

Voleon Capital Management LP

Form ADV - Part 2A

Investment Adviser Brochure

September 24, 2013

Item 1 – Cover Page

2131 University Avenue
Suite 324
Berkeley, CA 94704
(510) 704-9870

This brochure provides information about the qualifications and business practices of Voleon Capital Management LP, a Delaware limited partnership and investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this brochure, please contact us at (510) 704-9870, or by email at compliance@voleon.com. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.

Additional information about Voleon Capital Management LP also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This brochure, dated September 24, 2013, is our application for registration as an investment adviser with the SEC. Previously, we had been registered with the SEC from February 14, 2012 to September 19, 2012, when we withdrew our registration because we fell below the threshold for SEC registration. Since the filing of our initial application in 2012, material changes in our business include the launch of a new offshore feeder fund to our master fund, based in the Cayman Islands, which was launched in February 2013. The Offshore Feeder and the Master Fund were registered with CIMA. We no longer advise any managed account clients, and while we have no current intention of advising managed account clients in the future, we may do so again.

Item 3 -Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 -Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	2
Item 6 – Performance-Based Fees	4
Item 7 – Types of Clients.....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	5
Risks of Loss.....	8
Risks of investment strategies and methods of analysis	22
Item 9 – Disciplinary Information	42
Item 10 – Other Financial Industry Activities and Affiliations	42
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	46
Item 12 – Brokerage Practices	48
Item 13 – Review of Accounts.....	50
Item 14 – Client Referrals and Other Compensation.....	51
Item 15 – Custody.....	51
Item 16 – Investment Discretion.....	51
Item 17 – Voting Client Securities.....	52
Item 18 – Financial Information	52

Item 4 – Advisory Business

Structure; History and Ownership

Voleon Capital Management LP is an investment advisory firm with its principal place of business located in Berkeley, California. Voleon Capital Management LP will be referred to in this brochure as “Voleon,” “Investment Adviser,” “we,” or the “firm.”

Voleon is organized as a Delaware limited partnership and has been in business since May 2008, and was founded by Michael Kharitonov, PhD, our Chief Executive Officer and a member of our firm’s general partner, Voleon Capital Management LLC, and Jon McAuliffe, PhD, our Chief Investment Officer. Mr. Kharitonov is a limited partner in Voleon, and has an ownership interest in Voleon in excess of 25%.

Types of Advisory Services

Voleon serves as investment adviser and provides discretionary investment supervisory services to a master-feeder fund structure: Voleon Investors Fund LP, a Delaware limited partnership (the “Onshore Feeder Fund”), Voleon International Investors, LTD, a Cayman Islands exempted company with limited liability (the “Offshore Feeder Fund”, and together with the Onshore Feeder Fund, “the Feeder Funds”), and their master fund, Voleon Master Fund, LTD, a Cayman Islands exempted company with limited liability (the “Master Fund” and together with the Feeder Funds, the “Funds”). Our services are provided to the Master Fund pursuant to the terms of an Investment Advisory and Management Agreement between the Master Fund, Voleon and Voleon Funds LP (“Manager”), which acts as the Manager of the Onshore Feeder Fund and as the Manager of the Master Fund. The Funds do not offer their interests to the public. Fund interests are offered only in private placements to qualified investors. The terms applicable to investors in the Funds are detailed in the Feeder Funds’ confidential offering documents, which are provided to investors.

We seek, on behalf of our clients, to profit from the identification and exploitation of anomalies in asset valuation in order to generate appreciation in the value of our clients’ accounts. The investment strategies we employ on behalf of the Funds are described in greater detail below at Item 8 and in the Feeder Funds’ confidential offering documents. We do not tailor the strategy to the needs of individual investors in the Funds.

The Feeder Funds invest substantially all of their assets in the Master Fund. Through this structure, we seek to execute the strategies discussed above, on behalf of the Feeder Funds, through the activities and investments of the Master Fund. While the Feeder Funds may also make and hold investments directly, rather than through the Master Fund, the Feeder Funds to

date have invested all of their assets in the Master Fund and currently anticipate that they will continue to invest all of their assets through the Master Fund.

See Item 8 of this brochure for a more detailed discussion of Voleon's investment strategies.

Assets Under Management

As of September 1st, 2013, Voleon manages approximately \$134,000,000 of client assets (calculated as Regulatory Assets Under Management), all of which is managed on a discretionary basis.

Item 5 – Fees and Compensation

We are entitled to an asset-based management fee from the Master Fund. However, because the Funds are set up in a master-feeder structure, we do not receive a fee from the Feeder Funds.

Management Fee

The Master Fund pays Voleon a management fee on a monthly basis in advance, based on a percentage of the net asset value of the Feeder Funds invested in the Master Fund as of the last day of the immediately preceding calendar month, plus or minus any subscriptions or redemptions on the first day of the current month. The management fee is paid in advance on the first business day of each calendar month and will be prorated with respect to contributions made to the Master Fund on a date other than the first day of the calendar month. Investors in the Feeder Funds bear their proportionate share of the management fee paid by the Master Fund.

The Master Fund has the ability to terminate the services of Voleon pursuant to the terms of its management agreement. The details of how the fees are calculated for the Master Fund can be found in the confidential offering documents of the Feeder Funds, which are provided to investors.

Our fees are indicative of our typical fee structure. However, we may enter into agreements with one or more Feeder Fund investors providing for the waiver or modification of the management fee without notice to the other Feeder Fund investors.

The fees payable by the Master Fund are deducted from the assets of the Master Fund and are paid directly to us.

Expenses

Each Fund pays, or reimburses us for, all operating expenses and other costs of the Funds that we are not required to bear (subject to limited exceptions detailed in the confidential offering documents of the Feeder Funds) including, but not limited to transaction, custodial, and administration costs, investment expenses, and legal, audit, tax accounting and other ordinary and extraordinary expenses. The Feeder Funds and any feeder funds established in the future will also pay their own office expenses and/or reimburse the Manager for its office expenses. They will also bear, pro rata to their respective investments in the Master Fund, all costs and expenses incurred by the Master Fund including, but not limited to: brokerage commissions; interest expenses operating expenses (e.g., legal, valuation, directors, accounting, auditing and record-keeping expenses); custody, administration, valuation and registration fees; fees of the fund administrator; organizational expenses and extraordinary expenses. Each Fund will also reimburse us for certain expenses incurred on behalf of the Funds, including accounting and legal fees and expenses incurred on behalf of the Funds; and trading-related expenses, such as expenses for computer hardware and software used for trading, data center/collocation facility expenses, networking expenses, electronic data expenses, salaries of staff primarily involved with the trading operations of the Funds and related trading expenses, and other technology and risk management-related expenses incurred on behalf of the Funds. For the avoidance of doubt, Voleon is not entitled to reimbursement for its general overhead and operating expenses (such as office space, office facilities and office personnel, other than salaries of staff primarily involved with the trading operations of the Funds) required for the performance of its services.

As we consider appropriate, we may invest a portion of the Master Fund's assets in one or more money market funds, mutual funds or exchange-traded funds. When any such investments are made, investors will be paying, in addition to the compensation payable to us, their proportionate share of any management fees charged by the manager of such money market fund, mutual fund or exchange-traded fund.

See Item 12 of this brochure for additional information regarding Voleon's brokerage practices.

Item 6 – Performance-Based Fees

Performance-Based Fees

Voleon is not entitled to any performance-based fees from the Master Fund; however, its affiliate, the Manager, is entitled to a performance-based fee from the Master Fund. Dr. Kharitonov and Dr. McAuliffe are limited partners of the Manager and as such, are indirectly entitled to such performance-based fees.

Such performance-based fees create certain inherent conflicts of interest with respect to Voleon's management of assets. Specifically, our affiliate's entitlement to performance-based fees may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements. Additionally, since performance allocations reward our affiliate for performance in client accounts that are subject to such allocations, we may have an incentive to favor such accounts over those that have only fixed asset-based fees with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities. Currently, Voleon's advisory services are provided solely to the Funds, which invest through a master-feeder structure. While Voleon may advise individual clients through managed accounts in the future, it has no current intention of doing so.

As a registered investment adviser and a fiduciary, Voleon would exercise due care to ensure that investment opportunities are allocated equitably among all clients if it were to advise clients other than the Funds. Towards this end, Voleon has implemented policies and procedures to address trade allocation decisions, order aggregation and brokerage allocation decisions. These policies and procedures (discussed more fully in Item 12) seek to ensure fair and equitable treatment of all clients over time.

See Item 12 of this brochure for additional information regarding Voleon's trade aggregation and allocation procedures.

Item 7 – Types of Clients

We provide investment advice to private investment funds. Investment advice is provided directly to the Master Fund, subject to the direction and control of the Board of Directors of the Master Fund, and not individually to the investors of the Feeder Funds.

The Onshore Feeder Fund

Investors in the Onshore Feeder Fund generally must be persons that are permitted U.S. Persons and who qualify as "accredited investors" as defined in Rule 501 under Regulation D under the Securities Act, qualify as "qualified purchasers" as defined in Section 2(a)(51) of the Investment Company Act, and meet other eligibility criteria established by the Manager. The Onshore

Feeder Fund's investors may consist of one or more of the following: individuals; pension and profit sharing plans; financial institutions (including funds of funds); trusts; university endowments; charitable organizations; and corporations or other business entities. Voleon will not be engaged as an investment adviser to advise investors as to the appropriateness of investing in the Onshore Feeder Fund.

The Offshore Feeder Fund

Investors in the Offshore Feeder Fund generally must be persons that are Non-U.S. Persons (as defined under Regulation S under the Securities Act of 1933, as amended (the "Securities Act")) pursuant to the exemption offered by Regulation S, or must be certain tax-exempt U.S. Persons pursuant to the exemption offered by Regulation D under the Securities Act, and meet other eligibility criteria established by the Board of Directors of the Master Fund and the Manager. The Offshore Feeder Fund's investors may consist of one or more of the following: individuals; pension and profit sharing plans; financial institutions (including funds of funds); trusts; university endowments; charitable organizations; and corporations or other business entities. Voleon will not be engaged as an investment adviser to advise investors as to the appropriateness of investing in the Offshore Feeder Fund.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

We seek, on behalf of our clients, to profit from the identification and exploitation of anomalies in asset valuation in order to generate appreciation in the value of our clients' accounts. Our focus historically has been primarily on publicly traded U.S. equity securities (i.e., common and preferred stocks, American Depositary Receipts, and ETFs). We trade approximately 2,000 publicly traded U.S. equity securities, which generally have the highest levels of liquidity (i.e., average daily volume of shares traded) among all similar instruments.

The Master Fund's investment focus historically has been primarily on publicly traded U.S. equity securities (i.e., common and preferred stocks, American Depositary Receipts and ETFs). The U.S. equity securities it trades include approximately 2,000 publicly traded U.S. equity securities, which generally have the highest levels of liquidity (i.e., average daily volume of shares traded) among all similar instruments. In addition to investing in U.S. equity securities, the Master Fund may invest in exchange-traded funds and futures contracts. The Master Fund may also invest in hedging instruments for primarily risk management purposes. The Master Fund may trade any type of security or financial instrument or derivative security in any market and across global markets, and over time expects to expand the range of securities, instruments, and markets in which it invests to accomplish its investment objectives. The assets held by the Master Fund are referred to herein as "Investments".

In September 2010 the Master Fund expanded its investment focus to include equity securities

(i.e., common and preferred stocks) traded on the Tokyo Stock Exchange and other exchanges in Japan, as well as Japanese stock index ETFs, futures contracts, and hedging instruments selected in a manner similar to that used in the selection of similar U.S. securities. As of the date hereof, the Master Fund has ceased trading in Japan but may resume trading in Japan at any time. In September 2011 the Master Fund commenced trading equity-linked derivatives (including swaps) in the Japanese and, in October 2011, the U.S. markets. U.S., Japanese, and other equity-linked derivatives are collectively referred to as “Equity Derivatives”. The Master Fund may trade Equity Derivatives in addition to or in lieu of some or all of the foregoing instruments in some or all U.S. and non-U.S. markets. The Master Fund may trade currency-linked derivatives (including but not limited to swaps) (collectively, “Currency Derivatives”).

Most or all of the Master Fund’s investments and investment program are currently conducted through the use of Equity Derivatives executed with its prime broker although it may execute derivative contracts with other derivatives dealers. As a result, the Master Fund does not typically have beneficial ownership interests in the equity securities but a contractual right to receive any increase in the value of the equity securities or an obligation to pay any decrease in the value of the equity securities. As a result, the Master Fund's assets currently consist mostly of cash, equity derivative contracts, and futures contracts.

It is currently anticipated that in the future the Master Fund will expand its investment focus to include other non-U.S. equity securities, equity derivatives, and non-U.S. stock index ETFs and futures contracts. As these trading strategies are implemented in the future, ETFs and futures trading may become a substantially more significant portion of the Master Fund's investment program.

Other markets in which the Master Fund intends to trade, in addition to the U.S. and Japan, include the United Kingdom and various European and Asian markets, but the Master Fund may also expand trading to other markets, including, but not limited to, emerging markets. In addition, the Master Fund may engage in trading of foreign currencies, currency forwards, or other instruments for the hedging of its foreign exchange exposure.

Investment Strategies

Our trading strategy is implemented through the Master Fund’s trading activities, with the goal of generating superior risk-adjusted returns, through trading strategies generally referred to as “statistical arbitrage.” We seek to generate returns that are not correlated or minimally correlated with the returns of various national and/or global equity and bond market indices, and the returns of non-U.S. Dollar currencies relative to the U.S. Dollar.

A subset of quantitative strategies, “statistical arbitrage” focuses on opportunities to profit from distortions in the relative valuations of securities across large and diverse portfolios. We use a range of quantitative tools to seek to identify profit opportunities, to construct portfolios in a cost-efficient manner and to manage the overall risk of the Master Fund’s portfolio consistent with the aim of producing superior risk-adjusted returns. We may implement one or more “statistical arbitrage” strategies, including strategies based on Voleon’s quantitative research. We rigorously research and implement statistical arbitrage strategies that seek to exploit mispricings that exist due to inherent inefficiencies in the flow and accuracy of information and other factors in the marketplace.

While the Master Funds’ past trading strategy has been based on a subset of quantitative strategies commonly referred to as “statistical arbitrage” trading strategies, we may at any time implement additional quantitative strategies beyond the subset of “statistical arbitrage” strategies. We may implement one or more quantitative-based strategies based on our quantitative research. As a result of this research, we may also implement quantitative-based trading strategies utilizing a variety of asset classes and financial instruments. By carefully analyzing the behavior of asset prices and other available asset-related and security-related information we believe may have predictive value, and by testing the relationships between these data sets in what we believe to be a statistically sound framework, we seek to make economically significant predictions about future asset price moves relative to other similar assets or tradable indices, net of transaction costs. We use a range of quantitative tools to seek to identify profit opportunities, to construct portfolios in a cost-efficient manner and to manage the overall risk of the Master Fund’s portfolio consistent with the aim of producing superior risk-adjusted returns.

Based on our quantitative research, we create trading models (the “Trading Models”) that are implemented through our computerized trading system (the “Trading System”), which is comprised of a combination of third-party and internally developed software components. The Trading System tracks multiple data sources and, using the Trading Models, regularly updates risk models and forecasts of asset price moves to determine target asset portfolios and trading programs with the aim of optimizing returns relative to risk. The Trading System incorporates order management and other trading related components.

While our principals and/or employees develop and approve the Trading Models and set key parameters, the Trading System generally executes trades on a non-intervention basis. Except in unusual circumstances, no person reviews individual orders or programs of trades before they are carried out by the Trading System. In most cases, the Trading System executes trades directly via electronic links to the Master Funds’ brokers. However, some trades may be executed by a principal or employee of our firm. During trading hours, a principal or employee of our firm may monitor instrumentation of aggregate characteristics of the Trading System, and from time to time that person or another principal or employee may intervene, typically to halt or limit trading

or to liquidate holdings in one or more securities should unusual circumstances arise, such as a stock becoming the subject of merger speculation, or under adverse market conditions. There can be no assurance that such human intervention will be taken in all cases where it may be desirable, and any given human intervention action may not have the intended effect and could in fact result in loss or greater loss for the Funds. In the future, based on our judgment of which techniques are likely to be most effective for carrying out current and any future trading strategies, we may further automate the Trading System and thus reduce the level of human oversight and/or intervention, or may increase the level of human oversight and/or intervention.

The Master Fund historically has traded in primarily highly liquid U.S. equity securities, and/or equity derivatives linked to such equity securities, with little or no trading expected in illiquid securities. The Master Fund's typical statistical arbitrage portfolio in U.S. markets might consist of a highly diversified set of long positions in approximately 1,000 U.S. equity securities and/or equity derivatives and a similarly diversified set of short positions, although we are not required to adhere to any restrictions with respect to diversification or number of holdings nor is the Master Fund limited to equity positions. Most or all of the Master Fund's investments and investment program have been conducted by trading equity derivatives.

Over time the Master Fund expects to expand trading to a wide range of securities, which may include lower capitalization U.S. and non-U.S. equities as well as options, futures, bonds, swaps, currencies, forwards, exchange-listed and over-the-counter derivatives, or any other equity or fixed income securities whether exchange-traded or not and in any country. The Master Fund may trade any securities or contracts in which the Investment Adviser believes it has developed or can develop trading strategies that will deliver attractive returns with acceptable risk.

Our trading strategies are proprietary and confidential. The foregoing description is therefore intentionally general in nature and is not a complete description of the strategies summarized or of all of the strategies that may be utilized by Voleon.

There can be no assurance that the objectives associated with any strategies described above will be met. At any time, Voleon may add, remove, or modify any of the strategies it employs and this includes any of the strategies discussed above. No guarantee or representation is made by Voleon that the strategies will be successful or that the objectives will be achieved.

Investment and Trading Risks

General Market and Regulatory Developments. The global financial markets have in the past few years gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented

on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

A period of intense financial market stress began in mid-2007 and continued through 2011, characterized by precipitous drops in the value of certain securities (including numerous triple-A rated fixed income securities and related instruments), large losses at, and in some cases collapse of, major hedge funds including some run by prominent firms and investment banks, sudden extreme (though in some cases short-term) losses at quantitative funds including funds similar to the Master Fund in August 2007, severe liquidity shortages for commercial and financial borrowers, the collapse of a major investment bank and the threatened collapse and apparent rescue (by a mix of public and private entities) of a second major investment bank, widespread intervention by U.S. and other governments to stabilize major market players and to ensure continued functioning of financial markets, as well as numerous other losses and indications of substantial present and future financial risk. As well, there have been major criminal investigations into a vast Ponzi scheme carried out by a large and well known fund manager and also into insider trading and other allegations at major hedge fund managers and investment banks.

These events and their cumulative effect have led to concerns that regulatory and legislative bodies may impose new and burdensome regulations on hedge funds and their managers. Indeed, recent developments in the U.S. financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty for the hedge fund industry. In July of 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was passed which imposes many new requirements and restrictions on the hedge fund industry. See “Increased Government or Market Regulation” under “Risk Factors” below.

Additionally, recent increases in and volatility of the price of oil, current developments in Afghanistan, Iraq and the Middle East, the continued threat of terrorism both within the United States and abroad, the ongoing military and other actions and heightened security measures in response to these threats, international tensions between the United States and other nations, instability in the credit and sub-prime markets, the Japanese earthquake, tsunami and ensuing nuclear crisis, and the continuing credit crisis in Greece and other peripheral European Union countries may cause disruptions to commerce, reduced economic activity, and continued volatility in markets throughout the world. In particular the crisis in Greece and other peripheral European Union countries could also lead to a global banking crisis similar to that experienced by the collapse of Lehman Brothers in 2008 and/or may cause a sovereign debt crisis that could

have grave consequences on the global economy and global financial markets. Such systemic risks may have an adverse impact on the assets in the Master Fund's portfolio in the event that such risks result in a decline in the securities markets and economic activity because of these factors. Voleon cannot predict at this time the extent and timing of any decreased commercial and economic activity resulting from the above factors, or how any such decrease might affect the value of securities and other assets held by the Master Fund. These factors could also result in incidents or circumstances that would disrupt the normal operations of Voleon and its affiliates, the prime broker and the fund administrator, or any of the broker-dealers utilized by the Master Fund, which could also have negative effects on the investment performance of the Master Fund.

The Master Fund may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions 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 Master Fund from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Master Fund. Market disruptions may from time to time cause dramatic losses for the Master Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Equity Securities. The Master Fund will invest in U.S. equity securities of U.S. issuers and ADRs of non-U.S. issuers listed and traded on organized U.S. exchanges. Commencing 2010, the Master Fund also traded common and preferred stocks traded on Japanese stock exchanges but, as of the date hereof, has ceased trading in Japan, although it may resume such trading at any time. It is expected that the Master Fund will expand trading to include equity securities traded in markets outside of the U.S. and Japan in the future. The value of these securities generally varies with the performance of the issuer and movements in the equity markets. As a result, the Master Fund may suffer losses if it invests in equity securities of issuers whose performance diverges from Voleon's expectations or if equity markets overall or equities comprising a particular industry sector, capitalization level, or other grouping generally move in a single direction and the Master Fund has not adequately hedged against such a general move.

ADRs carry additional risks. Investing in an ADR is not the same as investing directly in the underlying foreign security. The ADR may be less liquid than the underlying foreign security, increasing the potential cost, or increasing the time required, to close a position in an ADR. The price of the ADR also may not move in tandem with the underlying foreign security and indeed may diverge significantly at times. These risks may cause the Master Fund to realize potentially significant losses that would not have been incurred if the Master Fund had invested directly in the underlying foreign security.

Volatility Risks. The prices of the instruments traded by Voleon have been highly volatile during certain periods in the past (including notably the period of mid-2007 through 2009 and the fall of 2011), and such periods may recur. The price movements of these instruments are caused by many unpredictable factors, including but not limited to market sentiment, inflation rates, interest rate movements and general economic and political conditions. Volatility creates the specific risk, in the case of Voleon, that historical or theoretical pricing relationships will be disrupted, causing what would otherwise be a comparatively low-risk “relative value” position to incur major losses. Past returns of the Master Fund will not necessarily be indicative of its future performance.

Risks Associated with Prime Brokerage Activities and Related Investments. The Master Fund also faces the following risks associated with its prime brokerage activities and Investments:

- *Counterparty Risks.* The Master Fund will be a party to derivative contracts with third party Wall Street brokers or dealers under which such brokers or dealers will have unsecured obligations to pay amounts due to the Master Fund while the Master Fund secures its obligations to such parties with the assets of the Master Fund. Default by brokers or dealers under an unsecured derivative contract with the Master Fund will cause the Master Fund to become an unsecured creditor in such broker or dealer’s insolvency proceedings and may cause the Master Fund to lose all or significantly all of its assets. The Master Fund may also be a party to prime brokerage securities lending agreements under which it lends specified types of securities to the relevant third party, which counterparty in turn is obligated to return the lent securities to the Master Fund on an agreed upon future date. The default of any such third party on any such obligation could have a material adverse effect on the Master Fund in that any securities borrowed may not be timely returned. In such event the Master Fund may be subject to the risk that any lent securities will increase in value before it is able to replace them using any cash collateral (or the proceeds of any securities collateral) it holds, or that any securities it holds subject to repurchase by the third party will decline in value before the Master Fund is able to resell them. In addition, if, in the event of such a third party default, the Master Fund is delayed or prevented from exercising its rights to dispose of any securities collateral, it will be subject to the additional risk of a possible decline in the value of such collateral during the period in which it seeks to assert these rights. Moreover, such third party may have a lien on all assets of the Master Fund, and will be allowed to liquidate such assets in certain circumstances, which liquidation could be at losses. While Voleon will select counterparties that it believes are creditworthy, the Master Fund generally does not perform extensive credit analyses on its counterparties. Furthermore, any misconduct on behalf of the counterparties, including, without limitation, fraudulent activities, will increase the Master Fund’s possible risk exposure.

- *Single Prime Broker.* The Master Fund currently has a single prime broker with custody of almost all of the Master Fund's assets. If the prime broker were to enter insolvency proceedings, the assets of the Master Fund may not be recouped. While the Master Fund is currently executing all trades synthetically through swap agreements and does not have beneficial ownership of any securities, the Master Fund may engage in cash trading at any time and securities purchased with cash will be held in custody with the prime broker.
- *Leverage.* The Master Fund will utilize leverage (not limited by the Fund documents but currently not planned to exceed on average fifteen times the latest available Net Asset Value of the Master Fund at the time of the borrowing). The use of leverage will magnify both the potential for gains and the potential for losses in the value of the Master Fund's assets. This use of leverage places increased importance on the Investment Adviser's ability to hedge against moves in prices among related securities or within a market as a whole.

Valuation Risk. We (or the fund administrator) will value the Master Fund's positions, and such valuation will be the basis for the Net Asset Value calculation. The Master Fund's asset values will generally be based on quotes provided by brokers and other competent third-party pricing sources. However, certain of the Master Fund's positions may be valued based on theoretical models developed by Voleon. While these models will from time to time be corroborated by quotes obtained from third-party dealers, these valuations will generally be within the control of Voleon (which has an obvious conflict of interest in valuing the Master Fund's positions because the Performance Allocation made to the Manager, which is under common control with us, and the Management Allocation made to us are both directly affected by such valuation). The fair market value of those investments for which a reliable third-party quote is not available is based on other relevant sources deemed reliable by us in our good faith judgment. None of the Funds, Voleon or the principals of any of them shall be liable if a price, reasonably believed by any of them to be an accurate valuation of a particular investment of the Master Fund, is subsequently found to be inaccurate.

General Counterparty Risk. When the Master Fund invests in options, swaps, contracts for differences, derivative and other synthetic instruments, forward contracts, or other OTC transactions and instruments or interests underlying them that may include securities, securities indices, interest rates, commodities and commodities indices, the Master Fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default.

All financing transactions, such as those involving the borrowing or lending of funds or securities, will carry counterparty risks until such borrowing or lending has terminated and the relevant collateral is returned. All deposits of securities or cash with a custodian bank or financial institution will carry counterparty risk. On default by a counterparty, the Master Fund

may be forced to unwind certain transactions and the Master Fund may encounter delays and difficulties with respect to court procedures in seeking recovery of the Master Fund's assets. Recent collapses of large derivative dealers illustrate the risks of such trading. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries.

In addition, there are risks involved in dealing with the custodians or brokers who settle trades on behalf of the Master Fund. Securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Master Fund, and therefore the Master Fund may be exposed to a credit risk with regard to such parties. In some jurisdictions, the Master Fund may only be an unsecured creditor of its broker in the event of the bankruptcy or administration of such broker. Further, there may be practical or time problems associated with the delay that can be involved in enforcing the Master Fund's rights to its assets in the case of an insolvency of any such party. The significant losses incurred by many hedge funds in relation to the bankruptcy and/or administration of Lehman Brothers Holdings and its affiliates illustrate the risks that can arise in both derivatives trading and custody/brokerage arrangements.

Confidential Information Conflicts. While unlikely due to the nature of our trading strategy, it is possible that in the course of its investment activities, we and the Funds may from time to time come into possession of confidential information which we and the Funds are prohibited from using for the benefit of the Master Fund, and which would have caused the Master Fund to take or omit to take certain actions had we or the Master Fund been permitted to do so.

Custody Risk. While the Master Fund currently executes all of its trades synthetically through swap agreements and does not have beneficial ownership of any securities, the Master Fund may engage in cash trading at any time. At times when the Master Fund engages in cash trading, the Master Fund will not control the custodianship of all of its securities. Instead, such securities will be held by the banks or brokerage firms with whom the Master Fund executes trades. Consequently, if the banks or brokerage firms selected to act as custodians become insolvent, the Master Fund may lose all or a portion of the funds or securities held by those custodians. Currently, the Master Fund has a single prime broker, which also acts as custodian of most or all of the Master Fund's assets. If that firm were to enter insolvency or bankruptcy proceedings, the full value of the Partnership's assets would be at risk.

Short Sale Risks. The Master Fund routinely sells securities short in implementing its trading and risk management strategies. Since the borrowed securities sold short must later be replaced by market purchases, any appreciation in the market price of these securities will result in a loss. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for

purchase by the Master Fund. In addition, purchasing securities to close out the short position can itself cause their market price to rise further, increasing losses. Furthermore, the Master Fund may be prematurely forced to close out a short position if a counterparty from which the Master Fund borrowed such security demands its return, as counterparties may do in their discretion, resulting in a loss on what might otherwise have been a profitable position.

Under certain circumstances, including any U.S. or non-U.S. governmental or regulatory action which impacts short selling, the Master Fund may be prematurely forced out of a short position. The lender of a security used to cover a short position generally has the right to demand the return of the stock that has been loaned at any time. In such event, the Master Fund would be required to replace the borrowed securities by borrowing the securities from another lender. If the Master Fund were unable to replace the borrowed securities it would be required to close out the short position by buying the security in the market to make delivery. In such event, the Master Fund could incur a significant loss if the security sold short had increased in value.

Derivative Instrument Risks. Derivative instruments, or “derivatives,” include futures, options, swaps, structured investments and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying investments, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of particular investments at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are “leveraged” (including the derivatives utilized by the Master Fund) and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Master Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to counterparty risk. The counterparty risk lies with each party with whom the Master Fund contracts for the purpose of making derivative investments (the “Counterparty”). In the event of the Counterparty’s default, the Master Fund will only rank as unsecured creditor and risk the loss of all or a portion of the amounts it is contractually entitled to receive.

Forms of swap agreements also include equity swaps, in which one party agrees to pay to (or receive from) the other party an amount equal to the percentage gain (or loss) realized by a specific equity security or group of equity securities in proportion to an agreed-upon notional amount; interest rate “caps,” under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates exceed a specified rate or “cap”; interest rate “floors,” under which, in return for a premium, one party agrees to make payments to the other to

the extent interest rates fall below a specified level or “floor”; and interest rate “collars,” under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

The Master Fund will make use of various derivative instruments such as equity swaps and which may also include warrants, options, futures, convertible securities, and interest-rate and currency swaps. The use of derivatives involves a variety of material risks, including the high degree of leverage often embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to liquidate positions in order either to realize gains or limit losses.

Many derivatives are valued on the basis of dealers’ equivalents. However, the price at which dealers value a particular derivative and the price at which the same dealers would actually be willing to pay for such derivative may be materially different. Such differences can result in an overstatement of the Net Asset Value of the Master Fund, and may have a materially adverse effect on the Master Fund in situations in which the Master Fund is required to liquidate positions in order to raise funds.

The Master Fund may be obligated to indemnify various broker-dealers or derivative counterparties against certain liabilities such parties may incur in connection with derivative instruments used by the Master Fund. Such indemnification obligations may survive long after the derivative instrument has been unwound or terminated. Should the Master Fund or a party which the Master Fund has agreed to indemnify be named as a defendant in a lawsuit or regulatory action stemming from a derivative instrument to which the Master Fund is a party, the Master Fund would bear the additional costs of defending and indemnifying against such action and would be at further risk if the Master Fund or the indemnified party failed to prevail in the litigation.

Derivative Counterparty Risk. Some of the markets in which the Master Fund may effect its derivatives transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight, unlike members of “exchange-based” markets. This exposes the Master Fund to the risk that a Counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Master Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Fund has concentrated its transactions with a single or small group of Counterparties. In the event of the Counterparty’s default, the Master Fund will only rank as an unsecured creditor and risk the loss of all or a portion of the amounts it is contractually entitled to receive.

The Master Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with a single counterparty. Moreover, the Master Fund

has no internal credit function that evaluates the creditworthiness of its counterparties. The ability of the Master Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent valuation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Fund.

Many swap agreements entered into by the Master Fund require the calculation of the obligations of the parties to the agreements on a "net basis." Consequently, the current obligations (or rights) of the Master Fund under a swap agreement generally would be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement. The risk of loss to a Master Fund counterparty with respect to such swaps should be limited to the net amount of interest or other payments that the Master Fund is contractually obligated to make. If the other party to a swap defaults, the risk of loss of the Master Fund consists of the net amount of payments that the Master Fund contractually is entitled to receive.

Risks Related to ETFs. The Master Fund will also invest in ETFs, which are subject to their own unique risks as set forth below.

- *Market Risk.* ETF investments, in general, are subject to market risks that may cause their prices, and therefore the Portfolio's NAV, to fluctuate over time. Markets are subject to political, regulatory, economic and financial market risks.
- *Non-Diversification Risk.* An ETF is considered a non-diversified investment and can invest a greater portion of its assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single security could cause greater fluctuations in the NAV of Fund shares than would occur in a diversified fund.
- *Passive Investment Risk.* An ETF has an investment strategy that is not actively managed. An ETF will purchase, hold or sell securities when an actively managed fund would not do so. Therefore, an ETF may be subject to greater losses in a declining market than a fund that is actively managed.
- *Correlation and Tracking Error Risk.* A number of factors may affect an ETF's ability to track its benchmark index or achieve a high degree of correlation with its benchmark either on a single trading day or for a longer time period. Factors such as ETF expenses, imperfect correlation between the ETF's investments and those of its underlying index, rounding of share prices, regulatory policies, high portfolio turnover rate and the use of leverage all contribute to tracking error or correlation risk. There can be no guarantee that an ETF will achieve a high degree of correlation. Failure to achieve a high degree of correlation may prevent the ETF, and consequently the Master Fund, from achieving its investment objective.

- *ETF Shares Trading Risk.* An unanticipated early closing of the exchange on which an ETF is traded (the “Exchange”) may result in an inability to buy or sell shares of the ETF on that day. Trading in ETF shares similarly may be halted by the Exchange because of market conditions or other reasons. If a trading halt occurs, the Master Fund may temporarily be unable to purchase or sell shares of the ETF. Shares also may trade on the Exchange at prices that differ from (and can be below) their NAV. The NAV of ETF shares will fluctuate with changes in the market value of the ETF’s holdings and the exchange-traded prices may not reflect these market values.
- *Investment in Investment Companies Risk.* The Master Fund may invest in ETFs that invest in other investment companies. Investing in other investment companies, including money market funds, subjects the ETF to those risks affecting the investment company, including the possibility that the value of the underlying securities held by the investment company could decrease. Moreover, the ETF, and consequently the Master Fund, will incur its pro rata share of the underlying investment company’s expenses.
- *Liquidity and Valuation Risk.* In certain circumstances, it may be difficult for an ETF to purchase and sell particular investments within a reasonable time at a fair price, or the price at which it has been valued by the Investment Adviser for purposes of the Master Fund’s NAV, causing the Master Fund to be less liquid and unable to realize what the Investment Adviser believes should be the price of the investment.
- *Short Sales Risk.* Inverse ETFs generally involve short selling a security. Short selling a security involves selling a borrowed security with the expectation that the value of the security will decline, so that the security may be purchased at a lower price when returning the borrowed security. The risk for loss on short selling is greater than the original value of the securities sold short because the price of the borrowed security may rise, thereby increasing the price at which the security must be purchased. Government actions also may affect the ETF’s ability to engage in short selling.
- *Correlation and Compounding Risk.* Leveraged ETFs utilize significant leverage to enhance returns but leverage may also result in a high degree of loss. Additionally, a number of factors may affect a leveraged ETF’s ability to achieve a high degree of correlation with its benchmark, and there can be no guarantee that a leveraged ETF will achieve a high degree of correlation. Failure to achieve a high degree of correlation may prevent a leveraged ETF from achieving its investment objective. In addition, leveraged ETFs utilize compounding. Compounding affects all investments, but has a more significant impact on a leveraged fund. In general, particularly during periods of higher volatility, compounding will cause longer-term results to be more or less than the inverse of the return of the benchmark. This effect becomes more pronounced as volatility increases.

Option Risks. The Master Fund may engage in options trading, both for speculative and for hedging purposes. Options trading involves certain risks which trading in the underlying securities, stock indices and/or stock index futures listed on a national securities exchange or traded in an over-the-counter market alone does not. For example, interest rates and market volatility directly impact option values, and options have limited life spans and so may expire worthless despite the underlying position becoming profitable soon thereafter. The effectiveness of engaging in stock index options as a hedging technique will depend on the extent to which price movements in assets that are hedged correlate with price movements of the stock index selected. Successful use of options on stock indices may depend on the ability of the Investment Adviser to predict correctly movements in the direction of the stock market generally or of a particular industry or market segment. This ability requires skills and techniques different from those used in predicting changes in the price of individual stocks.

Should the Master Fund write (sell) options, it could sustain major marked-to-market losses – even if the options sold are never “in-the-money” – as a result of increases in market volatility and/or market movements towards the strike prices of such options. Because volatility is directly reflected in the market value of options, the extreme volatility of market prices increases both the costs and the risks of options trading.

Forward Contract Risks. The Master Fund may trade forward contracts as a means to hedge currency exposure for future international trading strategies, for other risk management purposes or to implement new trading strategies. Forward trading is a “zero-sum” economic activity in which for every gain there is an equal and offsetting loss (without considering transaction costs). An investment in forwards is in this respect very different from a typical securities investment in which there is an expectation of some consistency of yield (in the case of debt) or participation over time in general economic growth (in the case of equity).

Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. Consequently, in respect of any forward trading activity, the Master Fund will be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the principals or agents with or through which the Master Fund trades. Any failure or refusal to discharge their contractual obligations by the counterparties with which the Master Fund deals on the forward markets, whether due to insolvency, bankruptcy or other causes, could subject the Master Fund to substantial losses. The Master Fund will not be excused from performance under any forward contracts into which it has entered due to defaults under other forward contracts, which were to have substantially “covered” the former. There is also the risk that a counterparty which loses money on a contract with the Master Fund may seek to avoid its obligations on legal grounds.

Because the Master Fund’s currency trading may take place in the forward markets, prospective investors must recognize that such trading activity takes place in unregulated markets

rather than on futures exchanges subject to the jurisdiction of the CFTC or other regulatory bodies. While the forward markets are well established, it is impossible to predict how, given certain unusual market scenarios, the unregulated nature of these markets might affect the Master Fund.

Futures Contract Risks. The Master Fund may trade futures contracts for risk management purposes or as a means of implementing cash-futures arbitrage and other strategies. Futures trading, which is highly leveraged, can result in significant losses. Futures trading is expected to become a substantially more significant strategy in the future. Futures trading is subject to many of the risks associated with forward contracts. In addition, futures trading is subject to the risk of failure of brokerage firms to the extent that the assets of customers at the brokerage firm are not fully protected by account segregation. The Commodity Exchange Act, as amended (“CEA”), requires a U.S. clearing broker to segregate all funds received from such broker’s customers in respect of futures (but not forward) transactions from such broker’s proprietary funds. If any commodity brokers were not to do so to the full extent required by law, or in the event of a substantial default by one or more of such broker’s other customers or of a broker not subject to the CEA and its segregation requirements, the assets of the Master Fund might not be fully protected in the event of the bankruptcy of such broker. Furthermore, in the event of such a bankruptcy, the Master Fund would be limited to recovering only a pro-rata share of all available funds segregated on behalf of the affected commodity broker’s combined customer accounts, even though certain property specifically traceable to the Master Fund (for example, U.S. Treasury bills or cash deposited by the Master Fund with such broker) was held by such broker. Commodity broker bankruptcies have occurred in which customers were not able to recover from the broker’s estate the full amount of their funds on deposit with such broker and owing to them. Customer funds on deposit with commodity brokers are not insured by any governmental agency, and investors would not have the benefit of any protection such as that afforded customers of bankrupt U.S. securities broker-dealers by the Securities Investors Protection Corporation.

In addition, the Master Fund will through its futures trading be subject to regulation by the CFTC, which can make special calls for information from the Master Fund regarding its beneficial owners, and, if such information is not forthcoming, require the liquidation of all open futures positions held by the Master Fund. Furthermore, futures contracts, unlike forward contracts, may be subject to daily price fluctuation limits as well as to speculative position limits. During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Master Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses. Also, the CFTC or exchanges may suspend or limit trading, to the same effect.

The Master Fund may trade on futures exchanges outside the United States. Trading on such exchanges is not regulated by any United States government agency and may involve certain risks not applicable to trading on United States exchanges. In trading on foreign exchanges, the Master Fund may be subject to rules and regulations administered by foreign regulatory bodies and also subject to the risk of changes in the exchange rates between the United States dollar and the currencies in which the foreign contracts are settled.

Foreign Investment. The Master Fund will make investments in issuers organized or based outside the United States. These investments may be subject to a variety of risks and other special considerations not affecting investments in domestic issuers. Many foreign investment markets are not as developed or efficient as those in the United States. Investments in some foreign issuers are less liquid and more volatile than investments in comparable U.S. issuers. Similarly, volume and liquidity in many foreign markets are less than in the United States and, at times, volatility of price can be greater than in the United States. The issuers may be subject to less stringent financial reporting and informational disclosure standards, practices and requirements than those applicable to U.S. issuers. Since transactions in foreign investments often are denominated in currencies of foreign countries, the Master Fund may incur currency exchange costs when effecting these transactions and the value of these investments as measured in U.S. dollars may be affected favorably or unfavorably by subsequent changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short periods of time. The Master Fund will be permitted, but will not be required, to engage in currency hedging transactions (using forward, futures or options contracts) to protect against adverse changes in currency rates, and it is possible that such hedging transactions could be unsuccessful.

Foreign Exchanges. The Master Fund will trade on exchanges located outside the United States, where the protections provided by U.S. regulations do not apply. In the case of trading on foreign exchanges, the Master Fund will be subject to the risk of the inability of or refusal by its counterparties to perform with respect to their contracts with the Master Fund. The Master Fund also may not have the same access to certain trades as do various other participants in foreign markets.

Foreign Exchange Transaction Risks. The Master Fund may trade in the currency markets. Although generally highly liquid, currency markets can experience periods of illiquidity, sometimes of significant duration. For example, none of the participants in the currency forward markets are required to maintain a market in any particular currency or to maintain a reasonable spread between the “bid” and “asked” prices which they quote. Disruptions can occur in any market traded by the Master Fund due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in major losses. Currency forward contract prices are highly volatile. In the recent past sudden and major reversals in these markets have resulted in major losses for speculative traders similar to the Master Fund. Currency

contract prices are determined by relationships that are primarily interest-rate related; consequently, a substantial portion of the Master Fund's open positions could move against the Master Fund at or about the same time.

Risks of Investing Globally. Issuers are generally subject to different accounting, auditing and financial reporting standards in different countries throughout the world. The volume of trading, the volatility of prices and the liquidity of issuers may vary in the markets of different countries. Hours of business, customs and access to these markets by outside investors may also vary. In addition, the level of government supervision and regulation of securities exchanges, securities dealers and listed and unlisted companies is different throughout the world. In addition, there may be a lack of adequate legal recourse for the redress of disputes, and in some countries the pursuit of such disputes may be subject to a highly prejudiced legal system. Additional risks may include lack of transparency in financial markets, inefficient execution of transactions, reduced ability to sell securities short and high transaction costs.

Different markets also have different clearance and settlement procedures. Delays in settlement could result in temporary periods when a portion of the assets of the Master Fund are uninvested and no return is earned thereon. The inability of the Master Fund to make intended security purchases due to settlement problems could cause the Master Fund to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to the Master Fund due to subsequent changes in value of the portfolio security or, if the Master Fund has entered into a contract to sell the security, could result in possible liability to the purchaser.

In certain markets there may be limited availability of historical data to support the research and development of effective trading strategies. Real-time data may also be unavailable or unreliable, introducing trading delays and errors that could impair returns. There may be limited or no availability of borrowable securities to enable short-selling, reducing the range of trading opportunities and making it harder to develop hedged portfolios; "short squeezes" may also be more likely in such circumstances, which raises the risk of sudden large losses on any short positions held. Execution quality may be lower in certain markets; bid-ask spreads may be wide, and it may be difficult to execute at posted market prices.

With respect to certain countries, there is a possibility of expropriation or confiscatory taxation; imposition of withholding taxes on dividends or interest payments, capital gains, or other income; limitations on the removal of funds or other assets of the Master Fund, potentially imposed after the Master Fund has made its investment in a given country and without sufficient notice to allow withdrawal under the pre-existing terms; managed or manipulated exchange-rates, volatility of exchange rates, the cost of currency hedging if employed, direct currency conversion costs, and other issues affecting currency conversion; political, economic or social instability or diplomatic developments that could affect investments in those countries; or

government policies that may restrict the Master Fund's investment opportunities. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, may change independently of each other.

These risks may be greater in emerging markets. The Master Fund may trade in emerging markets in the future.

Foreign Currency Exposure. The value of the Master Fund is calculated in U.S. Dollars. Investors bear the risk of any foreign currency exposure resulting from differences, while Voleon may determine to hedge this risk, the Master Fund will still be subject to the exchange-rate risk of the dollar changing in value against the functional currency of such investments if any, in the value of the U.S. Dollar relative to the currency of the country in which they reside.

Risks from Hedging Activities. Voleon may (or may not) from time to time utilize ETFs or stock index futures for the purpose of reducing any net long or short exposure to the performance of the stock market as a whole or to individual sectors or industries. There remains a substantial risk, however, that hedging techniques may not always be effective in limiting losses. If Voleon's trading methodology or risk models analyze market conditions or risk incorrectly, Voleon's hedging techniques could result in a loss, regardless of whether the intent was to reduce risk. In addition, hedging activities often will reduce the overall return of the portfolio.

Smaller and Medium Capitalization Company Risks. The Master Fund expects to trade roughly the top two thousand most heavily traded U.S. equities (including common stocks, preferred stocks, and American Depositary Receipts) as well as common and preferred stock in Japan once it resumes trading in Japan. As a result, the Master Fund will invest a significant percentage of its assets in small to medium capitalization companies: for example, companies in the United States that are too small to be included in the S&P 500 index. These companies have less ability to withstand adverse market conditions than larger issuers, and their securities are more thinly traded and volatile in price. While small to medium capitalization companies may have good growth potential, there is no guarantee they will experience such growth, and they typically involve higher risks because they may lack the management experience, financial resources, product diversification and personnel available to their larger competitors.

General Risk Factors

Risk of Loss. An investor could incur substantial, or even total, losses on an investment in the Funds. An investment in the Funds is only suitable for persons willing and able to accept this high level of risk.

Possible Correlation with Stocks and Bonds. One of the goals in acquiring a non-traditional investment such as an investment in the Funds is to provide a potentially valuable element of

diversification to an overall portfolio of investments. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that the Funds' returns will, in fact, be positively or negatively correlated or uncorrelated with a traditional portfolio of stocks and bonds.

Master-Feeder Structure. The Feeder Funds invest the majority of its assets through a “master-feeder” fund structure in the Master Fund. A “master-feeder” fund structure, in particular the existence of multiple investment vehicles investing in the same portfolio, presents certain unique risks to investors. Although the Offshore Feeder Fund and the Onshore Feeder Fund are currently the only investors in the Master Fund, additional feeder funds may be established in the future. Smaller investment vehicles investing in the Master Fund may be materially affected by the actions of larger investment vehicles investing in the Master Fund. For example, if a larger investment vehicle withdraws from the Master Fund, the remaining funds may experience higher pro rata operating expenses, thereby producing lower returns. Substantial withdrawals of capital by investors in the Master Fund, including the Feeder Funds, over a short time period could necessitate the liquidation of securities positions at a time and in a manner which does not provide the most economic advantage to the Master Fund and which therefore could adversely affect the value of the Master Fund's assets. Moreover, the layering of entities can impair the access of investors to the underlying assets of the Master Fund.

The assets of the Feeder Funds will consist almost exclusively of shares of the Master Fund. Accordingly, the financial results of the Feeder Funds will be almost entirely dependent on the performance of the Master Fund.

Lack of Liquidity of Investment; Redemptions. There is not now and there is not likely to be in the future a secondary market for interests in the Feeder Funds, and consequently, investors may be able to dispose of their investments only by means of redemptions from the Feeder Funds. The risk of any decline in the Net Asset Value of the investment during the period from the date of redemption notice submitted by an investor until the redemption date will be borne by the investors requesting a redemption. Further, under extraordinary circumstances, the Master Fund may (in the sole discretion of the Board of Directors) suspend redemptions entirely or delay payment until such time as the extraordinary circumstance no longer exists. After the redemption date, a redeeming investor is a creditor of the applicable Feeder Fund. If the Master Fund experiences losses after a redemption date, it is possible that the Master Fund may have insufficient assets to pay all or even a portion of the redemption proceeds due to the redeeming investor. The Board of Directors has the power to suspend redemptions or require mandatory redemptions from the Master Fund at its discretion in certain circumstances. If an investor makes a redemption when the Master Fund has unrealized gains or losses, the investor may be specially allocated capital gains or losses, as determined for tax purposes.

Upon the redemption of an investment in the Feeder Funds, the redeeming investor will cease to be entitled to any rights in respect thereof, except the right as a creditor to receive a dividend which has been declared in respect thereof prior to such redemption being effected or any redemption proceeds payable under the Articles. A redeeming investor will continue to be bound by the provisions of the Feeder Fund documents regarding payment of the redemption proceeds, including (if applicable) suspension of the payment of the redemption proceeds. The risk of any decline in the Net Asset Value of an investment during the period from the date of the redemption notice until the redemption date will be borne by the Investor(s) requesting a redemption. If the Master Fund experiences losses after a redemption date, it is possible that the Master Fund may have insufficient assets to pay all or even a portion of the redemption proceeds due to the redeeming investor.

Lack of Liquidity of Investments. The markets for instruments traded by the Master Fund may have limited liquidity and depth. Lack of liquidity could disadvantage the Funds both in the realization of quoted prices and in order execution. Lack of liquidity would increase the risk that the Master Fund could be required to liquidate positions at disadvantageous prices because of its inability to raise margin collateral from other sources. The risk of market illiquidity is materially heightened by the use of leverage and the possibility that margin calls will need to be met in declining or disrupted market conditions.

Inadequate Compensation for Risk. No assurance can be given that the returns on the Master Fund's investments will be commensurate with the risk of purchasing an investment in the Feeder Fund. Hedge fund returns have dropped significantly recently in comparison to their returns in past periods, and there can be no assurance that their returns, as an asset class, in future periods will reflect previous historical levels. This may be due in part to changes in market conditions affecting hedge funds' investments and strategies, as well as the proliferation of hedge funds pursuing similar strategies (thereby making it difficult for one hedge fund to outperform others). Hedge funds may also offer less of an advantage as a source of investment diversification than in the past. In addition, recent years have seen a number of collapses of hedge funds, including a number of well-known funds, amid highly volatile market conditions. All of the foregoing considerations relating to hedge funds have been identified as serious risks by a number of investment commentators.

Highly Competitive Market. Voleon competes with a large number of firms in developing trading strategies and managing investment assets. Many of such firms have far greater financial and personnel resources than Voleon. Competitive investment activity by other firms will tend to reduce the mis-pricing spreads that Voleon attempts to capitalize on in trading on behalf of, as well as the amount of credit available to, the Master Fund.

Lack of Information. An investor granting discretion over the trading of assets through a managed account would normally have access to information regarding the positions traded on

the investor's behalf by a trading advisor. In contrast, investors will not normally have access to positions or other information regarding the Master Fund's investments. Lack of knowledge regarding the Master Fund's positions and trades will reduce investors' ability to evaluate the performance of Voleon and the Funds and could result in an investor's overall portfolio being highly concentrated because the Master Fund's positions could replicate or substantially overlap positions held by the investor in other investments.

Dependence on the Principals and Other Key Employees of the Investment Adviser. The Funds are dependent on the services of the principals and other key employees of Voleon. The Funds would be adversely affected if the services of any of the principals or of any other key employee were not available for any significant period of time.

Reliance on Voleon. The Master Fund will rely on the Investment Adviser for the management of the Master Fund's investment portfolio. There could be adverse consequences to the Funds in the event that Voleon ceases to be available to devote its services to the Master Fund. In addition, Voleon's expertise and capabilities may not be sufficient to ensure adequate returns for the Funds.

Investors Do Not Participate in Management; No Ability to Replace or Remove the Manager or Voleon. Investors will have very limited management rights with respect to the Funds. Moreover, Investors have no right to influence the management of the Funds, whether by voting, redeeming, removing or replacing the Manager, removing or replacing Voleon or otherwise.

Lack of Independent Directors. A majority or all of the directors of the Master Fund will be employed by or will have extensive business dealings with some or all of Voleon, the Manager and their affiliates. As a result, these directors may have conflicts of interest. There are no independent managers of the Funds, the Manager or Voleon.

Market Participant Risk. The institutions, including brokerage firms and banks, with which the Master Fund trades or invests, may encounter financial difficulties that impair the operational capabilities or the capital positions of the Master Fund. Events in recent years demonstrate the real risk that a brokerage or custodian that appears reliable may very quickly be discovered to be insolvent or otherwise unable to meet its obligations. This may impact the Master Fund in many ways – including, but not limited to, forcing the Master Fund to liquidate its portfolio or certain hedging positions, and potentially with such speed that the Master Fund would face substantial losses.

In addition to the risk of a counterparty or broker defaulting, there is also the risk that one or more investors comprising a substantial percentage of the Master Fund's assets under management (such as a major institutional investor) may be compelled to redeem from the Master Fund, or that the Master Fund's counterparties or brokers will be required to restrict the amount of credit previously granted to the Master Fund due to their own financial difficulties,

resulting in forced liquidation of substantial portions of the Master Fund's portfolio, potentially with such speed that the Master Fund would face substantial losses.

Outsourcing. Voleon and the Master Fund may opt to outsource significant portions of trading and the processing of trades to third-party providers (for example, for middle and back office services). Investors in the Feeder Funds will pay for these services, reducing the return on their investments. Furthermore, if these third-party providers suffer operational or financial difficulties, the performance of the Funds may be materially affected.

Risk of Litigation. In the ordinary course of business, the Funds may be subject to litigation from time to time. In addition, the Master Fund may accumulate substantial positions in the securities of issuers that become involved in proxy contests or other litigation. As a result of such investments, the Master Fund could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings, which may materially adversely affect the value of the Master Fund, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Funds' time and attention and substantial amounts of the Funds' capital in legal costs and expenses, and that time and the devotion of those resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Importance of General Economic Conditions. Overall market or economic conditions, which Voleon cannot predict or control, may have a material effect on performance.

Conflicts of Interest. The Manager and Voleon are subject to significant and material conflicts of interest in managing the assets of the Funds. There can be no assurance that these conflicts will be resolved equitably or to the benefit of the Funds. See "Conflicts of Interest" below.

Reserve for Contingent Liabilities. Under certain circumstances, the Master Fund may find it necessary to establish a reserve for contingent liabilities or withhold a portion of an investor's proceeds at the time of redemption from the Feeder Fund, in which case the reserved portion would remain at the risk of the Master Fund's activities.

Mandatory Redemptions. The Board of Directors of the Offshore Feeder Fund or the Manager of the Onshore Feeder Fund may require any investor to redeem all or a part of its investments at any time in their discretion.

In-Kind Distributions. The Feeder Funds may, with the prior consent of the redeeming investor, distribute securities, rather than cash, as redemption proceeds to such investor. A portion of the Master Fund's capital may be invested in illiquid securities and instruments. If the investors in the Master Fund request significant redemption, the Master Fund may be unable to liquidate its investments at the time such redemptions are requested or may be able to do so only at prices which, in the opinion of Voleon, do not reflect the true value of such investments and which

would adversely affect the Funds' investors. Such securities and instruments may not be readily marketable or saleable and may have to be held by the investor or by the Board of Directors in trust for the investor, for an indefinite period of time.

Estimates. The Funds' fees and the amounts due to investors upon redemption are determined on the basis of estimates. The Board of Directors of the Master Fund is under only a very limited obligation to revise such estimates.

Delays in Providing Audited Financial Statements. The Master Fund must have its audited financial statements before it can provide its audited financial statements to investors. There can be no assurance that the Master Fund's audited financials will be prepared and delivered to the Feeder Funds in time for the Feeder Funds to deliver its audited financial statements to investors before their tax returns are due.

Indemnification and Liability of the Manager and Voleon. Voleon and its partners, managers, officers, employees or other affiliates (the "Investment Adviser Parties"), and the Manager and its partners, managers, officers, employees or other affiliates (the "Manager Parties") will not be liable, responsible or accountable in damages or otherwise to the Funds and/or any of the investors for (a) any act or omission performed or omitted by them on behalf of the Funds, except when such action or failure to act by that specific party constitutes gross negligence (unless otherwise provided by law), fraud, recklessness or willful misconduct, or (b) any act or omission performed or omitted to be performed by any agent retained by the Funds, the Investment Adviser or the Manager, whether through negligence, dishonesty or otherwise, as long as the agent was selected by the Funds, the Investment Adviser or the Manager without gross negligence, fraud, recklessness or willful misconduct or as otherwise required by law. The Investment Adviser Parties and the Manager Parties will be indemnified by the Funds for any loss or expenses suffered or sustained by them as a result of or in connection with any act performed in good faith by or on behalf of the Funds, so long as such loss or liability did not result from their willful misconduct, gross negligence or reckless disregard. The Funds may or may not purchase insurance covering such liabilities.

Possible Additional Indemnification Obligations; Litigation. In addition to the indemnification of the Manager Parties and the Investment Adviser Parties, the Master Fund may be obligated to indemnify the fund administrator, the brokers and various other officers and agents of the Funds and their respective principals and affiliates under the various agreements entered into with such parties against certain liabilities they may incur in connection with their relationship with the Funds. The Funds may also be obligated to indemnify certain counterparties to various investment vehicles entered into by the Funds against certain tax or other liabilities such counterparties incur in connection with transactions entered into by the Funds. In the event that the Funds or a party which the Funds have agreed to indemnify was named as a defendant in a lawsuit or regulatory action stemming from the conduct of the Funds' businesses, the Funds bear

the additional costs of defending and indemnifying against such action and would be at further risk if the Funds or the indemnified party failed to prevail in the litigation.

Limited Regulation of Funds. The Funds are not and do not intend to be registered as an “investment company” under the Investment Company Act. As a result, certain provisions of the Investment Company Act (which, among other things, requires investment companies to have a majority of disinterested directors, requires securities held in custody to be segregated, regulates the relationship between the investment company and its advisor and requires investor approval before fundamental investment policies can be changed) do not apply to the Funds, and the investors will not be afforded the benefits that may derived therefrom.

Additionally, the Offshore Fund and the Master Fund are exempted companies with limited liability incorporated in the Cayman Islands. Each of the Offshore Fund and the Master Fund are registered as a mutual fund under the Cayman Islands Mutual Funds Law (see “Cayman Islands Mutual Funds Law” in this Offering Circular).

Anti-Money Laundering Regulations. It is each Fund’s policy to comply with The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001. Many jurisdictions are in the process of changing or creating anti-money laundering, embargo and trade sanctions, or similar laws, regulations, requirements (whether or not with the force of law) or regulatory policies and many financial intermediaries are in the process of changing or creating responsive disclosure and compliance policies (collectively “AML Requirements”), and the Board of Directors and/or fund administrator could be requested or required to obtain certain assurances from prospective investors, disclose information pertaining to such investors to governmental, regulatory or other authorities or to financial intermediaries or engage in due diligence, or take other related actions in the future. It is each Fund’s policy to comply with AML Requirements to which it may become subject and to interpret them broadly in favor of disclosure. Each prospective investor will be required to agree in the subscription agreement pursuant to which it acquires its investment in the respective Feeder Fund, and will be deemed to have agreed by reason of owning any investment in the Feeder Funds, that it will provide additional information or take such other actions as may be necessary or advisable for the Funds or the Administrator, to comply with any AML Requirements, related legal processes or appropriate requests (whether formal or informal) or otherwise, including without limitation information relating to the prospective investor’s identity and/or source of payment. Each prospective investor, by executing a subscription agreement will consent to disclosure by the respective Feeder Fund and the fund administrator, to relevant third parties of information pertaining to it in respect of AML Requirements or information requests related thereto. In the event of delay or failure by the prospective investor to produce any information required for verification purposes, the Board of Directors, the Manager and/or the fund administrator, as applicable, may refuse to accept (or process in the case of the fund administrator) a subscription until proper information has been provided and any funds received

will be promptly returned without interest, to the account from which such monies derived. Please refer to the Subscription Agreement.

Absence of Securities Registration/Limited Transferability. The offering of investments in the Feeder Funds have not been registered under the Securities Act, or under the securities law of any other applicable jurisdiction in reliance on exemptions from registration under such laws. As a result, the transfer of an investment in the Funds to third parties is subject to legal restrictions.

Redemptions by Other Investors in the Funds. Certain investors may be permitted to make redemptions more quickly or with less prior notice than other investors, and the ability to redeem more quickly may work to their benefit, and may be adverse to other investors.

Certain Investors May Have Greater Access to Information. The Funds or other feeder funds may grant certain investors (or managed accounts clients to the extent Voleon chooses to accept such clients in the future) greater and/or more frequent access to information regarding the Funds' Investments, the Funds' valuations, the positions traded by the Master Fund, or other investment information than is available to other investors. In addition, the Board of Directors of the Master Fund will have access to such information. The Board of Directors and other investors with such access may use such information to make redemptions and/or additional investment decisions, which may work to their benefit and may be adverse to other investors.

Risks Associated with Performance Allocation. The Performance Allocation payable to Voleon's affiliate, the Manager, may encourage Voleon to engage in overly speculative strategies, and the Performance Allocation, if paid, could result in payments to the Manager which are greater than fees or allocations payable to managers of other funds for similar services. In the event that the Master Fund experiences losses, Voleon may be encouraged to engage in overly speculative strategies in an attempt to seek entitlement to a Performance Allocation on behalf of the Manager. Alternatively, because the partners of Voleon will receive greater compensation through their share of the Performance Allocation received by the Manager than through the Management Allocation received by Voleon, in the event that the Master Fund experiences losses, employees of Voleon may not be adequately motivated to maintain their employment with Voleon, or Voleon may enjoy a relatively greater incentive to focus resources on advisory clients other than the Funds.

Expenses. The Master Fund will allocate to Voleon the Management Allocation on a monthly basis. Voleon enjoys a large degree of discretion in expending working capital with the expectation that it will be reimbursed by the Master Fund. Such Management Allocation and expense reimbursements will materially reduce the returns to the investors in the Funds, regardless of whether the underlying trading strategies are making or losing money. These expense reimbursements may also include accruals for expenses that Voleon expects to incur but has not yet incurred. In the event of redemptions of the Funds' investors or if any of the Funds are wound up, these accrued expenses will not be reimbursed in any way.

Possible Refund of Investments. It is possible that in the future the Funds will return funds to certain investors with the intention of delivering a desirable balance of future risk and return for the Fund as a whole. This may become necessary due to capacity constraints or other circumstances. Any refunds or required redemptions will be made at the discretion of the Board of Directors of the Master Fund. There is no guarantee that they will be done in a pro rata fashion in proportion to each investor's existing investment, and it is possible that some investors may at such time be required to redeem entirely.

No Representation of Investors. The business terms and structure of the Funds were not negotiated with any investor, and no independent counsel has been retained to represent investors in the Funds. Prospective investors are advised to consult their own counsel with respect to the legal and tax implications of an investment in the Funds.

Risks Relating to the Funds

Speculative Nature of the Master Fund's Investment Program. The Master Fund's investment program is speculative and involves a high degree of risk. There is no assurance that the risk management and portfolio optimization techniques utilized by Voleon, as well as the investment decisions made by Voleon and its automated trading systems, will not expose the Master Fund to risk of significant losses. In addition, the analytical techniques used by Voleon cannot provide any assurance that the Master Fund will not be exposed to the risk of significant trading losses if the underlying patterns of market behavior studied by Voleon, and which provide the basis for its statistical models, change in ways not anticipated by Voleon.

Model Risks. Voleon's strategies are highly dependent on quantitatively-based pricing theories and valuation models that generally have not been independently tested or otherwise reviewed ("Models"), which Voleon uses to evaluate trading opportunities. Models employ assumptions that abstract a limited number of variables from complex financial markets or instruments, which they attempt to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. For example, Models may postulate or their efficacy may depend on assumptions regarding the existence of relationships that appear to hold true or in fact held true in the past but that may not exist or hold true in the future. Inputs into various Models may be composed of or derived from facts or data, the accuracy of which have not been independently verified by Voleon or any third party. In particular, if material factors are not incorporated into Models, or are incorporated inaccurately, substantial losses could result, including on the basis of theoretical Models (that later prove incorrect) that identify positions that appear to have minimal risk. The outputs of Models may differ substantially from the reality of the markets, resulting in major losses. Additionally, there is no assurance that the Investment Adviser has appropriately incorporated the Models into its strategies.

Leverage; Financing Arrangements. The Master Fund trades at a high degree of leverage in an effort to generate a satisfactory rate of return. Leverage may take the form of trading on margin,

derivative securities and instruments (such as swaps, futures and options) that are inherently leveraged, selling securities short and other forms of direct and indirect borrowings. The amount of leverage or borrowings which the Master Fund may have outstanding at any time may therefore be large in relation to its capital. Currently, Voleon does not expect the Master Fund's leverage to exceed fifteen times the net asset value of the Master Fund. Consequently, as a result of this amount of leverage, the level of interest rates generally, and the rates and terms at which the Master Fund can borrow in particular, will affect the Master Fund's operating results.

Currently, the Master Fund executes virtually almost all of its trades through derivative swap agreements and does not have beneficial ownership of any securities. While this synthetic trading reduces prime brokerage and custody risk since the Master Fund does not own the underlying securities subject to swaps contracts, it significantly increases derivatives counterparty risk. The Master Fund currently utilizes a single counterparty to execute its swap transactions. If such counterparty were to enter insolvency proceedings, the Master Fund would be an unsecured creditor in such insolvency proceedings.

Possible losses incurred on the Master Fund's leveraged investments will increase in direct proportion to the degree of leverage employed. Such leverage could also result in the Master Fund being forced to liquidate positions prematurely in order to meet margin calls, causing otherwise partially-hedged positions to incur major losses. The Master Fund also incurs interest expenses on the financings used to leverage its positions. As a general matter, the banks and dealers that provide financing to the Master Fund can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Master Fund will be able to secure or maintain adequate financing, without which the Master Fund may not be a viable investment.

Securities and instruments borrowed by the Master Fund may not carry any rights to receive any interest or dividends. Cash, securities and instruments borrowed may be secured by a pledge of assets or otherwise. If any loans to the Master Fund are collateralized with portfolio securities and instruments which decrease in value, the Master Fund may be obligated to pledge additional collateral to the lender in the form of cash or assets to avoid liquidation of the pledged assets.

The rights of any lenders to the Master Fund to receive payments of interest on, and any repayments of principal of, the borrowings are senior to those of the Funds' investors and the terms of borrowings may contain provisions which limit certain activities of the Master Fund. Share payments and fees incurred in connection with borrowings reduce the amount of the net income available for reinvestment.

Emerging Systemic Risks Affecting Quantitative Hedge Funds Such As the Master Fund. The events of August 2007 suggest that there may be substantial and previously unrecognized systemic risks to funds such as the Master Fund that use quantitative models to trade equities (the

“Quantitative Funds”). These risks may include an increased likelihood of the spread of financial shocks from other hedge fund segments focusing on less liquid investments into the Quantitative Fund segment, and the possibility of future recurrences of the apparently self-reinforcing cycle of losses and liquidations that afflicted the Quantitative Fund segment in August 2007.

Some analysts have suggested that the Quantitative Fund losses of August 2007 started in July. At that time, the subprime credit crisis was becoming widely recognized, and among other significant events in the hedge fund industry, two large structured credit hedge funds run by a large investment bank collapsed and later filed for bankruptcy. Some observers have reported that certain Quantitative Funds in the US began to experience losses in late July 2007. These losses continued to grow and spread to many different Quantitative Funds in the US and then overseas as well. Prominent Quantitative Funds, both independent and within large investment banks, reported losses through August 9, 2007 from 10% to 30% or more, and press reports indicate that such losses were widespread across funds employing quantitative strategies. Until August 9, 2007, these losses were not accompanied by any significant drop in broader market indices. Numerous accounts confirm that broadly diversified, and in many cases market neutral, portfolios held by Quantitative Funds saw significant simultaneous losses across large numbers of short and long positions. Some funds did recover much of their prior losses during and after the rebound reported to have begun on August 10, 2007, while others recovered only partly, and certain funds that liquidated portfolios or substantially de-levered before such date locked in substantial losses and did not participate in the rebound beginning on August 10, 2007.

The events of August 2007 highlight a new and poorly understood risk or set of risks associated with investments in funds such as the Master Fund. Analysts have pointed to a number of contributing factors, and some have suggested that the events point to a previously unreported, or underreported, systemic risk facing Quantitative Funds. Some accounts have suggested that the precipitating event was the decision by a large multi-strategy fund or institution to liquidate its Quantitative Fund rapidly. If this is the case, it would reflect a common underlying risk facing the Quantitative Fund segment: these funds invest in highly liquid instruments, and when such a fund is part of a larger institution that faces margin calls in illiquid strategies (as may have been the case for certain credit-oriented funds in July and August of 2007) the rapid liquidation of the institution’s Quantitative Fund may be chosen as the most expedient means to meeting the capital needs of those illiquid strategies. Rapid growth in the number of Quantitative Funds and the number of multi-strategy funds and large institutions that maintain Quantitative Funds alongside less liquid strategies may create significant risk that substantial losses in other hedge fund strategies may in the future be likely to lead to a recurrence of events similar to those of August 2007 as Quantitative Funds are tapped as sources of liquidity for these larger institutions. Additionally, many Quantitative Funds rely on the same or similar risk modeling schemes, meaning that it may be likely that negative movements in certain risk factors will be interpreted simultaneously by many Quantitative Funds as signals to reduce leverage, producing a mass liquidation that could lead to a self-reinforcing cycle of losses and further mass liquidations.

Once a Quantitative Fund mass liquidation has begun, there are strong forces that can sustain and spread that mass liquidation. Many Quantitative Funds employ high levels of leverage. In the face of a Quantitative Fund mass liquidation, increasing numbers of Quantitative Funds may face margin calls or simply choose to lower their risk by liquidating parts of their portfolio to reduce leverage and their exposure to further losses. Also, while each Quantitative Fund may endeavor to use unique elements in its trading strategy, as does the Investment Adviser on behalf of the Master Fund, there are certain common features of many or most such strategies. In a simple example, the statistical techniques underlying many Quantitative Funds tend in part to favor mean-reversion trades, creating the likelihood that many different types of statistical models will lead to certain commonalities in trading patterns. As well, these data-driven models in part tend to respond somewhat similarly to certain fundamental financial indicators such as, to use a simple example, price-to-book ratios. With large increases in the number and size of Quantitative Funds there is an increasing likelihood of commonalities between one Quantitative Fund's portfolio and those of other funds. The high leverage employed by Quantitative Funds can amplify losses driven by even small overlaps among their portfolios; and in the face of a mass liquidation by Quantitative Funds a single fund may see losses due to small overlaps with many different portfolios held by a number of Quantitative Funds that all make the decision to reduce the size of their holdings.

While Voleon has made and continues to make substantial investments to develop new and different statistical and quantitative techniques in its trading models, there can be no guarantee that this will be sufficient to protect the Master Fund from the impact of a Quantitative Fund mass liquidation. There can be no certainty that other Quantitative Funds are not employing the same or very similar techniques as the Investment Adviser leading to overlapping portfolios, and it is likely that across the many Quantitative Funds in operation there will be many with at least a small degree of overlap, which in and of themselves and particularly as part of a mass liquidation may substantially negatively impact the Master Fund. In addition, there have been some reports that in August 2007 certain Quantitative Funds with the most highly differentiated strategies suffered among the worst losses because they did not begin to experience significant losses until the Quantitative Fund mass liquidation had significantly accelerated around August 7, 2007. By that time, those funds faced much higher levels of market impact as they liquidated or de-levered because most of the providers of liquidity (including many other Quantitative Funds) had moved to the sidelines or were actively liquidating their own positions.

The high levels of leverage that the Master Fund will employ could contribute substantially to the losses generated by any possible future event similar to that of August 2007. Even in a circumstance in which Voleon correctly determined that the Master Fund would be best served by maintaining its holdings in the face of short-term losses, margin calls or the threat of margin calls could lead Voleon to liquidate or to reduce leverage, locking in and possibly increasing the losses to the Master Fund. There can be no guarantee that Voleon would properly time such liquidations or that Voleon would correctly anticipate any rebound in prices. Quantitative Funds

that liquidated at a loss and did not return to the market in time to participate in the rebound that began August 10, 2007 faced particularly substantial losses, and there can be no assurance that Voleon could avoid a similar outcome on behalf of the Master Fund in a possible future recurrence of similar events.

The lack of transparency of the hedge fund industry makes it difficult for academics, journalists and regulators, as well as Voleon, to gain a thorough understanding of the factors that contributed to the Quantitative Fund losses of August 2007. The preceding analysis is speculative and subject to a high degree of uncertainty. There can be no assurance that Voleon will successfully implement preventative measures to address any possible future recurrence of similar events, and such efforts by Voleon and managers of other Quantitative Funds could even accelerate any possible future Quantitative Fund mass liquidation.

Computer Hardware and Software; Computer Networks. Many components of Voleon's critical computer hardware, networks, hosting facilities, and software may have flaws, may not be redundant or reliable, may be leased rather than owned, or may be provided in whole or in part by another party. Voleon relies on its own internal computer networks, as well as third-party computer networks including the Internet, for critical aspects of its operations. These third-party computer networks are subject to various risks of disruption or performance degradation including but not limited to accidental cuts to data cables, equipment failure as well as systemic problems such as distributed denial of service attacks. Should any of these computer hardware and software or computer networks or network components fail or be inaccessible, there is no certainty that Voleon will be able to recover promptly, and the Master Fund's trading performance may suffer materially as a result.

Risks Associated with Automated / Non-Intervention Trading Systems. While the principals and/or employees of Voleon develop and approve the Trading Models and set key parameters, the Trading System generally executes trades on a non-intervention basis. Except in unusual circumstances, no person will review individual orders or programs of trades before they are carried out by the Trading System. In most cases, the Trading System executes trades directly via electronic links to the Master Fund's brokers. However, some trades may be executed by a principal or employee of Voleon. During trading hours, a principal or employee of Voleon may monitor instrumentation of aggregate characteristics of the Trading System, and from time to time that person or another principal or employee may intervene, typically to halt or limit trading or to liquidate holdings in one or more securities should unusual circumstances arise, such as a stock becoming the subject of merger speculation, or under adverse market conditions. There can be no assurance that such human intervention will be taken in all cases where it may be desirable, or that any given human intervention action will have the intended effect. In fact, human intervention could result in substantial loss or greater loss for the Master Fund than would otherwise have been the case. In the future Voleon, based on its judgment of which techniques are likely to be most effective for carrying out current and any future trading strategies, may

further automate the Trading System and thus reduce the level of human oversight and/or intervention, or may increase the level of human oversight and/or intervention.

Trading Errors. Due to coding or programming errors in software, hardware, and modes of transmission, as well as erroneous or inaccurate pricing or other information provided by third parties or downtime or delays in the feeds of pricing or other information (“Technical Errors”), trades may be placed or executed in error. Trades may also be incorrectly executed due to keystroke, typographic or inadvertent drafting errors, or other human error at the time of execution of a trade (“Execution Errors”). Many exchanges have adopted “obvious error” rules that prevent the entry and execution of trades more than a specified amount away from the current best bid and offer on the exchange. However, such rules may not be in place on the exchanges or markets where Voleon trades on behalf of the Master Fund, and may not be enforced even if in effect. Moreover, such rules would likely not prevent the entry and execution of a trade entered close to the market price but at an erroneous size. In addition, Technical Errors, Execution Errors and other trading errors may lead to the failure by the Investment Adviser to enter or to execute trades that would have generated profits or avoided losses for the Master Fund. Technical Errors, Execution Errors and other trading errors may also lead to the execution of undesirable trades that would not otherwise have been executed, potentially generating losses for the Master Fund that would otherwise not have been incurred.

Any trading errors due to Technical Errors, Execution Errors, or otherwise that are not due to fraud, gross negligence, reckless or intentional misconduct, or criminal wrongdoing will be for the account of the Master Fund, which will accept the profits or suffer the losses from such trading errors. Voleon believes that trading errors are a known cost of doing business. Voleon has obvious incentives to avoid trading errors for reputational reasons as well as the fact that Voleon will indirectly suffer the consequences of trading errors through the Performance Allocation payable to the Manager, which is under common control with Voleon. Nevertheless, given the large volume of transactions executed by Voleon on behalf of the Master Fund, investors should assume that trading errors will occur and that the Master Fund will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Investment Adviser’s personnel.

Dependence on Historical Data. Voleon’s Models and software systems rely on prior period securities market and other data (“Historical Data”) to develop and implement statistical models used to direct the Master Fund’s trading including hedging against market risk and other risk factors. The Master Fund’s performance and hedging are likely to be impaired to the extent that Voleon uses erroneous, incomplete or otherwise inadequate Historical Data, which could happen for various reasons. Voleon may not have access to or be aware of all of the Historical Data that would ideally be used to compute appropriate hedges or target portfolios, some of which may be available to and may be used by Voleon’s competitors. Although Voleon takes measures to properly archive and maintain electronic files containing Historical Data, where appropriate, it is

possible that these data management techniques may be insufficient to prevent the loss or corruption of portions of the Historical Data. As well, many if not all commercial and other sources of Historical Data (including those that supply data to Voleon) are known to contain errors and omissions, and while Voleon takes steps to identify and correct such errors and omissions, it is likely that certain of these errors and omissions will go undetected and may negatively impact Voleon's trading and hedging on behalf of the Master Fund.

Relative Value Strategy Risks. Voleon's current trading strategies can be characterized as "relative value" trading strategies. In its "relative value" trading activities, Voleon attempts to exploit relative mis-pricings among interrelated instruments. Mis-pricings, even if correctly identified, may not be corrected by the market within the time frame over which the Master Fund can maintain its positions.

Even "pure" relative value arbitrage can result in significant losses if the trading positions comprising the arbitrage are not able to be sustained (if, for example, the Master Fund were required by its prime broker to reduce its use of leverage; or if limited leverage were available for illiquid securities) until the arbitrage can be realized. The Master Fund's activities involve considerably greater risks than "pure" relative value arbitrage.

The Master Fund, in implementing its "relative value" strategies, has reduced exposure to the risk of overall market price movements, but is fully subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence of the Investment Adviser's valuation models. These risks are different in nature, but perhaps no less severe in magnitude, than directional market risks.

No True Arbitrage. Voleon's strategies do not primarily involve true arbitrage — in which profits will necessarily be realized if a position can be maintained until maturity. On the contrary, Voleon's strategies generally involve taking what are evaluated to be only partially offsetting positions in instruments whose true price and correlations to other instruments are uncertain and whose liquidity may be limited. What Voleon analyzes as a mis-pricing may be evaluated quite differently by other market participants who may, in fact, use pricing models materially different from those used by Voleon. No representation can be made that Voleon will correctly identify any "true arbitrage" in any market. Even if a true arbitrage is identified, there can be no assurance that the Master Fund will be able to maintain an arbitrage position until the inherent profit is recognized. In addition, all arbitrage strategies are subject to the risks that increasing market liquidity, technological innovation and new theoretical constructs or refinements will reduce or eliminate the arbitrage opportunity and/or the profitability of its exploitation.

High Turnover and Short Holding Periods. Voleon trades the Master Fund's portfolio with high frequency. Voleon's trading systems and models are designed to hold securities for varying lengths of time with the average holding period expected to be less than one month. High

turnover increases the brokerage commissions, bid-ask spreads, fees and other transaction costs, which directly decrease the Master Fund's trading profits.

Concentrated Investment Approach. The Master Fund initially focuses on a particular investment approach. Although the range of different investment opportunities within that approach is broad, structural, economic and regulatory changes could adversely affect the Master Fund's investment approach as a whole, as could certain general market conditions. The concentrated focus of the Master Fund's portfolio may cause its performance to be more volatile than that of a more diversified portfolio. The Master Fund endeavors to maintain a portfolio that is market neutral, controlling both the net long exposure and the net short exposure to the market as a whole, and to groups of stocks having common characteristics such as similar levels of market capitalization, the same or related industry grouping, similar price-to-earnings or other valuation multiples, and other factors. There can be no assurance that in the future the Master Fund or Voleon will continue to attempt to do so or will be successful in maintaining such a portfolio.

Trade Execution Risk. Many of the trading techniques used by the Master Fund require the rapid and efficient execution of transactions. Inefficient execution by Voleon or by the brokers and agents engaged to execute trades can eliminate the small pricing differentials, which Voleon attempts to exploit. While Voleon invests substantial resources to develop efficient trading systems and selects brokers and agents that it believes have the capability to efficiently execute trades, certain inefficiencies in execution will not be avoidable.

Limited Operating History of the Manager and the Funds. Voleon has a limited record of managing investment funds similar to the Master Fund.

Other Accounts. While it has no current intention of doing so, Voleon may manage other accounts. Some or all of such accounts may create the opportunity for greater profit potential to Voleon than the Funds. Such management could draw Voleon's attention away from the Master Fund, and may compete with the Master Fund for limited trading and investment opportunities. In addition, investors in managed or other accounts for which Voleon employs the same models and strategies used for the Master Fund may also have greater information regarding the holdings, risk and performance of those models and strategies, and may have more favorable liquidity terms. If the greater transparency and liquidity available to these other investors were to enable them to withdraw funds more quickly than the investors, this could have a material adverse impact on the value of Funds' Investments.

Possible Adverse Effects of Substantial Redemptions. In the event that there are substantial redemptions from the Funds within a limited period of time, Voleon may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. Under such circumstances, in order to provide funds to pay redemptions, the Manager might be required to liquidate the Master Fund's positions at an inappropriate time or on

unfavorable terms, resulting in a lower net asset value of the Funds (and in turn a lower value of the investments held by investors). In turn, the Master Fund may have to liquidate its positions at an inappropriate time or on unfavorable terms, which may again have an adverse effect on the Net Asset Value of the Funds. On an on-going basis, irrespective of the period over which substantial redemptions occur, it may be more difficult for the Master Fund to generate additional profits operating on a smaller asset base and, as a result of liquidating assets to fund redemptions, the Master Fund may be left with a much less liquid portfolio. The Manager may elect to require redemption of all investor investments in the Funds and liquidate the Funds in the event that the amount of assets under management declines to such an extent that, in its view, continued operation of the Funds would be impracticable or imprudent.

Diversification Limitations. Although Voleon applies general diversification principles to the assets of the Master Fund, it is not restricted as to the percentage of the Master Fund's assets that may from time to time be invested in any particular issuer, industry, instrument, market or strategy. In determining what it regards to be appropriate diversification levels, Voleon will apply net risk exposure measures using its proprietary trading, risk management and valuation models. The effectiveness of such measures is dependent upon the expertise of Voleon and its principals and may not achieve the anticipated limited risk exposures due to a variety of different factors.

Side Letter Risk. Additional investors may be admitted to the Feeder Funds upon such terms and conditions as are to be determined by the Board of Directors of the Master Fund (without the consent of any other investors), the terms and conditions of which may differ from those applicable to other investors on matters relating to, without limitation, lock up/commitment periods, notice periods, withdrawal or redemption rights, Management Allocation and Performance Allocation and information rights. New classes of investments may be established by the Feeder Funds without the approval of the existing investors. New classes of shares may be established by the directors of the Master Fund without the approval of the existing Master Fund's shareholders.

The Funds may enter into side letters with some but not all of the investors in the Feeder Funds, granting the special terms as described above to some of such investors. Any such side letters are designed to comply with the fiduciary responsibilities of the Board of Directors of the Master Fund. However, some regulators, including the Securities and Exchange Commission of the United States, are taking or are contemplating to take regulatory action in respect of the use of such side letters. As a result, the Funds or the Board of Directors may be subject to regulatory action in connection with entering into side letters, or may be forced to rescind some of the side letters or certain provisions thereof, affecting the investors having entered into such side letters.

Cross-Class Liability. Although the assets and liabilities of each of the Feeder Funds' classes that have been or may, in the future, be created are, in effect, segregated into a separate sub-fund,

investors should be aware of the special risk that the assets of any class may be applied to meet any claims by creditors of the Feeder Funds in circumstances in which the liabilities of a class exceed its assets. Thus the assets of a solvent class may be at risk with respect to and may be used to satisfy the liabilities of an insolvent class.

Increased Government or Market Regulation. The financial crisis of 2008 and its cumulative effect have led to concerns that regulatory and legislative bodies may impose new and burdensome regulations on hedge funds and their managers. In July of 2010, the Dodd-Frank Act was passed which imposes many new requirements and restrictions on the hedge fund industry that may likely affect the business, operations and performance of hedge funds, such as increased reporting requirements, limitations on certain trading activity (including limits to the size of positions that a speculative investor may hold in the aggregate through futures, swaps and certain contracts entered into through a foreign board of trade) and regulatory oversight by different agencies, such as the newly created Financial Stability Oversight Counsel.

Even with the passage of the Dodd-Frank Financial Reform Act, the implications of its passage for the hedge fund industry as a whole still remain somewhat unclear because many rules of the enacting it have not been finally promulgated. The hedge fund industry may continue to be adversely affected by the recent developments in the financial markets in the U.S. and abroad, and any future legal, regulatory, or governmental action and developments in such financial markets and the broader U.S. economy could have an adverse effect on the Funds' business, operations and performance.

Because many provisions of the Dodd-Frank Act require additional rulemaking by the applicable regulators before becoming fully effective and the Dodd-Frank Act mandates multiple agency reports and studies (which could result in additional legislative or regulatory action), it is difficult to predict the impact of the Dodd-Frank Act on the Master Fund, Voleon and the markets in which they trade and invest. The Dodd-Frank Act could result in certain investment strategies in which the Master Fund engages or may have otherwise engaged becoming non-viable or non-economic to implement. The Dodd-Frank Act and regulations adopted pursuant to the Dodd-Frank Act could have a material adverse impact on the profit potential of the Master Fund.

Regulation of Swaps and Swap Participants. Recently enacted amendments to the Commodity Exchange Act of 1936 (the "Commodity Exchange Act") will regulate swaps and could subject the Master Fund to significant regulation. The Dodd-Frank Act subject to exceptions for persons entering into swaps for specified hedging purposes, (1) requires swaps accepted for clearing by a derivatives clearing organization (a "DCO") or for trading through a designated contract market or swaps-execution facility to be so cleared and traded, (2) requires margin for almost all swap transactions, (3) subjects traders with a "substantial position" in swaps to registration and regulation requirements as a "major swap participant" or "swap dealer" and (4) imposes position

limits on swaps either individually or in the aggregate with respect to positions in commodity-futures contracts.

Due to the new requirements imposed by the Dodd-Frank Act, the Master Fund may experience increased transaction costs to pay for the clearing, execution and segregation obligations. In addition, margin requirements may increase once margin is set by DCOs with input from the CFTC, which may limit the Master Fund's ability to engage in leverage and limit the Master Fund's returns. The application of position limits to swap contracts may also limit the Master Fund's ability to concentrate in any particular contract or exposure to an underlying commodity or security and may negatively impact the Master Fund's ability to take advantage of market trends or conditions. While it is uncertain as to when most of these requirements will be fully implemented, the market for swaps may begin tightening in the near future. The scope of the above concepts is currently unclear as is the extent to which it will impact the Master Fund and its operations.

Reliance on Corporate Management and Financial Reporting. The strategies implemented by the Master Fund rely on the financial and other information made available by the issuers in which the Master Fund invests. Voleon has no ability to independently verify the information disseminated by these issuers and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses which investors can incur as a result of corporate mismanagement, fraud and accounting irregularities.

Importance of Market Judgment. Voleon uses quantitative mathematical models in evaluating the economic components of prospective trades. However, the process by which Voleon develops these quantitative mathematical models is by no means always fully systematic; Voleon may be unable to employ fully systematic mechanisms to implement trading strategies based on these models; and the market judgment and discretion of the principals may be integral to the development and implementation of the Master Fund's strategies. At the same time, certain aspects of the trading strategies implemented by Voleon will be highly systematic and human oversight over these strategies may, in itself, not be sufficient to ensure the successful implementation of the strategies.

Investment Capacity. The trading strategies pursued by Voleon on behalf of the Funds may have limited capacity. Marginal capital dedicated to certain strategies may generate a significantly lower return than earlier capital dedicated to the same strategy. Voleon may dynamically allocate capital among investment strategies in its sole discretion and may choose, by accident or design, to allocate additional capital to certain strategies even though the addition of capital will generate overall lower returns for the strategy.

Assets Under Management. There are no restrictions on the level of the Master Fund's assets under management. It is the intention of the Manager and Voleon to significantly expand the

Funds' assets under management. Increasing assets under management may lead to a decline in the rates of return for the Funds. Although Voleon intends to exercise reasonable care in assessing the capacity of its strategies as it and the Manager consider the acceptance of new investments, there can be no assurance that the future performance of the Funds will not be adversely affected by the level of assets under management.

Deployment of New Capital. It may be necessary to deploy new capital at a gradual pace. To the extent that any substantial new capital contribution is deployed more slowly than is desired, there may be a negative impact on the overall returns of the Master Fund until that capital contribution is fully invested.

Intellectual Property Will be Owned by a Third Party. It is planned that the intellectual property developed by Voleon will be transferred to and/or purchased by an IP Company, which will be owned by the principals of Voleon. Voleon or its affiliate will enter into a long-term contract to develop Intellectual Property on behalf of the IP Company. Voleon will have a long-term licensing agreement with the IP Company to maintain exclusive access to the Intellectual Property in the financial markets in which it trades. Voleon does not expect to lose access to the Intellectual Property, but the IP Company will have the right to cancel the license in the event of insolvency and in certain other unlikely circumstances. In this case Voleon, the Manager and the Funds would no longer be able to utilize some or all of the trading strategies employed on behalf of the Master Fund up to that point. Unless the Investment Adviser, the Manager or the Funds were able to negotiate a new agreement granting a license to use the Intellectual Property, the most likely result would be a significant decline in the returns on the Funds' trading activities or the cessation of all trading activities and the winding down of the Fund. Investors may face a period of unsatisfactory returns during the winding down process, which may take a significant amount of time.

Changes in Investment Approach and Instruments Traded. Voleon's investment approach and strategies can be expected to be dynamic, changing over time as Voleon develops new and discards old methods. Thus, Voleon may not use the same investment approach and strategy in the future that it currently uses or plans to use to manage the Master Fund's trading and investing. The specific details of Voleon's investment approach are proprietary; consequently, investors will not be able to determine the full details of that approach, or whether that approach has changed or is being followed. Voleon may also change the range of instruments and jurisdictions traded; investors may not be able to determine this; and such changes may have a negative effect on the investment performance of the Funds.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective clients should read this entire Form ADV and all accompanying materials provided by Voleon and consult with their own advisors before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors. Voleon will promptly amend this brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.

Item 9 – Disciplinary Information

Not applicable.

Item 10 – Other Financial Industry Activities and Affiliations

Material Financial Industry Affiliations of the Firm

Our affiliate, Voleon Funds, LP, serves as the General Partner of the Onshore Feeder Fund and the manager of the Master Fund and Offshore Feeder Fund, and Dr. Kharitonov and Dr. McAuliffe are each limited partners of the General Partner. Neither Voleon nor the Manager nor any of their affiliates are registered as broker/dealers, commodity pool operators or commodity trading advisors at the current time.

Conflicts of Interest

The Funds invest together through a master-feeder structure and accounts employ an identical investment strategy, which is described in Item 8 of this brochure.

In addition to the Funds, we may in the future participate in or sponsor other investment vehicles, and possibly have additional advisory accounts or clients. We may also determine to engage in other businesses. The existence of such present and future multiple investment vehicles and accounts, or other businesses, may create the material conflicts of interest described below.

Management of other accounts. In addition to trading for the account of the Master Fund, the Manager, Voleon and their principals may also manage the trading of other investment and trading accounts with objectives similar or dissimilar to those of the Funds, including other limited liability entities or other collective investment vehicles which may in the future be managed or sponsored by the Manager and Voleon in which the Manager, Voleon and/or their principals may have an equity interest. While neither the Manager nor Voleon have any current intention to manage any managed accounts, if they were to do so in the future, the Manager and Voleon intend to manage any managed accounts on a pari passu basis with the Funds.

Situations may arise in which the principals of the Manager and Voleon have an incentive to favor one or more other funds or accounts over the Funds. Furthermore, the other funds or

accounts managed by Voleon may implement investment strategies that are parallel to (and thus compete with) the Funds, or that are different from the Funds. Voleon is under no obligation to offer any other fund or account investment opportunity to any investor in the Funds.

Voleon and its principals, directors, officers, partners, managers, shareholders, employees and their affiliates, as applicable, trade or may trade for their own accounts, and certain of such persons have sponsored or may in the future sponsor or establish other public and private investment funds (including the Funds). Voleon and its principals and affiliates may trade for other accounts, including for their own accounts, and they will remain free to trade for such other accounts and to utilize trading strategies and formulae in trading for such accounts that are the same or different from the ones Voleon will utilize in making trading decisions for the Funds. In addition, and if and when applicable, in their respective proprietary trading, Voleon and its principals and affiliates may take positions that are the same as, different than, or opposite to those of the Funds. The records of any such trading will not be available for inspection by investors in the Funds except to the extent required by law. Furthermore, all of the positions held by accounts owned, managed or controlled by Voleon and its principals and affiliates will be aggregated with each other for purposes of applying speculative position limits. As a result, the Funds might not be able to enter into or maintain certain positions if such positions, when added to the positions already held by such persons and such other accounts, would exceed the applicable limits. Such aggregation could limit the ability of Voleon to trade its Funds according to its regular trading methods, and the Funds could be required to liquidate positions in order to comply with such speculative limits. Currently, Voleon believes that such aggregation will not materially adversely affect its ability to trade for the Funds using its regular trading methods. All such trading may increase the level of competition for profitable trades experienced by the Funds, including with respect to order entry and the allocation of executed trades.

While Voleon has no current intention of advising managed accounts on behalf of clients other than the Funds, if Voleon were to advise managed accounts, Voleon may utilize investment strategies for some or all of the managed accounts that may be different from its investment strategies employed with respect to the Funds' investments. Voleon may from time to time increase or decrease the number of managed accounts in its sole discretion.

Other activities. Voleon and each of the other service providers to the Funds and their respective principals will not be devoting their time exclusively to the management of the Funds. In addition, each of such persons and their respective principals will perform similar or different services for others and may sponsor or establish other investment funds or manage managed accounts during the same period that they provide services to the Funds, including investment funds and managed accounts that trade the same or substantially similar strategies, markets and/or instruments. Therefore, each of these persons will have conflicts of interest in allocating management time, services and functions among the various entities and accounts for which they provide services. Additionally, these entities and accounts will compete for positions and limited

investment opportunities. Although Voleon will attempt to allocate investment opportunities and positions on a fair basis, certain accounts and/or investment funds may be excluded from investments they would have been permitted access to were there no competing accounts or funds.

No Independent Investment Adviser. As a result of the fact that the Board of Directors has selected Voleon, a firm with which it is under common control of the Manager, the Fund's investments are not subject to review or oversight by an independent person.

Performance Allocation and Management Allocation. The Performance Allocation payable to Voleon's affiliate, the Manager, may create an incentive for Voleon to make investments which are riskier or more speculative than would be the case in the absence of such Performance Allocation. The Management Allocation payable to Voleon may create an incentive for the Manager to raise additional fee-generating assets that reduce the Funds' investment returns below historical levels or below the levels wished by investors. In view of the Funds' objective to seek capital appreciation, the Manager does not intend to make any distributions to investors but reserves the right to do so. To the extent that income is retained rather than paid out as distributions, the amount of the Management Allocation payable to Voleon will be greater.

Voleon may also share with any other person (including, but not limited to, any investor or any person introducing investors) any fees, charges and other benefits to which it may be entitled from the Fund. Voleon and any person connected with it including any employee of Voleon or its associated companies may invest in the Funds, and Voleon may allow to any such person a reduction and/or rebate of any fees and charges to which the Investment Adviser may be entitled from the Fund. The Performance Allocation and the Management Allocation have not been negotiated at arm's-length. The Performance Allocation may create an incentive for the Manager and Voleon to invest in assets that are riskier or more speculative than would be the case if the Manager were compensated based on a flat percentage of capital.

Representation of Counsel. Any legal counsel to the Funds, Voleon, the Manager, and their affiliates, may serve as counsel to certain of the investors in the Funds in matters not involving the Fund. Consequently, one or more conflicts of interests could arise. In the event that a dispute which cannot be resolved amicably should ever arise between and among any such legal counsel's various clients, such legal counsel will have to consult with its clients at the time to determine the most appropriate course of action to follow under the circumstances, including the possibility of recusing itself entirely. In addition, a legal counsel to the Funds may also act as legal counsel to any Manager Parties and/or Investment Adviser Parties, and while such legal counsel will attempt to be fair and reasonable in connection with this offering and attempt to act in a manner consistent with its professional responsibility, there is no assurance, however, that had the Funds retained separate counsel the transaction reflected in these documents might have been structured in a manner more favorable to the Funds or its investors.

Possible conflicts regarding brokerage allocations. Voleon negotiates agreements with its brokers on a “best execution” basis and does not formally engage in any “soft dollar” arrangements or commitments. Incidental to agreements with its brokers, Voleon may receive additional other benefits from its brokers or other third parties, but Voleon does not take such benefits into account in choosing and negotiating with its brokers or other third parties. In addition, even though such benefits may fall outside the safe harbor for fiduciaries’ use of “soft dollar” payments established by Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Voleon believes that its arrangements with its brokers are reasonable and consistent for its investors.

Directors of the Master Fund. It is expected that some or all of the directors of the Master Fund will be affiliated with one or more of the service providers to the Funds. Accordingly, each such director has a conflict of interest between acting in the best interests of the Master Fund and his pecuniary interest in selecting his or her affiliates to be a service provider to the Feeder Funds and the Master Fund, thereby increasing the compensation payable to his or her affiliates. It is further expected that some or all of the directors of the Master Fund will be affiliated with Voleon and/or the Manager. Accordingly each such director has a conflict of interest between acting in the best interests of the Master Fund and his pecuniary interest in aiding the financial performance of Voleon and/or Manager.

Other conflicts. Neither Voleon nor the Manager have any affiliates that provide services to the Funds. Additionally, Voleon currently has no other clients other than the Funds and has no current intention of having clients other than collective investment vehicles such as the Funds. However, if Voleon were to have other clients in the future, affiliates of clients of the Manager or Voleon (including investors in the Funds) in the future may provide the Funds with administrative, brokerage, or other services or offer to provide such services in the future. To the extent such Manager or Voleon clients represent a material portion of the Manager’s or Voleon’s assets under management, the Manager and Voleon will have a conflict of interest when determining whether to utilize those service providers for the Funds

The Board of Directors of the Master Fund may permit certain strategic investors to invest in the Funds on terms that are better than the terms provided to other investors. Specifically, the Board of Directors may enter into agreements with certain investors which provide that such investors shall be subject to, among other things, a lower management fee or performance allocation.

The Board of Directors of the Master Fund may enter into side agreements with other strategic investors, the terms of which may differ from those mentioned above, and which are to be determined by the Board, in its sole discretion.

The Board of Directors of the Master Fund may permit certain investors in the Feeder Funds to have more frequent or more detailed access to information regarding the Master Funds’

investments, valuations, the positions taken by the Master Fund, or other investment information. Investors with such access may use such information to make withdrawals and/or additional investment decisions. The Board of Directors of the Master Fund is under no obligation to provide other investors with such access. Additionally, Mr. Inderjit Singh, the sole director not affiliated with Voleon may serve as a director of other investment vehicles. Accordingly, to the extent that the interests of the Funds and such other investment vehicles are inconsistent, directors may have a conflict of interest.

Resolution of conflicts. Any conflicts of interest that arise between the Master Fund, the Feeder Funds, or particular investors in the Funds on the one hand, and the other accounts, the Manager or Voleon on the other hand, will be discussed and resolved on a case-by-case basis by the business, legal and compliance officers of the Master Fund, the Manager and Voleon, as applicable. Any such discussions will take into consideration the interests of the relevant parties and the circumstances giving rise to the conflicts. Investors in the Funds should be aware that conflicts will not necessarily be resolved in favor of the interests of the Funds or any affected investors.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Voleon has adopted a Code of Ethics for all supervised persons of Voleon describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Voleon must acknowledge the terms of the Code of Ethics annually, or as amended. A copy of Voleon's Code of Ethics will be provided to any client or prospective client upon request, which request may be submitted to Heather Brien, Chief Compliance Officer, at (510) 704-9870, or by email at hbrien@voleon.com.

Financial Interest in Client Transactions

The Feeder Funds will invest substantially all of their assets in the Master Fund.

We may, from time to time, take a position in a security in which Voleon or one of our related persons, directly or indirectly, has an interest. Fund assets may be invested in securities of issuers in which one or more other Funds hold positions. Given the likelihood of such occurrence, any other clients Voleon may have in the future will not be provided with notification of such occurrences.

These practices may give rise to conflicts of interest, and such conflicts, and our procedures for addressing them, are described in detail in Item 10 of this brochure.

Participation in Client Transactions and Personal Trading

Voleon's employees and persons associated with Voleon are required to follow Voleon's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Voleon and its affiliates may trade for their own accounts in securities which are traded for Voleon's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Voleon will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the best interest of Voleon's clients. In addition, the Code requires pre-clearance of some transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Voleon and the Funds (or any other of its clients that it may have in the future).

When Voleon determines that it would be appropriate for one or more of the Funds and any additional future clients to participate in an investment opportunity, Voleon will seek to execute orders for all of the participating accounts on an equitable basis. Specifically, if Voleon has determined to invest at the same time for more than one of the accounts, Voleon may place combined orders for all such accounts simultaneously (aggregate or bunch trade) and if any order is not filled at the same price, it may average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, Voleon may allocate the securities traded among the different accounts on the basis in which it considers equitable. In these circumstances, each account would generally pay, in connection with the acquisition of securities by more than one account, the average price per unit acquired, which may be higher than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone.

Voleon will allocate investment opportunities and trades fairly. "Fair" treatment does not mean identical treatment of all clients. Rather, it means that Voleon does not discriminate on an impermissible basis against one client or group of clients. When Voleon transacts in securities for more than one account, the investment opportunities and trades must be allocated in a manner consistent with our fiduciary duties. Please refer to Item 12 for a description of Voleon's trade aggregation procedures.

Insider Trading/Material Non-Public Information.

All Voleon employees are subject to the insider trading policies included in Voleon's Code of Ethics. These policies broadly prohibit the use of material, non-public information, and include policies and procedures prohibiting the use of material non-public information that are designed to prevent insider trading by an officer or employee of Voleon. Due to the nature of Voleon's quantitative investment strategy, trading on material, non-public information would require significant changes to Voleon's investment strategy and would be quite difficult for an employee or principal of Voleon to accomplish given the extensive number of short-term trades which are executed each day. Nevertheless, if it deems it necessary at any time, Voleon may maintain a "restricted list" that identifies any securities that cannot be purchased for employee, client, or firm-owned accounts because material, non-public information may have been received by an employee of Voleon.

Item 12 – Brokerage Practices

Selecting Brokerage Firms

Although the Feeder Funds will invest substantially all of their available capital in the Master Fund, the Feeder Funds may continue to engage broker-dealers. References herein to the Funds' brokerage arrangements include references to the Master Fund's brokerage arrangements, to the extent the Feeder Funds' investments are made through the Master Fund.

Voleon will have full investment discretion with respect to the initiation of all portfolio securities transactions for the Funds as well as full authority to select broker-dealers to execute such transactions. Currently, Voleon uses a single prime broker, but intends to utilize a number of broker-dealers to effect transactions for the Funds in the future. The broker-dealers are selected by Voleon on the basis of obtaining the best overall terms available, which Voleon evaluates based on a variety of factors, including the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected, the competitiveness of the commission rates, the securities and margin lending arrangements available from the broker-dealers, and the financial strength, integrity and stability of the broker-dealers.

This does not, however, constitute a representation as to performance by or on behalf of the broker-dealers.

The broker-dealers do not provide investment advisory or discretionary management services to the Funds.

Soft Dollar Arrangements

Voleon has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. Voleon will seek the best price and execution available except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services. “Best execution” means obtaining for a client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), subject to the circumstances of the transaction and the quality and reliability of the executing broker or dealer. In selecting brokers or dealers, Voleon will consider various factors, including: the reputation, experience and financial stability of the broker-dealer; the ability to maintain Voleon's anonymity; the ability to provide competitive pricing; the size and timing of the transaction; the ability and willingness to commit capital and provide prompt and accurate execution and settlement; whether the broker-dealer makes a market in a security and/or finds sources of liquidity; the nature of the market for the security and the difficulty of execution; the broker-dealer's trading expertise, including its ability to minimize total trading costs and to trade without unduly impacting the market; the belief that the broker-dealer charges a fair and reasonable fee for each trade, and that the client accounts have been treated fairly and honestly in prior trades; and the quality of execution, quality of the broker-dealer relationship, quality of service rendered by the broker-dealer in prior transactions, and quality of any proprietary research and investment ideas.

Voleon has no formal soft dollar arrangements with specific brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from client transactions. However, brokers or dealers may be selected who provide research reports and services to Voleon, including: proprietary broker-dealer company research and analyses; oral and written reports, statistics and advice about the economy, and reports on underwriting activity and other capital markets statistics, both of which may be attractive for one or more client accounts or to Voleon; and opportunities to confer with company management. In accordance with Section 28(e) of the Securities Exchange Act of 1934, broker-dealers providing such services may be paid commissions on transactions for client accounts in excess of those that other broker-dealers not providing such services might charge so long as Voleon determines in good faith the amount of commissions is reasonable in relation to the value of the brokerage and research services provided, taking into account all of the client accounts over which Voleon exercises investment discretion.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of Voleon creates a conflict of interest between Voleon, the Feeder Funds, and the Master Fund because the Master Fund pays for such products and services that are not exclusively for the benefit of the Master Fund and that may be primarily or exclusively for the benefit of Voleon. To the extent that Voleon is able to acquire these products and services without expending its own resources (including management fees paid by the

Feeder Funds), Voleon's use of "soft-dollars" would tend to increase its profitability. In addition, the availability of these non-monetary benefits may influence Voleon to select one broker rather than another to perform services for the Funds. The offering documents of the Feeder Funds specifically authorize these practices to the fullest extent permitted by law.

Client Referrals and Directed Brokerage

Voleon receives client referrals from any broker-dealers but does not compensate them in any way, although it may do so in the future.

Order Aggregation

Voleon's investment strategy is mainly effected through the use of synthetic and derivative instruments. However, if Voleon were to engage in cash trading of equity securities, Voleon may aggregate the securities to be purchased or sold in order to obtain superior execution and/or lower brokerage expenses. In particular, execution prices for identical securities purchased or sold on behalf of multiple accounts in any one business day may be averaged. In such events, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will be made among the accounts by applying such considerations as Voleon and its affiliates deem appropriate, including relative account size of such entities and clients, amount of available capital, size of existing positions in the same or similar securities, impact of leverage, tax considerations and other factors. Although such allocations may typically be pro rata as to a particular account, they will not necessarily be so, where allocation considerations, such as availability of capital, positions in similar securities or differing objectives dictate a different result. No account will be entitled to investment priority over other accounts and may not necessarily participate in every investment opportunity. In general, when managing account capital directly, Voleon will endeavor to make all investment allocations as to in a manner that it considers to be the most equitable to all managed entities and clients.

Any broker-dealers utilized by Voleon will have a senior lien on all assets held by such broker-dealers to secure any margin loans or other transactions covered by the related brokerage agreement, and will be allowed to liquidate such assets in certain circumstances, which liquidation could be at losses. If the prime broker were to enter insolvency or bankruptcy proceedings, the assets of the account may not be recouped. Manager and Voleon will monitor the accounts' brokers periodically to assess the accounts' credit exposure to the brokers, and may terminate, replace or add brokers as deemed necessary to protect the assets of the accounts.

Item 13 – Review of Accounts

Subject to the information discussed above, particularly in Item 8 with respect to Voleon's trading strategies, Voleon reviews client accounts on a continuing basis to determine accomplishment of investment objectives, the cash balances available and/or margin debit

balances outstanding, diversification of the portfolio and security positions. Such reviews are performed by Voleon's portfolio management team responsible for all client accounts, and reviews also may be triggered by economic and political events, specific company information, and/or market conditions.

Reports

The Funds

At the end of each month, each investor in the Feeder Funds is provided with an unaudited report of the progress of the Funds and the net asset value of the investor's interests. As soon as practicable after the end of each fiscal year, the Feeder Fund sends to each investor an annual report of the Funds containing audited financial information prepared in accordance with GAAP. At or about such time as the audit is completed within 120 days of fiscal year end, the Feeder Funds prepare and send to each investor a report setting forth such detail as is necessary for the investor to prepare its tax returns, as necessary.

Item 14 – Client Referrals and Other Compensation

Not applicable.

Item 15 – Custody

The Funds

The assets of each Fund are held at third party brokerage firm or firms meeting the definition of "qualified custodians" under SEC Rule 206(4)-2. Account statements are provided directly to Manager with respect to the Funds. Individual investors in the Feeder Funds receive the reports from Voleon described in Item 13 of this brochure. Voleon does not maintain physical custody of the assets in the Funds. The Funds' trades are effected synthetically through the use of over-the-counter derivatives. There are no physical assets subject to custody arrangements.

Item 16 – Investment Discretion

Voleon has discretionary authority over the investments in the Funds and if it were to have additional clients in the future, it would receive discretionary authority from such client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold.

Unless otherwise instructed or directed by a client, Voleon has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the client account.

The Funds

Voleon has full discretionary authority and responsibility with respect to the investment management of the Funds pursuant to an investment management agreement, which is subject to the terms and conditions set forth in the Feeder Funds' confidential offering documents, and, as such, is generally authorized to place orders for the execution of securities transactions without prior consultation with the client.

Item 17 – Voting Client Securities

The Funds

Due to the nature of Voleon's quantitative investment strategy, Voleon does not vote proxies on behalf of the Funds, nor does it intend to do so on behalf of any other funds in the future (or other clients in the future). Additionally, since all of Voleon's current trading strategy is effected through the use of over-the-counter derivatives, Voleon does not have beneficial ownership of the underlying securities.

Each investor in the Feeder Funds may request information on Voleon's proxies and procedures by contacting Heather Brien, Chief Compliance Officer, at (510) 704-9870, or by email at hbrien@voleon.com.

Item 18 – Financial Information

No financial condition presently exists that is reasonably likely to impair Voleon's contractual commitments to the Funds or any other clients it may accept in the future.