

BROCHURE OF
CONSTELLATION CAPITAL MANAGEMENT LLC

A Delaware Limited Liability Company registered with the Securities and Exchange
Commission as an Investment Adviser (CRD #161275)

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The date of this brochure (the “Brochure”) is

March 31, 2013

The delivery of this Brochure at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above.

Material Changes

This amendment to the Brochure, dated March 31, 2013, contains no material changes from Constellation Capital Management LLC's previous brochure, which was filed on February 14, 2012.

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I. Part 2A – DISCLOSURE ITEMS ABOUT THE FIRM

Item 4. Advisory Business:

(A) **Operational and Organizational Information:** Constellation Capital Management LLC (the “Firm”) is a U.S. Securities and Exchange Commission (“SEC”) registered investment adviser. As stated on the cover page of this brochure, registration as an investment adviser does not imply a level of skill or training. The Firm has been in business since 1999. The principal owners of the Firm are Shahriar Shahida (50%) and Varun Gosain (50%).

(B) **Types of Advisory Services Offered:** The Firm provides portfolio management services to privately offered pooled investment vehicles (each a “Fund”, and collectively the “Funds”), as well as separately managed accounts (“Managed Accounts”) (collectively, Funds and Managed Accounts will be referred herein as “Clients”).

The Firm specializes in providing investment advice related to credit opportunities. The Funds have a flexible mandate, with a focus on credit investments and a value orientation. The Funds seek to obtain equity type returns with lower long term risk than equities. The Funds invest in all layers of the capital structure, from senior secured debt to equity, across all credit ratings from investment grade to defaulted debt on a global basis.

The Firm provides investment advice to the Managed Accounts in accordance with each Managed Account’s investment objectives, risk tolerance, and other applicable guidelines, as stipulated in the relevant investment management agreement. *Please refer to Item 8.(A) below for additional information.*

All discussions of the Clients in this brochure, including but not limited to their investments, the strategies used in managing the Clients, fees and other costs associated with an investment, and conflicts of interest faced by the Firm and its affiliates in connection with management of the Clients are qualified in their entirety by reference to each Client’s respective confidential offering memoranda (applicable for Funds only), governing documents, including subscription agreements and side letters (as applicable), and the investment management agreement between the Firm and each Client (collectively referred to herein as “Operative Documents”).

(C) **Client Investment Guidelines and Parameters:** The Firm manages the Funds in accordance with the investment objectives and limitations set forth in each Fund’s Operative Documents. The Firm utilizes a similar strategy for all its Funds; however, some Funds may differ in their particular investing approach, as specified in each Fund’s Operative Documents.

As stated above, the Firm manages each Managed Account in accordance with the guidelines stipulated in the relevant investment management agreement. By virtue of the fact that the beneficial owner of each Managed Account negotiates the specific terms of their investment management agreement, the Firm tailors the advisory services it provides to the Managed Accounts.

The following is a general description of the principal types of trades and investments which the Firm currently contemplates engaging in, certain techniques that it may employ, the investment criteria that it plans to apply, and the guidelines that it has established regarding the composition of its investment portfolios. The following description is merely a summary and you should not assume that any descriptions of specific activities are intended in any way to limit the types of investment activities the Firm may undertake.

Advisory services may involve: discretionary purchases and sales of securities and other financial instruments; recommendations of specific securities for purchase or sale by an account consistent with a particular Client's investment objectives and strategies; placing orders for the purchase or sale of investment instruments with brokers, dealers and other counterparties that the Firm or the Client select; and/or providing reports and commentary on the market and performance of a Client's account. The Firm's objectives, unless specifically stated otherwise, are not aimed at principal protection. For certain portfolios, such as the Flagship Fund, risk is managed at the portfolio level. In other portfolios, the focus is consistent with the Offering Memorandum of the Fund or the objectives as defined in the Managed Account's Investment Management Agreement or similar document.

(D) **Wrap Fee Programs:** The Firm does not participate in wrap fee programs.

(E) **Client Regulatory Assets Under Management:**

- (i) Discretionary: \$219.6 MM as of December 31, 2012
- (ii) Non-discretionary: \$6.9 MM as of December 31, 2012

The above assets under management are based on assets deployed and not on committed capital of managed accounts.

Item 5. Fees and Compensation:

(A) **Generally:** Management fees for the Funds and Managed Accounts are calculated based on a periodic percentage of the value of the assets under management (the "Management Fee") and may be subject to minimum and maximum limits in certain instances. Such Management Fees range from 1.0% per annum up to 2.0% per annum of the value of the assets under management.

Generally, the Funds' Management Fees are non-negotiable, while Managed Account Management Fees are individually negotiated. Circumstances considered when negotiating fees may include, without limitation, customary market rates, specialized guidelines, amount of assets under management, and other performance/incentive fee/allocation arrangements with Clients.

In addition, the Firm may collect incentive fees/allocations based on the performance of investments. Please refer to Item 6, below, for a more detailed description of incentive fees/allocations, and related conflicts of interest.

(B) Payment of Fees:

Management Fees are billed monthly or quarterly in arrears based on the total market value of the assets under management at the end of the applicable period as specified in the relevant Operative Documents.

(C) Additional Fees and Expenses:

Clients will incur brokerage and other transaction costs. Clients should review carefully Item 12, which discusses conflicts of interest related to brokerage practices. Managed Accounts may also bear agreed upon expenses as set forth in the relevant investment management agreements.

In addition, the Funds may be subject to other expenses, including, but not limited to legal, compliance, audit and accounting expenses (including third party accounting services) of the Client; administrator fees and expenses; investment expenses such as commissions; interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; client-related insurance costs (including D&O insurance costs); and any other expenses related to the purchase, sale or transmittal of assets, the fulfillment of the Funds' investment strategies or as otherwise necessary to protect the interests of the Funds or investors in the Funds, including related persons of the Firm, from any potential or actual creditor or litigant.

(D) Withdrawals from the Funds:

Clients are generally required to pay Management Fees quarterly in arrears, as specified in each Client's Operative Documents. In the unlikely event the Firm does require pre-payment of fees, and does not provide services for the full period, the Management Fee would be required to be returned to applicable investors, calculated based on the number of days remaining in the applicable period.

(E) Additional Compensation of Supervised Persons:

Neither the Firm nor any of its supervised persons receive, directly or indirectly, any compensation from the sale of securities or other investment products.

Item 6. Performance Based Fees and Side-by-Side Management:

Funds: In addition to the Management Fee, the Firm is compensated for its investment management services through an incentive allocation, also known as a performance based allocation (the "Performance Allocation"). The Performance Allocation will be tied to the capital appreciation within the account as evaluated at the end of each calendar year. The Performance Allocation will be payable annually, in arrears. The Firm shall also receive the Performance Allocation upon any withdrawal by an investor, whether voluntary or involuntary, and upon dissolution of a Fund. The Performance Allocation shall be in addition to the proportionate allocations of income and profits, or losses, to the Firm and/or its affiliates based upon their capital accounts relative to the capital accounts of all investors. The Performance Allocation will typically be calculated at a percentage up to 30% of net capital appreciation attained within an investor's account (net of all

expenses, including any commissions, etc.). The Firm, in its sole discretion, may waive or reduce the Performance Allocation with respect to any investor for any period of time, or agree to modify the Performance Allocation for that investor.

Managed Accounts: In addition to the Management Fee, the Firm may receive a mutually agreed upon annual performance fee, which is a percentage that may vary up to 30% of such Clients' net income for the year in excess of any previously recovered net losses, although the Firm reserves the right to modify such fees on a case by case basis.

Generally: In order for the Firm to receive a Performance Allocation or fee, the Firm must achieve capital appreciation within the account. For example, the Firm may charge Performance Allocations in adherence with a high water mark, which means that no Performance Allocation will be earned unless the performance exceeds the previously achieved high water mark where Performance Allocations were charged. The high water mark will be used in order to prevent a scenario whereby the Firm could receive a Performance Allocation merely for recouping prior losses. A full description of the Performance Allocation agreements will be disclosed to the investors in the Funds' Operative Documents. The Firm generally bills the Clients in accordance with the relevant investment management agreements. The Firm's receipt of Performance Allocations is intended to align the Firm's interests with those of the Firm's Clients, and, to provide the Firm with a greater incentive to manage assets well. The nature of the Performance Allocation, however, creates a potential conflict of interest between the Firm, its associated persons, and Clients.

Such Performance Allocations or performance fees (collectively, "Performance Compensations") will be structured and collected in a manner consistent with the requirements of applicable law. Performance Compensation arrangements may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case in the absence of Performance Compensation. To the extent the Firm values any such securities or instruments it has a conflict of interest as the Firm will receive higher Management Fees and Performance Compensation if it gives such securities and instruments a higher valuation. The Firm does not represent that the amount of the Performance Compensation or the manner of calculating the Performance Compensation is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The Performance Compensation collected by the Firm may be higher or lower than the Performance Compensation collected by other investment advisers for the same or similar services.

In addition, in the event that the Firm manages an account from which it collects Performance Compensation and also manages at the same time an account from which it does not collect Performance Compensation or collects lower Performance Compensation, the Firm has an incentive to favor accounts for which it receives higher Performance Compensation because it will receive a greater profit from the accounts which are charged Performance Compensation. Therefore, the Firm has an incentive to allocate investments that are expected to be more profitable to accounts from which it collects Performance Compensation, on the one hand, and that are riskier on the other hand, since in both scenarios, the Firm may receive greater compensation if the investment generates a positive return. *For additional conflicts of interest related to Performance Compensation, please refer to Item. 8(B), below.*

Fund Valuation: Each Fund's asset value, as of any date of determination, is the value of its assets minus its liabilities as determined by the Firm in accordance with the Fund's Operative Documents and generally accepted accounting principles. The asset value of a Fund that is subject to performance based compensation is reduced by any accrued performance based compensation and other fees. The Funds' administrator ("Administrator"), with the assistance of the Firm, is responsible for determining the fair market value of each Fund's investment instruments. In the absence of an Administrator, the Firm is responsible for determining the fair market value of the Funds investment instruments. Please refer to the Funds' Operative Documents for a description of its valuation process. Valuation determinations will affect a Fund's performance reporting and other reporting. The Firm will also, generally face a conflict of interest involving such investment instruments because these values generally will affect its compensation or the amounts received by redeeming or subscribing investors of the Funds. See also, Item 8, regarding the risks associated with illiquid investments. One or more Funds may retain third parties to verify the Firm's methodology for determining fair market values and to conduct independent price verification exercises.

Managed Accounts are subject to substantially similar valuation methods and/or conflicts.

There can be assets held for the benefit of Funds or Managed Accounts which may be illiquid. Even in under normal market conditions, there is no guarantee that the pricing of these assets are the prices that will be realized in an actual transaction. During periods of market stress, liquidity becomes even more elusive and it becomes difficult if not impossible to identify market clearing prices. In addition, Managed Accounts and Funds may be valued by different parties and the valuation of the same assets may be materially different.

Item 7. Types of Clients:

The Firm's Clients are Managed Accounts and the Funds. The Funds' investors are individuals (including high net-worth individuals), funds of funds, and corporations, and may include pension and profit sharing plans, trusts, estates, foundations and endowments. The minimum investment in each Fund is described in the relevant Operative Documents.

In terms of Managed Accounts, the Firm does not maintain a specific minimum dollar value of assets or other conditions for opening a Managed Account. However, Managed Account services are directed towards high net-worth individuals or institutional investors who are prepared to invest substantial sums of typically \$25 million or more. However, depending on the strategy of the Client and other factors, the Firm may reduce the minimum investment necessary.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss:

(A) Methods of Analysis and/or Investment Strategies:

The Firm uses both long and short positions in a broad range of investment instruments. The Firm may utilize all types of investment instruments and techniques, including but not limited to leverage; futures; forwards; derivatives, including credit derivatives; swaps, including total return, debt, credit default swaps; options; currencies; sovereign debt issued or guaranteed by national, state

or provincial governments of various countries; quasi-sovereign debt; interest rate derivatives; distressed and high yield investment instruments; energy products and derivatives; real estate and real estate-related securities; commercial and residential mortgage backed securities; residential mortgage loans or pools of such loans; collateral loan obligations; collateral debt obligations; collateral debt securities; bank loans in the secondary market; structured credit debt securities; mezzanine loans; subordinated interests; participations in special purpose vehicles; and other instruments and assets of all types. The Firm's policies do not prohibit the Firm from taking management control of entities in which it invests. While the Firm will not typically exercise such control, it may take such action if it deems it can add value by doing so.

The Firm's investment methodology is broad-based and multi-disciplinary, and may involve various types of fundamental analysis and market analysis. Fundamental analysis may include both a "top down" review of global and local factors, such as political and economic conditions, sector and industry outlook, and a "bottom up" review consisting primarily of a credit (or equity) analysis of particular issuers.

The Firm generally employs proprietary investment analysis based upon fundamental research and, for selected corporate credits, quantitative analysis, where applicable. The Firm may employ macro-economic and geo-political analysis of world markets and the economy, relative value and directional investment strategies in world markets, other analyses of key economic and financial data, directional, relative value, and distressed investment strategies.

When a position is taken with a short term trading view based upon short term markets dynamics, or technical or other factors, the decision may have to be made quickly with a much lower level of fundamental analysis than for a longer term position.

The Firm utilizes a variety of methods and strategies to make investment decisions and recommendations for Clients. The methods of analysis include fundamental and proprietary internal research as well as external research, but ultimately are based on the judgment of the portfolio manager and/or the investment staff, which we hope will turn out well, but could turn out to be poor and/or incorrect, leading to substantial loss.

The disadvantage of such strategies is that there may be substantial volatility in the value of the portfolios, including short and long term losses even to the extent that the value of Clients' assets may become zero. Clients should match the strategies to their risk tolerances and manage risk in the context of their aggregate portfolios. Those who are uncomfortable with such risks should not invest in the Funds or Managed Accounts and should, under no circumstances, invest more than they can afford to lose.

Trading and investing in securities involves risk of loss, including the total loss of principal, which Clients should be prepared to bear.

(B) Risks Associated with the Firm's Investment Strategies:

Credit Risk. A major focus of the Firm is to invest in debt obligations or derivatives thereof of corporate and/or sovereign issuers. Credit risk is defined as the risk of non-payment or delayed payment of principal and/or interest by the borrower as stipulated under the terms of the debt obligation. Anytime the Firm invests in such obligations, it exposes Clients to credit risk. The value proposition of the Firm is to be able to properly assess the credit risk of the assets it holds and to ensure that Clients are adequately compensated for taking such risk.

Non-Investment Grade Securities. The Firm generally invests a significant amount of assets in non-investment grade securities. These securities typically have had greater historical default rates, as well as greater volatility of default rates, than investment-grade securities. The risks of losses from credit events and price volatility can therefore be higher than for non-investment grade securities. Generally, the liquidity characteristics of this market can be inferior to those of the investment-grade corporate market, with larger bid-offer spreads. Accordingly, liquidation of such securities can be more onerous, particularly if the Firm is forced to sell to accommodate redemptions.

Distressed Securities: The Firm may invest in securities of enterprises which are experiencing or have experienced significant financial or business difficulties. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein not publicly traded. Distressed securities may generate significant returns to Clients, but also involve a substantial degree of risk. Clients may lose a substantial portion or all of their investment in a distressed environment or may be required to accept cash or securities with a value less than the Clients' investment. Among the risks inherent with investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by state and federal laws and regulations relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Distressed claims may also be affected by situations involving fraud and/or unrecognized transfers. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses. Moreover, it may sometimes be difficult to enforce and collect on these obligations.

Emerging Markets Countries ("EMC") and Highly Indebted Industrialized Countries ("HIIC"): A significant portion of Client assets may be invested in EMCs and HIICs. It is possible, therefore, that investments may be significantly concentrated in countries characterized by less stable economic or political conditions than in the strongest mature economies. EMC and HIIC investing is generally characterized as having higher levels of risk than in fully developed

and fiscally stronger countries. EMC investing involves certain considerations not usually associated with investing in securities of developed countries or of companies located in developed countries, including political and economic considerations such as: greater risks of expropriation, nationalization, and general social, political and economic instability; the small size of the securities markets in such countries and the low volume of trading, resulting in a potential lack of liquidity and price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion. Certain government policies may also restrict the investment opportunities and problems may arise in connection with the clearance and settlement of such trades. In addition, accounting and financial reporting standards that prevail in certain of such countries generally are not equivalent to standards in more developed countries. There is also generally less regulation associated with these securities than there is in more developed countries. Placing securities with a custodian in such countries may also present considerable risks. Historically, EMC investors, particularly in Russia, Eastern Europe, Latin America and the Far East, have experienced substantial losses, due in part to debt defaults, political turbulence and economic instability, factors which may be expected to continue. HIIC's may face similar risks in the future.

Non-U.S. Investments: A significant portion of Clients' assets may be invested in securities denominated in foreign currencies and/or traded outside of the U.S. or a wide variety of Western nations. Such investments require consideration of certain risks typically not associated with investing in U.S. securities. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the U.S. or other governments, U.S. and non-U.S. withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in various nations. Furthermore, given the deterioration in public finances in the HIICs, the risk of default cannot be ruled out. Such an event may cause substantial contagion across the globe. There may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the U.S. and they may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Securities markets outside the U.S., while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these markets are less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, settlement of trades in some non-U.S. markets is slower, less systematic and more subject to failure than in U.S. markets. There also may be less extensive regulation of the securities markets in countries other than the U.S. Additional costs could be incurred in connection with the international investment activities of Clients. Non-U.S. brokerage commissions generally are higher than in the U.S. Expenses also may be incurred on currency exchanges when Clients effectively shift investments from one country, or group of countries, to others. Increased custodian costs, as well as administrative difficulties (such as the applicability of foreign laws to foreign custodians in various circumstances, including bankruptcy, the ability to recover

lost assets, expropriation, nationalization and record access), may be associated with the maintenance of assets in foreign jurisdictions.

Currency Risks: The Firm may invest in securities denominated in currencies other than the U.S. dollar. However, these securities and other assets may be valued in U.S. dollars. To the extent unhedged, the value of the currencies will fluctuate with U.S. dollar exchange rates, as well as with price changes of investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which Clients are invested will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of the securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the currencies.

Possible Limited Liquidity: The Firm may take positions in particular securities that are relatively large compared to their trading volume or overall market capitalization. Such positions may at times prove more difficult to sell in a timely or efficient manner and could impair the Firm's ability to fully realize portfolio gains or limit losses. The Firm does not intend to generally limit investments to issues of any particular minimum capitalization. Investments can include credit derivatives and structured securities which can be illiquid and more difficult to value. In addition, some portfolios may hold "restricted securities," or securities whose immediate public resale is subject to legal restrictions. Disposition of such investments may be possible, if at all, only at substantial discounts from their purchase price or intrinsic value. Substantial holdings of illiquid securities may adversely affect the ability to affect capital withdrawals on a satisfactory basis. During periods of crisis, the liquidity of assets in portfolios may become further diminished, causing further decreases in the value of assets under management.

Even though the Firm had significant withdrawal of assets in 2008 without any suspension or gating of redemptions or side pocketing of assets, there is no guarantee that it will be able to maintain such liquidity in future crises. It is important to understand that even liquid securities can become illiquid under certain market conditions. The post-Lehman bankruptcy investment climate demonstrated this risk abundantly to all market participants, as the markets ground virtually to a halt leading to massive drops in asset prices across the globe.

Special Situations: The Firm may invest in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Firm of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Client may be required to sell their investments at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which

the Firm may invest, there is a potential risk of loss of the entire investment in such companies.

Portfolio Turnover: The Firm's investment strategy may involve the taking of frequent trading positions, and, as a result, turnover and brokerage commission expenses may significantly exceed those of other investment entities of comparable size. If, however, a Fund were to be considered a "trader" for tax purposes, it could have certain negative tax consequences for investors.

Use of Leverage: The Firm may borrow funds from brokerage firms, banks and other institutions on behalf of Clients in order to be able to increase the amount of capital available for marketable securities investments. The amount of borrowings that the Firm may have outstanding at any time and the rates at which the Firm can borrow, in particular, will affect the operating results of the Firm. Although the use of leverage increases returns if returns in excess of borrowing costs are earned on the investments purchased with borrowed funds, the use of leverage decreases returns if Clients fail to earn as much on such investments as they pay for such funds. Adverse market fluctuations, in the case of margin borrowings, may require the untimely liquidation of one or more investment positions. The amount of borrowings which a Client may have outstanding at any time may be large in relation to its capital. Interest costs of borrowings will be an expense of the Clients, and therefore both borrowing levels and fluctuations in interest rates may affect the operating results. The Firm may take on additional effective leverage through investment in options, futures and other derivative instruments.

Short Sales: Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on Client portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. Short sales also result in margin obligations to the Firm's brokers. An adverse movement in securities prices could result in such brokers calling for additional collateral, thus requiring the Firm to sell securities or cover short positions at a loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

There also is the risk that the securities borrowed in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and Clients may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

Lack of Diversification: Client portfolios may not be as diversified among a wide range of types of securities as other investment vehicles. The Firm generally does not seek to achieve any particular correlation with traditional asset classes such as stocks and bonds, and there can be no assurance that the Firm will experience a low level of correlation with a traditional portfolio of stocks and bonds. This may be particularly true during periods of market disruption and

stress when the risk control benefits of diversification may be most important. At any time, the Client portfolios, or portions of the portfolios, may be highly correlated with the financial markets in general, and during such periods may not provide diversification benefits. Many of the portfolios that the Firm advises have positions where our view may be contrary to the popular views in the market. Accordingly, Client portfolios may be subject to more volatility and more rapid change in value than would be the case if the Client were required to maintain a wider diversification among types of securities and other instruments. **To the extent that a portfolio has assets which take a contrarian view of the market, the Firm expects that in times of market stress, these assets can incur greater losses than the general market.**

Options: Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. The purchase or sale of an option involves the payment or receipt of a premium and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the premium paid is lost. Selling options, on the other hand, involves potentially greater risk because it exposes Clients to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Counterparty and Custodial Risk: Every time a Client enters into a transaction with a counterparty, to buy or sell specific securities, it takes the credit risk of the counterparty. Most cash bonds trade on a delivery versus payment fashion. Nonetheless a Client may incur losses should the counterparty fail to perform under the terms of the transaction. For over the counter transactions such as derivative trades, counterparty credit risk is even more pronounced and may expose Clients to greater losses. To the extent the Firm invests in swaps, “synthetic” or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, Clients take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Since most fixed income transactions are entered into over the telephone and subsequently confirmed by electronic means, there is a risk that the counterparty will refute a trade.

In addition, there are risks involved in dealing with the custodians or brokers who settle trades particularly with respect to non-U.S. investments. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being Client assets and hence Clients should not be exposed to credit risk with respect to such parties. However, it may not always be possible

to achieve this segregation and there may be legal, regulatory, practical or timing problems associated with enforcing Clients' rights to their assets in the case of an insolvency of any such party.

Futures Contracts: The Firm may invest in a variety of commodity futures contracts or options thereon for speculative or hedging purposes. Use of futures contracts and options thereon involve the contractual commitment to purchase or sell the underlying instrument or commodity at a future date. The eventual price of such security or commodity may be influenced by a broad variety of market, economic and issuer-specific events and risks, many of which may be difficult to predict or assess. Futures trading involves relatively small invested capital relative to risk exposure and therefore can increase portfolio volatility and exposure to loss.

Hedging: The Firm may employ certain hedging techniques, directed primarily toward general market risks. If employed, hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline. It does, however, establish other positions designed to gain from those same developments. For a variety of reasons, the Firm may not seek or be able to establish a sufficiently accurate correlation between hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the portfolio from achieving the intended hedge or expose the portfolio to risk of loss. In addition to possible losses on the position sought to be hedged, notwithstanding the attempted hedge, the portfolio may also incur losses on the hedging position itself, thereby exacerbating the losses in the value of Clients' assets. It is also possible for a hedge to be successful in theory, but because of limited market liquidity, the gains in value of the hedge may go unrealized and consequently, the benefit of the hedge may not be recognized. All hedging strategies, moreover, necessarily involve costs, which could be significant, whether or not the hedge sought is successful. Given the global character of the Firm's potential investments, the Firm may invest in many markets or instruments as to which hedging strategies are limited or unavailable. Hedging instruments which are potentially available may nonetheless involve costs or risks that the Firm deems prohibitive in the context of the portfolio. Hedging, if employed at all, is expected to be employed as a technique to seek to limit certain market risks. As a general matter, portfolios will still be exposed to basic company risk and other risks attendant to its investment strategy, which risks will not be generally hedged.

No Formal Diversification Policies: The Firm may take highly concentrated positions in investment instruments based on counterparty, issuer, industry, geography, market and/or investment strategy (in each case, directly or, in the case of derivative instruments, by reference). Any such concentration may subject Clients to greater risk of loss than would a more diversified approach.

Risks Related to Relative Value Strategies: The success of the Firm's relative value strategies depends on market values converging towards the theoretical values determined by the valuation models or other analysis the Firm utilizes and its ability to use these relative mispricings among interrelated investment instruments. Although relative value positions are often considered to have a

lower risk profile than directional trades, as the former attempt to utilize price differentials, not overall price movements, relative value strategies are by no means without risk. Any mispricing, even if correctly identified, may not converge within the anticipated time frame. The Firm's relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of valuation models it uses. In the event of market disruptions, significant losses may be incurred, which may force the Firm to close out positions. Such disruptions have in the past resulted in substantial losses.

Risk Related to Directional Strategies: Directional investing is subject to all the risks inherent in incorrectly predicting future price movements. Price movements may be influenced by unanticipated factors, or the Firm's analysis of known factors may prove inaccurate, in either case, potentially leading to substantial losses.

Illiquid Investments: Certain investment instruments may be illiquid in periods of normal markets and may not have readily ascertainable fair market values. Valuation of such illiquid investment instruments will be made consistent with the Firm's agreements with Clients. Such valuations will affect Clients' investment performance, as well as the calculation of fees. In addition, the Firm may only be able to liquidate these investment instruments, if at all, at disadvantageous prices. Market liquidity often falls in periods of market turmoil, dramatically increasing transaction costs for those seeking to acquire or liquidate positions. If the Firm was to seek to liquidate the assets in a period of poor liquidity, Clients could experience substantial losses. At the extreme, numerous alternative investment programs have incurred significant or total losses when attempting to liquidate positions during periods of extreme illiquidity — often when seeking to raise cash to meet margin calls issued by counterparties. In such situations, these losses would be crystallized and the Client would face permanent losses in the value of their holdings. Also, please see Item 6, above, regarding valuation policies. A conflict of interest between the Firm (or related persons of the Firm) and the Funds will exist since the value used by the Firm will affect its compensation or the amounts received by redeeming or subscribing investors of the Funds.

Global Market Exposure Risks: Investments on a global basis in both developed and emerging markets involve the following risks, among other risks: (i) currency exchange-rate risk; (ii) the possible imposition of withholding, income, excise and other taxes; (iii) the absence of uniform accounting, auditing and financial reporting standards and practices, less rigorous disclosure requirements and little or potentially biased government supervision and regulation; (iv) the risk of terrorism and acts of war; and (v) economic and political risks, including expropriation, exchange controls and restrictions on foreign investment and repatriation of capital.

Trade Execution Risks: Certain of the investment techniques the Firm uses require the rapid and efficient execution of transactions, or the ability to accumulate or liquidate large positions. Inefficient execution can eliminate the market opportunities sought with such techniques.

Counterparty and Credit Risk: There is a risk that prime brokers, counterparties, clearing houses or exchanges with which the Firm deals, including brokers and counterparties that are affiliated with the Firm, may default on their obligations to Clients. Any default by any of such parties could result in material losses to Clients.

Equity Securities: Certain of the Firm's investment strategies deal with equity and equity-linked securities (including equity-based derivatives), the values of which vary with an issuer's performance and movements in the broader equity markets. Numerous economic factors, as well as market sentiment, political and other factors, influence the value of equities. At any given time, Clients may have significant investments in companies with smaller market capitalizations. These securities often involve greater risks than the securities of larger, better-known companies, including less liquidity and greater volatility.

Debt Securities: Debt securities, including convertible debt securities, may be subject to price volatility due to various factors including changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. In addition to the sensitivity of debt securities to overall interest rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues.

Sovereign Debt: Debt securities issued by G-7 and non-G-7 countries, including debt obligations issued or guaranteed by national, state or provincial governments, political subdivisions or quasi-governmental or supranational entities. Governments often intervene in the markets for their debt for a variety of economic and/or political reasons. In addition, such securities may involve a high degree of risk and the issuing governmental entities may default on or restructure their obligations. Certain sovereign debt may have non-investment grade ratings, be in distress or even default.

Derivatives: Swaps, forward contracts, synthetic instruments, repurchase agreements, over-the-counter transactions, non-U.S. securities, and other derivatives are subject to counterparty risk. This risk may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being Client assets (directly or indirectly), and hence Clients should not be exposed to credit risk with regard to such parties. However, it may not always be possible to achieve segregation, and there may be legal, regulatory, practical, or time problems associated with enforcing rights to their assets in the case of an insolvency of any such party.

Credit Derivatives: Credit derivatives trading is subject not only to the credit risk of the issuer of the underlying obligations to which such derivatives are referenced, but also to the credit risk of the counterparty to the credit derivative transaction itself. In certain cases, the credit derivatives market is significantly less liquid than the market in the underlying debt obligations, particularly if the

derivative is highly customized and individually negotiated. In such situations, it may not be possible to liquidate the position and losses could be significant.

Swap Agreements: Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard “swap” transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or “swapped” between the parties are calculated with respect to a “notional amount,” (i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency or security, or in a “basket” of securities representing a particular index). The “notional amount” of the swap agreement is only a fictive basis on which to calculate the obligations that the parties to a swap agreement have agreed to exchange. Most swap agreements will calculate the obligations of the parties to the agreement on a “net” basis. Consequently, the Clients’ obligations (or rights) under a swap agreement will generally 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 “net amount”).

Whether the use of swap agreements, if any, will be successful in furthering a Client’s investment objective will depend on the Firm’s ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Clients bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The swaps market is a relatively new market and it is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect the ability to terminate existing swap agreements or to realize amounts to be received under such agreements.

General Regulatory Risks: Statutes, regulations and policies are continually under review by the Congress and state legislatures and federal and state regulatory agencies. The introduction of new legislation or amendments to existing legislation and regulations (including changes in how they are interpreted or implemented) by governments, the decisions of courts and tribunals and the rulings and decisions of regulatory authorities, can adversely impact returns. The regulatory environment is evolving, and changes in the regulation of investment funds may adversely affect the value of the Firm’s investments.

Conflicts of Interest

The Firm and its investment personnel provide investment management services for its Clients. The Firm is typically paid Performance Compensation by its Clients. In addition, certain Clients may pay higher compensation compared to other Managed Accounts or investors based on the discretion of the Firm. When the Firm and its investment personnel manage more than one Client portfolio, the potential exists for one Client to be favored over another Client. The Firm and its investment personnel have a greater incentive to favor Clients that pay the Firm (and indirectly the investment personnel) higher compensation.

The Firm has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Firm reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. These areas are monitored by the Firm's Chief Compliance Officer. However, there can be no guarantee that conflict can be prevented and Clients should factor this in their investment decision.

There are several potential conflicts of interest between the Firm and its Clients, as well as selected activities of the Firm's partners and employees. Among those which should be considered by Clients are the following:

Conflicts with Other Activities of the Firm and its Affiliates: Neither the Firm, nor any affiliate or employee, is required to manage Client accounts as its sole and exclusive function. Each of them may engage in other business activities, including competing ventures and/or other unrelated employment. In addition to managing Client accounts, the Firm, and its respective affiliates or employees may provide investment advice to other parties and may manage other accounts in the future.

Conflicts with Other Investment Entities: The Firm and some of its supervised persons participate in and sponsor multiple Funds or other investment vehicles, and also advise several Managed Accounts. The existence of such multiple entities and Clients necessarily creates a number of conflicts of interest. In particular, the Firm advises several Funds and Managed Accounts, which have similar investment strategies and methodologies and invest in most, if not all, of the same securities.

Moreover, the Principals have substantial ownership stakes in certain Funds. In addition, the Firm's managers invest in multiple Funds and Managed Accounts, as well as hold assets in personal accounts which can hold the same securities as other Funds and Managed Accounts. This will inherently cause conflicts of interest, as the benefit to the Principals and managers varies across different accounts and their personal holdings. The Firm's allocation procedures seek to allocate investment opportunities among Clients over time in a fair and equitable manner, considering both the best interests and specific restrictions of its Clients. Please also refer to the relevant Operative Documents and/or investment management agreements for additional information. From time to time, the Firm may recommend securities to one or more Clients and it or its affiliates may purchase the same securities for their own accounts as well. Conflicts of interest may arise among such accounts, or among the Firm (or related persons of the Firm) and its Clients. For example, the Firm is not obligated to buy, sell or recommend for a Client any security or other investment that may be bought, sold or recommended for any other account. Please also see Item 11.B below, for additional information.

Allocation Issues: In allocating investment opportunities between different Funds and Managed Accounts, the Firm considers such factors as strategic objectives, suitability as to such objectives, relative capital available for

investment, positions in similar securities, specific liquidity or other requirements of each Client and overall investment cost, with the objective of allocating such investments in a manner equitable to the various Funds and Managed Accounts. Any particular Fund or Managed Account may not be entitled to investment priority as against another Fund or Managed Account and may not necessarily participate in every investment opportunity. In cases where a limited amount of a security or other instrument is available for purchase, the allocation of such security may necessarily reduce the amount thereof available for purchase by any particular Fund.

Brokerage Allocations: Although it has not previously done so, the Firm may allocate a portion of a Fund's transactions to broker-dealers that agree to pay certain expenses of the Fund, of the Firm or its affiliates. These may include not only research-related expenses, but also the Firm's overhead expenses, such as rent, salaries, utilities, equipment costs, travel and marketing costs and other expenses that would otherwise be borne by the Firm or its affiliates. To the extent that brokerage is allocated on such basis, and commission charges reflect such arrangements, the Firm will benefit from such arrangements and may be deemed to have a financial conflict of interest with the Funds. The Firm will endeavor not to allocate, as between the Funds and its Managed Accounts and those of its affiliates, particular items of expenses paid relative to the Funds or Managed Accounts generating the particular commission revenues utilized for payment, except in limited circumstances when deemed appropriate. Accordingly, brokerage allocations from the Fund may also have the effect of indirectly benefiting other entities and accounts managed by the Firm or its affiliates.

Conflicts as to Time Commitments: As noted above, the Firm and its supervised persons advise multiple Funds and Managed Accounts. Therefore, the principals and employees of the Firm have other investment responsibilities as well as other business and personal commitments from time to time. They intend to devote such time and attention to the business and affairs of the Firm, Funds and Managed Accounts as they deem necessary, but there is an inherent conflict of allocation of time, especially during periods when more than normal time commitments are required, whether due to market stress or for other reasons.

Conflicts Regarding Performance Compensation: Any Performance Allocations payable to the Firm is based upon the increase, if any, in the aggregate net asset value of the Funds, after reduction of any unrecovered prior period losses. Since the Performance Allocations are determined on both realized and unrealized gains, the Firm may receive a fee reflecting unrealized gains at the end of a year that is not subsequently recognized by the Funds. In general, the fact that the Performance Allocation is based on capital appreciation of the Funds' shares may create an incentive for the Firm to make investments that are more speculative than would be the case in the absence of such a Performance Allocation. The same is true for any performance fee for Managed Accounts. The Firm will have the right to agree to reductions in the Performance Compensation and/or Management Fee chargeable to particular Clients, for such consideration it deems appropriate, without notice or offering any similar opportunity to other Clients.

Conflicts Regarding Access to Differential Information: Because of their very nature, Managed Accounts have access to more information than may be available to investors in the Funds. Therefore, Managed Accounts may be able to make more informed decisions than investors in the Funds. Managed Accounts can also typically take control of their investments directly and decide to sell or keep some or all of their assets. Their decisions can be different from assets that continue to be managed by the Firm and their actions can have an adverse effect on the values of these assets. Managed Accounts are located in different time zones, which may cause them to have differential information. For example, a Managed Account based in Europe may see a market crisis starting and liquidate a specific security or even his whole portfolio while the Firm's offices are closed for business.

- (C) **Security-Specific Risks:** Please refer to Item. 8(B), above.

Item 9. Disciplinary Information:

In the past ten years, there have been no legal or disciplinary events involving either the Firm or any of its management persons that are material to the Firm's advisory business.

Item 10. Other Financial Industry Activities and Affiliations

- (A) Neither the Firm, nor its management persons, has an existing or pending affiliations with a broker-dealer or a registered representative of a broker-dealer.
- (B) Neither the Firm, nor its management persons, has an existing or pending affiliation with a Futures Commission Merchant (FCM), Commodity Pool Operator (CPO), or Commodity Trading Advisor (CTA).
- (C) Neither the Firm, nor its management persons, has any relationship or arrangement that is material to its advisory business or the Clients with the types of entities described in this section.
- (D) The Firm does not recommend or selects other investment advisers for Clients.

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

A copy of the code of ethics ("Code of Ethics") is available upon request to the Funds' investors/prospective investors or the Firm's Clients/prospective Clients (collectively in Item 11, "Clients")

- (A) The Code of Ethics is based upon the premise that all Firm personnel have a fiduciary responsibility to render professional, continuous and unbiased investment advisory service. The Code of Ethics requires all personnel to (1) comply with all applicable laws and regulations; (2) observe all fiduciary duties and put Client interests ahead of those of the Firm; (3) observe the Firm's personal trading policies so as to address potential conflicts of interests between the Firm and its Clients; (4) ensure that all personnel have read the Code of

Ethics, agreed to adhere to the Code of Ethics, and are aware that a record of all violations of the Code of Ethics will be maintained by the Firm's Chief Compliance Officer and that personnel who violate the Code of Ethics are subject to sanctions by the Firm, up to and including termination.

Participation or Interest in Client Transactions: The Firm recognizes that the personal securities transactions of its employees demand the application of a high code of ethics, and the Firm requires that all such transactions be carried out in a way that does not endanger the interest of any Client. At the same time, the Firm believes that if investment goals are similar for Clients and for employees of the Firm, it is logical and even desirable that there be common ownership of some securities. The Firm and its related persons invest their personal funds in the Funds. Therefore, in order to address conflicts of interest, the Firm has adopted a set of procedures, included in its Code of Ethics, with respect to transactions effected by its officers, directors, partners, members and employees (hereafter in this section, "Access Persons") for their personal accounts. In order to monitor compliance with its personal trading policy, the Firm has adopted a quarterly securities transaction reporting system for all of its Access Persons.

Access Persons may recommend to Clients the purchase or sale of investment products in which it or a related person may have some financial interest, including but not limited to, the receipt of compensation by the Firm. Records will be maintained of all securities bought and sold by Access Persons.

Additionally, the Code of Ethics sets forth the Firm's policies and procedures with respect to material, non-public information and other confidential information, and the fiduciary duties that the Firm and each of its Access Persons has to the Firm's Clients. The Code of Ethics is circulated at least annually to all Access Persons, and each Access Person, at least annually, must certify in writing that he or she has received and followed the Code of Ethics and any amendments thereto.

- (B) The Firm or a related person may recommend to Clients, or buy or sell for Client accounts, securities in which the Firm or a related person has a material financial interest. For example, the Firm may cause a Fund to buy or sell a security from another Client or an account related to a principal of the Firm. In the event that the Firm engages in a cross trade or principal trade, it intends to obtain the required consents from the relevant investors or directors of the Funds and/or the Clients, consistent with the relevant Operative Documents and the applicable laws. The Firm also only intends to enter into such transactions if it believes that such transactions would be advantageous or otherwise beneficial to a Client. For example, a cross trade may be effected in a less liquid security when the Chief Compliance Officer and the Principals of the Firm believes that it would reduce the risk of market impact or otherwise reduce the costs associated with the contemplated trade. Since the Principals of the Firm may also have a substantial ownership interest of the Funds associated with a cross or principal trade, the Principals may also share in the same benefits as investors in a transaction between the Fund and another Client. The Firm intends to disclose all relevant benefits prior to the settlement of any such transaction, as required by Section 206(3) of the Investment Advisers Act of 1940. Principals invested in the Funds

may also pay less in terms of fees and expenses than other Clients (or investors in the Funds) may pay for the same investment. *Please also refer to Item 11.(A).*

- (C) The Firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that the Firm or a related person recommends to Clients, consistent with the Firm's Code of Ethics. *Please also refer to Item 11.(A).*
- (D) The Firm or a related person recommends securities to Clients, or buys or sells securities for Client accounts, at or about the same time that the Firm or a related person buys or sells the same securities for the Firm's own (or the related person's own) account, consistent with the Firm's Code of Ethics. *Please also refer to Item 11.(A).*

Item 12. Brokerage Practices:

The factors that the Firm considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation are described below:

(A) Factors Considered in Selecting or Recommending Broker-Dealers:

Securities transactions for Clients are executed through brokers selected by the Firm in its sole discretion and without the consent of Clients, unless, if specified in the relevant Operative Documents. A Managed Account is authorized to instruct the Firm to execute some or all securities transactions for its account with or through one or more brokers designated by such Managed Account. *Please see Item 12.(A)3.(b) below.*

In placing portfolio transactions, the Firm will seek to obtain best execution, taking into account one or more of the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the efficiency of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; special execution capabilities; clearance; settlement; reputation; on-line pricing; block trading and block positioning capabilities; willingness to execute related or unrelated difficult transactions in the future; prior experience with quality and reliability of pricing provided; prior experience with respect of willingness to trade at indicated market levels; order of call; on-line access to computerized data regarding Clients' accounts; performance measurement data; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the availability of stocks to borrow for short trades; and the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria. However, given the fact that, unlike equities, many bonds and derivative instruments do not trade on an exchange where prices can be readily observed, the ability to secure the best prevailing price cannot be ensured.

Since the collapse of the markets in 2008 the number of market makers for a wide variety of bonds has been substantially reduced, and in many instances the

indicated prices are not actionable. This necessitates the broadening of the number of brokers and dealers the Firm transacts with, even though they may not have the desired financial wherewithal, thereby increasing the operational risks of all trades.

Any Managed Account shall bear brokerage costs as set forth in the relevant investment management agreement.

1. Soft Dollars:

In addition to research services, the Firm may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of Clients. These benefits may take the form of special execution capabilities, clearance, settlement, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, online access to computerized data regarding Clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, efficiency of execution and error resolution, quotation equipment and services, the availability of stocks to borrow for short trades, custody, travel, record keeping and similar services. These other services may also include payment of all or a portion of the Clients' or the Firm's or its affiliates' administrative costs and expenses of operation, such as: office rent; office equipment and supplies; utilities (e.g., electricity, gas, oil, water); taxes; storage; employee salaries, *including, but not limited to*, bonuses, contingent salaries, and any other form of compensation determined by the Firm, and benefits (including medical, dental and worker's compensation insurance); temporary help; recruiting services; newswire and quotation equipment and services (e.g., Reuters, Bloomberg, Bridge, First Call); data processing charges; periodical subscription fees (e.g., The Financial Times, The Wall Street Journal, The New York Times, Investors Business Daily); computer equipment used for brokerage or research purposes (e.g., computers, computer hardware, software, hard drives, monitors, PDAs, LANs) and related technical support, repair and maintenance; television and cable services used for research purposes; telephone and facsimile charges, equipment and installation and maintenance costs (e.g., telephones, telephone leases, telephone and facsimile lines, cellular phones used for business purposes, telephone call recording equipment, headsets, cordless phones, speaker phones, telephone switchboards and monthly and long distance telephone charges); facsimile machines and facsimile rental and repair costs; account record-keeping and related clerical services; printing services; messenger services; postal and courier expenses; car service; expenses incurred in connection with investigating and researching issuers of securities and attending research conferences (e.g., airfare, car rentals, taxi fares, conference fees and related expenses, hotel accommodations and meals); economic consulting services; placement fees and other marketing costs; legal and accounting fees; and other reasonable expenses as determined by the Firm.

The foregoing benefits may be available for use by Firm in connection with transactions in which Clients will not participate. The availability of these benefits may influence the Firm to select one broker rather than another to perform services for Clients. Nevertheless, the Firm will attempt to ensure either that the fees and costs for services provided to Clients by brokers offering these benefits are not materially greater than they would be if the services were performed by equally capable brokers not offering such services or that Clients also will benefit from the services.

The Firm has the option to use “soft dollars” generated by Clients to pay for the research and non-research related services described above. The term “soft dollars” refers to the receipt by an investment adviser of products and services provided by brokers, without any cash payment by the investment adviser, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment adviser’s Clients. The products and services available from brokers include both internally generated items (such as research reports prepared by employees of the broker) as well as items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), provides a “safe harbor” to investment managers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision-making responsibilities. In the event the Firm elects to use its soft dollars for payment of all or a portion of the Firm’s or its affiliates’ administrative costs and expenses of operation such as office rent, office equipment and supplies, utilities, employee benefits and salaries, newswire and quotation equipment, data processing charges, periodical subscription fees, computer equipment, telephone and facsimile charges and equipment costs, record-keeping services, consulting fees, issuer due diligence expenses, placement fees and other marketing costs, and legal and accounting fees, as more fully described above, such uses of soft dollars are not within the safe harbor afforded by Section 28(e) of the Exchange Act.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of the Firm or its affiliates creates a conflict of interest between the Firm and Clients because the Clients pay for such products and services that are not exclusively for the benefit of Clients and that may be primarily or exclusively for the benefit of the Firm. To the extent that the Firm is able to acquire these products and services without expending its own resources (including management fees paid by Clients), the Firm’s use of soft-dollars would tend to increase the Firm’s profitability. In addition, the availability of these non-monetary benefits may influence the Firm to select one broker rather than another to perform services for Clients. The Firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on a Client’s interest in receiving the most favorable execution. Moreover, the Firm may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits. In the event that the Firm

uses soft dollar benefits, the Firm will use such benefits to service all Client accounts rather than only those accounts that paid for the benefits.

The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by Clients.

- a.** When the Firm uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Firm receives a benefit because the Firm does not have to produce or pay for the research, products or services. *Please refer to Item 12.(A)(i).*
- b.** The Firm may have an incentive to select or recommend a broker-dealer based on the Firm's interest in receiving the research or other products or services, rather than on Clients' interest in receiving most favorable execution. *Please refer to Item 12.(A)(i).*
- c.** The Firm may cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). *Please refer to Item 12.(A)(i).*
- d.** The Firm may use soft dollar benefits to service all Clients or only those Clients that paid for the benefits. The Firm may or may not seek to allocate soft dollar benefits to Clients proportionately to the soft dollar credits the accounts generate. *Please refer to Item 12.(A)(i).*
- e.** The types of products and services the Firm or any related persons acquired with Client brokerage commissions (or markups or markdowns) within the Firm's last fiscal year were: *Please refer to Item 12.(A)(i).*
- f.** The procedures the Firm used during its last fiscal year to direct transactions to a particular broker-dealer in return for soft dollar benefits the Firm received were: *Please refer to Item 12.(A)(i).*

2. Brokerage for Client Referrals:

- a.** The Firm reserves the right to pay a fee or commission, in its sole discretion, to brokers or other persons who introduce Clients to the Firm, provided that any such fee or commission will be paid solely by the Firm or its affiliates and no portion thereof will be paid by Clients. As a result, the Firm may have an incentive to select or recommend a broker based on the Firm's interest in receiving referrals rather than on Clients' interest in receiving most favorable execution. Because such referrals, if any, are likely to benefit the Firm but will provide an

insignificant (if any) benefit to Clients, the Firm will have a conflict of interest with Clients when allocating Client brokerage business to a broker who has referred investors to a Client. To prevent Client brokerage commissions from being used to pay referral fees, the Firm will not allocate Client brokerage business to a referring broker unless the Firm determines in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to Clients.

- b.** The procedures used during the last fiscal year to direct Client transactions to a particular broker-dealer in return for Client referrals were: *Please refer to Item 12.(A)(ii)a.*

Managed Accounts will generally be subject to brokerage practices in a similar fashion to those stated above.

3. Directed Brokerage:

- a.** The Firm does not recommend, request, or require a Client to direct the Firm to execute transactions through a specified broker-dealer.
- b.** The Firm may permit a Client to direct the Firm to execute transactions through a specified broker-dealer. In the event that the Client instructs the Firm to use a specified broker-dealer, the Client may pay higher commission rates for such executions.

- (B) Aggregation of Orders:** Transactions implemented by the Firm for accounts may be effected independently or on an aggregated basis. The Firm anticipates that frequently it will decide to purchase or sell the same securities for several Clients at approximately the same time. The Firm will aggregate orders when it believes aggregation may prove advantageous to Clients. When the Firm aggregates orders, the allocation of securities among Clients will be done on a fair and equitable basis. Typically, the process of aggregating orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among Clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Clients participating in an aggregated order generally will receive the average price of any transactions executed pursuant to an aggregated order. Aggregated orders and the transaction costs associated with aggregated orders generally are allocated pro-rata among all participating Clients in accordance with the level of their participation in the order, determined as described in the section below, "Allocation of Trades", but adjustments may be made to such allocations, such as to avoid excessively small allocations, and different allocation methods may be used. Such aggregation is more easily executed for equity transactions than for fixed income transactions. When the Firm aggregates orders for the purchase or sale of securities, including securities in which its Access Persons may invest, the Firm will endeavor to do so in a fair and equitable manner. It should be noted that the Firm does not receive any additional compensation or remuneration as a result of aggregation.

- (C) **Allocation of Trades:** The Firm may at times determine that certain securities will be suitable for acquisition by Clients and by other accounts managed by the Firm, possibly including the Firm's own accounts or accounts of an affiliate. If that occurs, and the Firm is not able to acquire the desired aggregate amount of such securities on terms and conditions which the Firm deems advisable, the Firm will endeavor in good faith to allocate the limited amount of such securities acquired among the various accounts for which the Firm considers them suitable. The Firm will endeavor to allocate securities among accounts in a manner that it considers fair under the circumstances.

There can be no assurance that any Client will participate in any particular investment opportunity on an equal or pro-rata basis with other Clients. From time to time, certain Clients may be given priority access to certain positions. The Firm considers factors that are deemed relevant in determining how to allocate investment opportunities among Clients, which may include investment objectives, time horizons, investment strategies, current portfolio holdings and weightings, tax issues, regulatory implications, working capital, risk levels, commissions paid, and other considerations.

Due to regulatory restrictions, certain investors may not be permitted to participate in certain increases and decreases in a Fund's asset value. Consequently, such increases and decreases generally are allocated entirely to the other investors' capital accounts.

Item 13. Review of Accounts:

- (A) One or more members of a portfolio management team is primarily responsible for reviewing Clients' investment portfolios. In addition, all accounts are reviewed in light of emerging trends and developments as well as market volatility. Market movements, redemptions and trading and transfer restrictions may result in positions exceeding limits. While the Firm will undertake best efforts to bring such positions into compliance within limits, it will depend on market conditions, and expectations of price movements and it may take a period of time for exposures to be brought back within limits or guidelines. Managed Accounts are responsible for keeping the Firm informed as to any changes in their personal financial condition. The Firm cannot make any material changes to a Managed Account's portfolio if it is not informed of the Managed Account's particular developments.
- (B) The calendar is the main triggering factor of a review of an account, although more frequent reviews may also be triggered by changes in market conditions, security positions or in the Firm's strategy for a Client.
- (C) Where there is an Administrator, unaudited reports showing performance are sent periodically to investors in the Funds by the Administrator. Where required by law, Fund investors receive GAAP-compliant audited financial statements within 120 days of the Funds' fiscal year end.

The Firm provides information to Managed Accounts according to terms of the relevant investment management agreements.

Item 14. Client Referrals and Other Compensation:

- (A) The Firm does not receive, from any non-Client, any economic benefit associated with advising Clients.
- (B) The Firm may use independent third-party solicitors to refer Clients to the Firm and pay a portion of its advisory fees to such solicitors, in accordance with the Advisers Act. The Firm may engage underwriters, brokers, dealers or finders to assist in the offering of interests in a Fund. Except for commissions on brokerage transactions (which will be paid by Clients), the Firm will pay (and will not charge Clients) fees and commissions that may be payable to any such brokers or finders for assisting in the offering or sale of interests in a Fund.

Item 15. Custody:

Client funds and securities are held at qualified custodians. Regarding the Funds, where required by law, an independent auditor shall send an audited balance sheet, prepared in accordance with GAAP, to the Funds' investors within 120 days after the Funds' fiscal year end.

Item 16. Investment Discretion:

Certain of the Funds may not require the Firm to diversify investments or limit the amount of leverage employed, while other Funds may provide guidelines that no more than a set percentage of the Funds' total assets may be invested in the securities of any one issuer or country and that the Funds may not exceed certain leverage ratios. Clients are advised to review the relevant Operative Documents for more information on discretionary authority exercised in each specific fund.

Managed Accounts may be discretionary or nondiscretionary in nature. The relevant investment management agreements determine the extent of discretionary authority availed to the Firm for such Managed Accounts in allotting the type and amount of securities to be bought or sold. Such authority is defined and limited, if at all, by such Managed Account on a contractual basis.

Item 17. Voting Client Securities – Proxy Policy:

- (A) The Firm monitors corporate actions of those securities it has purchased on behalf of its Funds' investors. Proxy votes will generally be submitted electronically but may be submitted by mail. A record of the proxy votes cast will be made and retained by the Firm. Clients can obtain information on how the proxies were voted and a description of the Firm's policies and procedures regarding proxy voting by requesting such information from the Chief Compliance Officer by e-mail at pdatta@constellationcapital.com or by telephone at (212) 421-3700.
- (B) The Firm understands and appreciates the importance of proxy voting. To the extent that the Firm has discretion to vote the proxies of its advisory Clients, the Firm will vote any such proxies in the best interests of Clients and in accordance with the policies and the procedures outlined below.

- (C) In general, a decision to invest in an issuer is based in part on an analysis and resulting endorsement of the management of the issuer. Consequently, the Firm will generally vote with management on routine matters. Notwithstanding this, the Firm will be focused on shareholder value on an ongoing basis and it is the Firm's responsibility to be aware of the potential investment implications of issues that security holders are asked to vote on. It is also the Firm's responsibility to determine if conflicts of interest arise with respect to its Clients. In such situations, the Firm will generally vote in a manner designed to maximize the total economic return, adjusted for risk, for its Clients.

Prior to voting, the portfolio manager will verify whether his voting power is subject to any limitations or guidelines issued by the Client and whether conflicts of interest exist. The Firm does not anticipate any conflicts in its proxy voting practices, but in the event that a conflict may arise, the Chief Compliance Officer will evaluate any material conflicts, prior to the relevant vote. The Firm will make and maintain a report of the conflict and the Firm's resulting vote.

A portfolio manager, in his sole discretion, may choose not to vote in certain instances, including the following: (a) if the holding is of a size deemed immaterial by the portfolio manager; (b) if the perceived cost of voting exceeds the benefit to the shareholders, and (c) if there are delays in receiving the documentation (e.g. from the prime broker) that preclude the analysis required to reach an appropriate decision. If a portfolio manager should choose to not vote the proxy, he shall make and maintain a report of this action and associated rationale.

The Firm's general policy is to not vote proxies on behalf of Managed Accounts, unless specifically negotiated and set forth in the individual Managed Account agreement. In the absence of such an agreement whereby the Firm does vote proxies, it is the responsibility of each Managed Account to vote all proxies for securities held in the Managed Account.

Item 18. Financial Information:

- (A) The Firm does not require or solicit prepayment of Management Fees.
- (B) Because the Firm has discretionary authority over and/or custody of Client funds or securities, the Firm has disclosed, as follows, any financial condition that is reasonably likely to impair its ability to meet contractual commitments to Clients: None.
- (C) The Firm has not been the subject of a bankruptcy petition during the past ten years.

Item 19. Requirements for State-Registered Advisers: N/A