced to sell such position may be materially different. These differences can result in an overstatement of the Funds' Net Asset Value and may materially adversely affect the Funds in situations in which the Funds are required to sell derivative instruments.

Identification of Opportunities: The Funds' trading activities require PEAK6 to continually monitor and analyze market activity, price movements, individual transactions, the Funds' positions and a wide range of other information regarding market demand for particular options. PEAK6 may fail to identify and/or take advantage of profit opportunities and opportunities to hedge the Funds' positions. This may be due to flaws in PEAK6's overall strategy to identify these opportunities or PEAK6's inability to implement that strategy. These failures could have an adverse effect on the Funds' profits.

Dispersion: As part of an investment strategy, the Performance Funds may buy and sell exchange-traded funds, or "ETFs," futures and/or index and ETF options to hedge the Performance Funds' other holdings or positions pursuant to a "dispersion" strategy meaning short selling stock index options while simultaneously buying options on the stocks comprising the index. There is a risk that the Performance Funds' holdings or positions may under-perform the other holdings or positions to which they relate, which could result in losses.

Options: The risks associated with options trading include, but are not limited to, volatile movements in the price of the underlying instrument and misjudgments as to the future prices of the options and/or the underlying instrument. Fluctuations in option volatility can increase both the profit potential and the risk of loss from the Funds' trading. While volatility can be monitored and reacted to, there is no effective means of hedging against market volatility. Selling options creates additional risks. Due to the inherent leveraged nature of options, a relatively small adverse movement in the price of the underlying instrument may result in immediate and substantial losses to the Funds.

Credit Default Swaps: The Funds may purchase and sell credit derivatives contracts on a principal-to-principal basis, primarily credit default swaps, for hedging and risk management or speculative investment purposes. When the Funds are the buyer of a credit default swap, the Funds would be entitled to receive the agreed-upon value (or par) of a referenced debt obligation. As consideration, the Funds would pay to the counterparty a periodic stream of fixed payments during the life of the swap if no event of default has occurred, in which case the Funds would receive no benefits under the swap. In circumstances in which the Funds do not own the debt securities that are deliverable under the credit default swap, the Funds are exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so called 'short squeeze'. In some cases in which issuers default or debt is restructured, it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. In either of these cases, the Funds would not be able to realize the full value of the credit default swap upon a default by the entity referenced in the credit default swap. As a seller of credit default swaps, the Funds incur leveraged exposure to the credit of the reference entity and are subject to many of the same risks if they were holding debt securities issued by the reference entity. The Funds will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Funds following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Funds.

Total Return Swaps: Under a total return swap, the Funds may be required to maintain collateral with the total return swap counterparty. If the Funds fail to fulfill their payment obligations or fail to post any required collateral under a total return swap, the total return swap counterparty may declare an event of default and, as a result, the Funds may be required to pay swap breakage fees, suffer the loss of the

amounts paid to the counterparty and forego the receipt from the counterparty of further total return swap payments.

**Illiquid Securities:** A portion of the Funds' portfolios may consist of securities and other financial instruments which are not actively and widely traded. Consequently, it may be relatively difficult for the Funds to dispose of such investments rapidly and at favorable prices in connection with withdrawal requests, adverse market developments or other factors. Illiquid securities may also be more difficult to value.

**Leverage:** The Funds employ leverage in the execution of certain investment strategies, both through its borrowings and through leverage typically embedded in its investment in certain derivative instruments. Transactions in options are inherently and substantially leveraged. The use of leverage increases any losses incurred on investments in direct proportion to the degree of leverage employed.

The Onshore Trading Subsidiary is not subject to the customer margin rules of either the Federal Reserve Board or any national securities exchange because it is a registered as a broker/dealer with the SEC. The Offshore Trading Subsidiaries may enter into prime brokerage arrangements with prime brokers that make substantial leverage available to them. These arrangements may permit the Trading Subsidiaries to employ leverage to make investments substantially in excess of their equity since the Trading Subsidiaries' borrowing power is typically greater than that of a typical investor. The Trading Subsidiaries will trade based upon their assumptions regarding the availability of leverage under current margin rules and arrangements. If controlling authorities increase margin requirements or if the Trading Subsidiaries are no longer entitled to exemptions from the general margin rules or portfolio margin rules, the Funds may not be able to pursue their objectives and may be required to liquidate positions at inopportune times or at unfavorable prices.

Additional information on leverage can be obtained in the respective Fund's offering document.

**Investments in Equity Securities:** Equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets legally available after making provision for payment of indebtedness obligations and interest, dividend and any other required payments on more senior securities of the issuer.

**Arbitrage Transaction Risks:** Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. PEAK6 may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent the Funds are employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants.

**Convertible Arbitrage Risk:** Convertible arbitrage risks include, but are not limited to, the following:

- dramatically rising interest rates or escalating market volatility may adversely affect the relationship between securities;
- convertible securities tend to be significantly less liquid and have wider bid/offer spreads making it more difficult to enter and profitably exit these trades;

- convertible arbitrage involves an inherently imperfect and dynamic hedging relationship and must be adjusted from time to time;
- convertible arbitrage involves selling securities short;
- a material change in the dividend policy of the underlying common equity may adversely affect the prices of the securities involved;
- changes in the issuer's credit rating may adversely affect the prices of the securities involved; and
- unexpected merger or other extraordinary transactions affecting the convertible security or common equity may adversely affect the prices of the securities involved.

Event Driven Trading: Due to the inherently speculative nature of event-driven trading, the results may fluctuate from period to period, and are not expected to correlate with the direction of the equity markets. The Funds' strategies could be to make an investment based on a belief that the event in question will or will not, in fact, occur. The price offered for securities of a company involved in an announced deal will generally be at a significant premium above the market price prior to the announcement, and accordingly the failure of a proposed transaction to close is generally followed by a significant decline in the value of the securities as their market price returns to a level comparable to that which existed prior to the announcement of the transaction. The number of event-driven opportunities available varies greatly and is based on many factors beyond the control of the Funds' portfolio managers. The completion of mergers, tender offers, and exchange offers can be prevented or delayed by a variety of factors, including, without limitation: opposition by the management or stockholders of the target company; intervention of a U.S. federal, state or foreign regulatory agency; efforts by the target company to pursue a "defensive" strategy; in the case of a merger, failure to obtain the necessary stockholder approvals; market conditions resulting in material changes in securities prices; compliance with any applicable U.S. federal, state or foreign securities laws; inability to obtain adequate financing; and material adverse changes in target or acquiring companies.

Futures Contracts and Futures Options: The Funds may trade futures and futures options for speculative or hedging purposes. The prices of these contracts are highly volatile. As a result of the low margin deposits normally required in futures trading, a high degree of leverage is typical. Accordingly, a relatively small price movement in a futures contract may result in substantial losses to the Funds. Commodity exchanges limit fluctuations in futures contract prices during a single day. This could prevent the Funds' portfolio managers from promptly liquidating unfavorable positions and subject the Funds to substantial losses.

Reliance on Corporate Management and Financial Reporting: Some of the strategies implemented by the Funds rely on the financial information made available by the issuers in which the Funds invest. Neither PEAK6 nor the portfolio managers have the ability to independently verify the financial information disseminated by these issuers; they are dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated material losses can occur as a result of corporate mismanagement, fraud, and accounting irregularities.

Short Sales: The Funds may engage in short selling. Securities sold short must later be replaced or offset by purchases, and therefore any appreciation in the market price of these securities therefore results in a loss. Purchasing securities to close out short positions can itself cause their market price to rise further, thereby increasing losses. Furthermore, in the case of short sales of securities in which the Funds do not hold a long position, the Funds may prematurely be forced to close out a short position if a counterparty demands the return of such borrowed securities. There can be no assurance that the securities necessary

to cover a short position will be available for purchase. Short sales have been subject to emergency bans and additional governmental regulation in the recent past. There can be no assurance that such governmental regulations or actions will not materially adversely affect the Funds.

Transaction Volume and Market Liquidity: A decline in cash flows into the U.S. capital market or a slowdown in investment activity by mutual funds and other institutional and retail investors, as well as other factors, may cause a decline in transaction volumes in the U.S. market places. The Funds' investment activities may be materially affected by the volume of transactions in the U.S. markets. Higher market volume typically provides greater opportunities to engage in revenue-generating transactions. Therefore, a decline in transaction volumes may adversely affect the Funds' profit opportunities. If the liquidity of the market decreases substantially this may result in significant losses on transactions.

Exchange Rates: The Funds value their assets in U.S. dollars. Unless the Funds hedge their currency exposure, the value of their underlying assets will fluctuate with U.S. dollar exchange rates as well as with price changes of investments in the various local markets and currencies. An increase in the value of the U.S. dollar compared to the other currencies in which the Funds make investments will therefore reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect. For the Achievement Funds, PEAK6 expects to attempt to reduce or minimize the effect of fluctuations in the exchange rate by entering into spot or forward contracts, currency options and currency futures contracts or other financial investments to hedge such risks ("Currency Hedge"). There can be no assurance that a Currency Hedge will be successful or will not itself generate significant losses, but a Currency Hedge will likely prevent the Funds from benefiting from any gains associated with such currency exchange rate fluctuations.

Foreign Investments and Emerging Markets: Non-U.S. investments made by the Funds may involve certain special risks, including, among others: political or economic instability; the unpredictability of international trade patterns; the possibility of foreign governmental actions such as expropriation, nationalization or confiscatory taxation; the imposition or modification of exchange controls; price volatility; the imposition of withholding taxes on dividends, interest and gains or foreign taxes; liquidity in particular instruments, including currencies and sovereign debt; fluctuations in currency exchange rates and exchange control regulations; and differences in financial, accounting, regulatory and legal standards and principles. These risks are particularly acute for investments in emerging markets where regulatory and governmental control of markets is new and untested. Generally, investment in emerging markets involves less publicly available information, more volatile markets, less regulation of the securities market, less favorable tax consequences, and greater risk of rapid inflation, unstable currency, war and expropriation of assets. In addition, emerging markets typically are not as efficient as more established markets and tend to be less liquid. Accounting practices and financial reporting standards may not be as stringent in emerging markets, which may lead to greater potential for fraud or financial mismanagement.

Non-Diversification: Although PEAK6 may allocate the Funds' assets among one or any number of different strategies, techniques and products and portfolio managers, the Funds' portfolios may not be diversified among geographic areas, types of securities or a wide range of issuers. Accordingly, the investment portfolios of the Funds may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification.

Suspensions of Trading: Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension would render the Funds temporarily or permanently unable to liquidate their positions and could thereby expose the Funds to losses.



**Securities Lending:** The Funds may borrow and lend securities on an on-going basis in the regular course of its investing. Third parties that borrow securities from the Funds may not be able to return these securities on demand, possibly causing the Funds to default on their obligations to other parties, and may also default on the payment obligations owed to the Funds in connection with such securities loans, potentially resulting in substantial losses to the Funds.

**Catalyst Motivated Strategies:** Investment strategies that rely upon catalyst events are subject to the risk that the catalyst or event that was anticipated to occur does not occur, causing losses to the Funds.

**Distressed Securities:** The Funds may invest in “distressed” securities, which are claims and obligations of U.S. and non-U.S. entities that are experiencing significant financial or business difficulties. Investments may include loans, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. The Funds may lose a substantial portion or all of their investment in a distressed environment or may be required to accept cash or securities with a value less than the Funds’ investment.

**Concerns Regarding the Downgrade of the U.S. Credit Rating and the Sovereign Debt Crisis in Europe:** On August 5, 2011, Standard & Poor’s lowered its long term sovereign credit rating on the United States of America from AAA to AA+. While U.S. lawmakers reached agreement to raise the federal debt ceiling on August 2, 2011, the downgrade reflected Standard & Poor’s view that the fiscal consolidation plan within that agreement fell short of what would be necessary to stabilize the U.S. government’s medium term debt dynamics. This downgrade could have material adverse impacts on financial markets and economic conditions in the United States and throughout the world and, in turn, the market’s anticipation of these impacts could have a material adverse effect on the Funds’ financial condition and liquidity. Because of the unprecedented nature of negative credit rating actions with respect to U.S. government obligations, the ultimate impacts on global markets and the Funds’ business, financial condition and liquidity are unpredictable and may not be immediately apparent.

In addition, global markets and economic conditions have been negatively impacted by the ability of certain European Union (“EU”) member states to service their sovereign debt obligations. The continued uncertainty over the outcome of the EU governments’ financial support programs and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets. In particular, it has and could in the future disrupt equity markets and result in volatile bond yields on the sovereign debt of EU members. These factors could have an adverse effect on the Funds.

## **DISCIPLINARY INFORMATION**

Not applicable.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Certain personnel of PEAK6, including, but not limited to Matthew Hulsizer and Jennifer Just, both Co-Founders of PEAK6 LLC, provide administrative, accounting, legal, operations, risk management, and other executive management services to affiliates of PEAK6. Further, both Co-Founders of PEAK6 LLC are Managers of ALEPH6 LLC, which manages PEAK6 LLC, PEAK6 Investments, PEAK6, and several affiliates, including, but not limited to, PEAK6 Capital Management LLC (“PEAK6 Capital”). PEAK6 Capital is a broker-dealer and member of the Chicago Board Options Exchange, Inc. and other exchanges. PEAK6 Capital trades proprietarily and also acts as an options market maker. Other PEAK6 affiliates include OptionsHouse, LLC, a retail brokerage operation, and Apex Clearing Corporation, a privately held clearing services firm, PEAK6 Opportunities Management LLC, manager to a proprietary

investment fund owned by certain partners of PEAK6 Investments' that focuses on venture capital, private equity investments, and, also PEAK6 Holdings, L.P. which was set up for tax and benefit purposes for certain limited partners.

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

### *Code of Ethics*

As an SEC-registered adviser, PEAK6 has adopted a Code of Ethics under SEC Rule 204A-1 that is applicable to all PEAK6 employees. The Code of Ethics contains policies and procedures that, among other things:

- Require employees to observe fiduciary duties owed to clients.
- Prohibit employees from taking personal advantage of opportunities belonging to clients.
- Place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to this trading except for certain types of securities.
- Impose limitations on the giving or receiving of gifts.
- Restrict employees' outside business activities.
- Prohibit disclosure by employees of confidential information relating to PEAK6 and its clients.

The Code of Ethics defines material and nonpublic information and the restrictions on trading on the basis of material nonpublic knowledge and sets forth the responsibilities of all access persons relative to insider trading.

All principals and employees of PEAK6 must acknowledge understanding and agree to comply with the Code of Ethics initially upon employment and must certify on an annual basis that they have read and understand the Code of Ethics and have complied with it.

PEAK6's Code of Ethics is available to investors and potential investors upon request.

### *Conflicts of Interest*

In its role as Investment Adviser, PEAK6 and its principals and employees make investment decisions for the Funds. PEAK6 and its principals and employees may trade and invest for their own accounts and/or the accounts of others and such individuals may from time to time have proprietary investments in which the Funds may trade and invest simultaneously and/or may take investment positions that are different from or opposite to the positions taken by the Funds. To address the conflicts of interest posed by this type of trading, PEAK6 maintains the Code of Ethics, as described above. Specifically, the Code of Ethics requires principals and employees who wish to effect a transaction in any initial public offering or private placement and, with certain exceptions, in any publicly traded securities, to first obtain pre-clearance for the transaction. Additionally, the Code of Ethics requires principals and employees to submit initial, quarterly and annual transaction and holding reports.

The offering materials for each of the Funds contain a more complete description of what PEAK6 believes to be the most significant conflicts of interest associated with an investment in the respective Fund.

Principal Transactions: The federal securities laws prohibit an investment adviser from engaging in a principal trade, i.e., a transaction between the adviser or an affiliate and a client, without client consent. In general, PEAK6 does not knowingly engage in principal trades, however, any principal trades knowingly engaged in by PEAK6 will be completed in compliance with applicable law. Further, the Funds or Trading Subsidiaries may unknowingly trade with affiliates of PEAK6, particularly through automatic execution facilities on various exchanges.

Mr. Hulsizer's Activities: In September 2008, Mr. Hulsizer, a Co-Founder of PEAK6 LLC, became a portfolio manager for the Performance Funds. Mr. Hulsizer is a portfolio manager for the Performance Fund's opportunistic volatility trading strategy. Mr. Hulsizer is also actively involved in setting the overall business plan and strategy of PEAK6 Investments. New strategies or business lines that PEAK6 Investments might pursue in the future could be competitive with the Performance Fund's activities or create actual or potential conflicts of interest with the Performance Funds. Mr. Hulsizer may take action or give instructions to reduce risk exposures of all accounts of any affiliate of PEAK6. In taking actions with respect to risk management or in overseeing PEAK6 Investments' overall business plan and strategy, Mr. Hulsizer may intentionally or inadvertently pursue investment or trading opportunities for the proprietary accounts of PEAK6 affiliates which effectively favor those accounts over, or are otherwise materially adverse to, the Performance Funds. Investors and prospective investors must understand that such a situation would create a conflict of interest with PEAK6's responsibility to act in the best interests of the Performance Funds and its inherent incentive to act in the best interest of the proprietary accounts of PEAK6 affiliates.

Other Activities of the Investment Manager; Insider Information: PEAK6 may manage funds, accounts and the investment activities of other investment vehicles ("Other Funds") or accounts in addition to the Funds. Other Funds may utilize the same or similar investment strategies, techniques and products as the Funds, and in many circumstances, may compete with the Funds. In the event that the compensation to PEAK6 from the Other Funds is higher than those generated by the Funds, PEAK6 would have financial or other incentives to favor such Other Funds over the Funds. Additionally, personnel of PEAK6 may come into possession of material non-public information or other confidential information with respect to public securities held by the Funds or the Other Funds. In these cases, PEAK6 would be limited in its ability to act upon any such material non-public information or other confidential information to the extent required by applicable law. As a result, PEAK6 may be prevented from initiating a transaction for the Funds that it otherwise might have initiated or may be prevented from liquidating an existing open position for the Funds when it otherwise might have done so.

Allocation of Investment Opportunities; Management Time: PEAK6 endeavors to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the Funds, but PEAK6 has no specific obligation concerning the allocation of time, effort or investment opportunities to the Funds or any restrictions on the nature or timing of investments for the account of the Funds, the Other Funds or PEAK6's own account, if any. PEAK6 is not required to accord exclusivity or priority to any client in the event of "limited availability" investment opportunities.

Competition from Affiliates: The Funds and the Trading Subsidiaries may make investment decisions utilizing proprietary trading technology. Affiliates of PEAK6 also utilize the proprietary trading technology, and therefore it is possible that such affiliates may be trading in securities in competition with or contrary to the trading decisions made for the Funds and or the Trading Subsidiaries.

Trade Errors: It is PEAK6's policy to be as careful as possible in making and implementing investment decisions. Unfortunately, however, in the course of carrying out trading and investing responsibilities, PEAK6 will make inevitable "trading errors" in executing specific trading instructions. Examples of trade errors include: buying or selling a security at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; buying rather than selling a particular security and vice versa; buying or selling securities not authorized by the respective offering documents of the Funds; and buying or selling securities not within the respective Funds' investment objectives or strategies. PEAK6 generally believes that such errors occur due to 'ordinary negligence' on the part of PEAK6, as such trading errors are inevitable given the frequency of trading that takes place in the normal and ordinary course of business for the Funds. Therefore, PEAK6 will generally treat all trading errors, including those which result in losses and those which result in gains, for the accounts of the Funds. However, if trading errors are the result of PEAK6's fraud, gross negligence or willful misconduct, the Funds will receive the benefit of any gains and PEAK6 will assume any losses. Trade errors are not to be resolved through soft dollar or other reciprocal arrangements with broker-dealers.

Side Letters: PEAK6 may cause the Funds to accept investments with terms that are different than what the Funds set forth in the respective offering documents. Such arrangements may be memorialized in side letters or similar written agreements with certain investors.

Pricing: In the event securities prices from independent third parties are unavailable or deemed unreliable for the Funds, PEAK6 will price securities according to internal pricing procedures. The pricing of these securities can lead to conflicts of interest.

## **BROKERAGE PRACTICES**

In selecting brokers, it is PEAK6's policy to place portfolio transactions with brokers who will execute transactions as efficiently as possible and at the best price. The majority of the trades executed on behalf of the Performance Funds by the Onshore Trading Subsidiary will be executed without using third party brokers other than to access exchanges. Trades executed on behalf of the Performance Funds by PEAK6 Cayman Management Ltd. require the use of third party brokers to execute trades. No separate fees or brokerage commissions will be charged by or paid by the Performance Funds to the Onshore Trading Subsidiary or PEAK6 Cayman Management Ltd. Further, where permitted, the Onshore Trading Subsidiary accesses certain exchanges through the memberships of an affiliated broker-dealer. Accessing certain exchanges via this affiliate is designed to keep execution costs low, reduce commission costs paid, and enhance the speed of execution as compared with executing through other third party brokers. Although substantially all of the Performance Funds' transactions are expected to be executed by the Onshore Trading Subsidiary and PEAK6 Cayman Management Ltd., PEAK6 may place transactions for the Performance Funds with other brokerage firms if PEAK6 believes such other firms offer more efficient or better execution or prices.

The Achievement Funds will pay brokerage commissions to the third party brokers that execute transactions for the Achievement Funds or the PEAK6 Achievement Master Fund Ltd. PEAK6 believes that the Achievement Funds will have high turnover relative to many other private funds and the Achievement Funds will thus pay high commissions and bid-ask spread costs to brokers. The Achievement Funds and PEAK6 Achievement Master Fund Ltd. will engage in both "low touch" orders (*i.e.*, electronic trading) and "high touch" orders (*i.e.*, phone to phone orders). High touch orders are significantly more expensive than low touch orders. The proportion of high versus low touch transactions may vary considerably.

PEAK6 has complete authority over the selection of the broker-dealers used to effect transactions. In effecting transactions, PEAK6 will place orders in accordance with its best execution policies, which may take into account a number of factors including, but not limited to:

- the broker's financial responsibility and reputation;
- the broker's commission rates and other transactional charges;
- the broker's stability and responsibility, reputation, reliability and responsiveness to PEAK6;
- the broker's ability to execute trades, willingness to execute difficult transactions, special execution capabilities and efficiency of execution;
- the range and quality of the services made available to PEAK6's clients; and
- the brokers' professional services, including clearance procedures and ability to provide supplemental performance, statistical and other research information for consideration, analysis and evaluation by PEAK6.

When appropriate, under PEAK6's discretionary authority and consistent with its duty to seek best execution, PEAK6 may enter into commission sharing arrangements and or direct certain trades for the Funds to broker-dealers who provide PEAK6 with brokerage and research products and services including but not limited to broker and third party research, opportunities to meet with management of companies and market data products. The commissions used to acquire brokerage and research services are known as "soft dollars". PEAK6 will determine in good faith that the amount of commission charged is reasonable in relation to the value of the brokerage, execution, research, sales and other services provided by a broker for the benefit of the Funds, viewed in terms of the particular transaction or PEAK6's overall responsibilities to all of its clients, before directing brokerage business to that broker. The research obtained with soft dollars is not necessarily used for the specific account that generated the soft dollars. Certain broker-dealers may state in advance the amount of brokerage commissions they require for certain services.

The research services provided by brokers may relate to specific transactions placed with such brokers, but for the most part the research services consist of a wide variety of information useful to PEAK6 in connection with its responsibilities on behalf of the Funds. This material might relate to general economic, interest rate and stock market conditions as well as information on specific companies and industries. PEAK6 expects that the soft dollar arrangements made with respect to the Funds comply with the safe harbor for fiduciaries' use of soft dollar services established by Section 28(e) of the Securities Exchange Act of 1934. PEAK6 follows policies and procedures that it believes are reasonably designed to ensure that soft dollars are used in a manner that is consistent with seeking best execution and that services outside the safe harbor are identified.

When PEAK6 uses brokerage commissions to obtain soft dollar services, it receives a benefit because it does not have to produce or pay for the research, products or service. The use of commissions to pay for research and brokerage services may present PEAK6 with conflicts of interest. PEAK6 may have an incentive to select a broker-dealer based on its interest in receiving the research or other products or services rather than the Funds' interest in receiving most favorable execution.

PEAK6 does not take into account the receipt of client referrals when selecting broker-dealers and PEAK6 does not recommend, request, require or permit clients to direct brokerage.

## **REVIEW OF ACCOUNTS**

The Chief Investment Officer (“CIO”) of each of the Funds conduct regular and ongoing reviews of the trading activity of the Funds to confirm the trading is consistent with stated investment objectives, strategies and restrictions of the Funds.

PEAK6 and/or the administrator for the Funds provide investors in the Funds with monthly unaudited performance updates, periodic performance information, annual audited financial statements, and income tax reporting information after the end of each calendar year. PEAK6 also may provide investors in the Funds with additional information, such as, but not limited to, estimated performance, leverage, capital allocations, risk limits, returns by strategy, and other summary information upon request.

Specific requests for trade activity, positions, or other information will be evaluated by PEAK6. Given that PEAK6 honors reasonable requests for such information from investors in the Funds and prospective investors, some investors in the Funds and prospective investors will possess more information than others and may make investment decisions based on the trade activity, position, or other information provided. In general, if PEAK6 releases such information to investors in the Funds and prospective investors, it will release the same information to any investor in the Funds if requested. However, if PEAK6 does not believe that a request for information is reasonable, it reserves the right to refuse the request.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

PEAK6 does not receive any economic benefit for providing investment advice or advisory services other than from the Funds or Other Funds. PEAK6 may engage placement agents to solicit investors for the Funds pursuant to a written selling agreement and in compliance with applicable securities laws, including requiring delivery of the relevant Fund’s offering document and other materials such as this brochure. PEAK6 may compensate certain placement agents pursuant to a written agreement. PEAK6 may pay a placement agent a monthly fee or a portion of the advisory fees or revenues earned from providing advisory services to an investor referred to us by a placement agent. The payment of fees may cause the placement agent to recommend PEAK6 over another adviser that does not pay solicitation fees. The costs of any such fees are paid entirely by PEAK6 and, therefore, do not result in any additional charges to investors. However, an investor introduced to the Funds by a placement agent may be charged an asset-based distribution fee (*i.e.* sales load) equal to the percentage of its gross subscription. Any such fee will be disclosed in advance in a separate disclosure statement provided by the third party or by other means.

## **CUSTODY**

Under the SEC’s rule governing custody of client assets, PEAK6 is deemed to have custody of the securities and other assets of the Funds even though PEAK6 does not physically hold the securities and other assets and these securities and assets are not held or registered in PEAK6’s name. PEAK6 is exempt from many of the provisions of the custody rule because the Funds are audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Audited financial statements are distributed to each investor in the Funds within 120 of the end of each Fund’s fiscal year.

## **INVESTMENT DISCRETION**

Under the governing documents of the Funds, PEAK6 has complete investment authority with respect to all securities owned by the Funds and clients do not place any limits on this authority. This authority is conveyed by investors subscribing to the Funds in their subscription agreements and in the Funds' governing documents. In addition, PEAK6 has authority to direct the trading activities of the Trading Subsidiaries, including determining which securities are bought and sold, the total amount to be bought and sold, which broker or dealer will effect such transactions and the commission rates at which the transactions will be effected.

## **VOTING CLIENT SECURITIES**

PEAK6 has the authority to vote securities held by its clients. In voting proxies, PEAK6 is guided by general fiduciary principles and PEAK6's goal is to act prudently and solely in the best interests of clients. It is PEAK6's policy generally to vote against any management proposal that PEAK6 believes could prevent the companies from realizing their maximum market value, or would insulate companies and/or management, from accountability to shareholders or prudent regulatory compliance. PEAK6 does not allow its clients to direct the vote on proxies.

In furtherance of PEAK6's goal to vote proxies in the best interest of its clients, PEAK6 generally utilizes a third party proxy voting service to assist in voting and recordkeeping of proxies. This service may also help mitigate conflicts of interest that may arise between PEAK6's own interests and those of the relevant client before voting proxies on its behalf. Where the CIO or portfolio manager determines that there is the potential for a conflict of interest, the Chief Operating Officer will be consulted and a determination will be made as to whether one or more of the following steps will be taken:

- inform clients and investors of the material conflict and PEAK6's voting decision;
- discuss the proxy vote with clients and investors;
- fully disclose the material facts regarding the conflict and seek the clients' and investors' consent to vote the proxy as intended; and/or
- seek the recommendation of an independent third party.

Any employee who has a direct or indirect pecuniary interest in any issue presented for voting, or any relationship with the issuer, must inform the Chief Compliance Officer and, if not voted via a third party proxy voting service, recuse him or herself from decisions regarding that proxy vote. Under PEAK6's proxy policy a CIO or portfolio manager, as applicable, will document the steps taken to evidence that the proxy vote or abstention was in the best interest of the client and not the product of any material conflict. PEAK6 maintains this documentation.

Investment adviser clients of PEAK6 or investors in the Funds may request a copy of PEAK6's Proxy Voting Policy, as well as relevant proxy voting records by contacting Donna MacDonald, PEAK6's Chief Compliance Officer, at 141 West Jackson Blvd, Suite 500, Chicago, IL 60604.

## **FINANCIAL INFORMATION**

PEAK6 is not aware of any financial condition that could impair its ability to meet its contractual commitments to the Funds.