

**Item 1. Cover Page**

**Part 2A of Form ADV: Firm Brochure**

**Continuum Investment Management, L.P.**

800 Third Avenue  
New York, New York 10022

Contact:  
(646) 253-0835

February 2013

This brochure provides information about the qualifications and business practices of Continuum Investment Management, L.P. If you have any questions about the contents of this brochure, please contact us at (646) 253-0835. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

Additional information about Continuum Investment Management, L.P. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2. Material Changes**

Not applicable. This brochure is the initial brochure for Continuum Investment Management, L.P.

### **Item 3. Table of Contents**

#### **Table of Contents**

	<b>Page</b>
Item 1. Cover Page .....	1
Item 2. Material Changes.....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation.....	4
Item 6. Performance-Based Fees and Side-by-Side Management.....	6
Item 7. Types of Clients .....	6
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9. Disciplinary Information .....	13
Item 10. Other Financial Industry Activities and Affiliations.....	13
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	13
Item 12. Brokerage Practices .....	14
Item 13. Review of Accounts .....	16
Item 14. Client Referrals and Other Compensation.....	17
Item 15. Custody.....	17
Item 16. Investment Discretion .....	17
Item 17. Voting Client Securities .....	17
Item 18. Financial Information .....	18

#### **Item 4. Advisory Business**

Continuum Investment Management, L.P. (“Continuum”), a Delaware limited partnership, provides investment management services on a discretionary basis to privately offered investment funds. Continuum currently serves as the investment manager of three funds organized in a master-feeder structure, including a domestic feeder fund (the “Domestic Feeder Fund”), an offshore feeder fund (the “Offshore Feeder Fund”) and a master fund (the “Master Fund”) (each, a “Fund” and collectively, the “Funds”). Investment and trading activity generally is conducted at the Master Fund level. References herein to the investment objectives, strategies, investments and transactions of the Funds include the Feeder Funds’ investment objectives, strategies, investments and transactions as implemented through the Master Fund. Investors in the Feeder Funds are referred to herein as “Fund investors.”

Continuum makes all investment and trading decisions on behalf of the Funds. Investment advice is provided directly to the Funds according to the Funds’ investment objectives and not individually to the Fund investors.

The founding partner and owner of Continuum is Kevin Scherer.

Continuum expects to manage client assets with a net asset value in excess of \$100 million during its first year of operations, all on a discretionary basis.

Continuum in the future may act as the investment adviser to investment entities, single investor funds and/or separately managed accounts with investment strategies and policies similar in many respects to, or very different from, those of the Funds.

#### **Item 5. Fees and Compensation**

Compensation received by Continuum and/or an affiliate for investment management services to the Funds is comprised of management fees based on a percentage of assets under management and performance-based fees. The following is a general summary of fees, which are described in greater detail in the confidential private placement memorandum (“PPM”) of each Feeder Fund.

##### *Management Fee*

Fund investors generally pay Continuum a management fee (the “Management Fee”) at an annual rate of 2%. The Management Fee is paid in advance as of the first calendar day of each month or as of the date of subscription, if not the beginning of a month (in which case, the Management Fee will be appropriately *pro rated* for the partial month in respect of the subscription amount). If a Fund investor withdraws as of a date other than the end of the calendar quarter, the Management Fee will be appropriately *pro rated* and the excess returned to the investor.

Continuum may at any time in its discretion waive all or a portion of the Management Fee payable in respect of an investor, including but not limited to affiliates, principals, partners and employees of Continuum and their respective families and any estate planning and/or other vehicles established by or on behalf of any of them. Because investment activities occur at the

Master Fund level, Continuum generally charges the Management Fee to the Master Fund instead of the Feeder Funds for purposes of administrative convenience.

### *Profit Allocation*

Adaptive Alpha Fund MM, LLC (the “Managing Member”), an affiliate of Continuum, serves as the managing member of the Domestic Feeder Fund and the profit allocation shareholder of the Master Fund.

Generally, on the last day of a fiscal year or the date of a redemption, distribution or transfer of a Fund investor’s shares/interests, a portion of each Feeder Fund’s new net income may be allocated to the capital account of the Managing Member or the Profit Allocation Shareholder, as applicable, as a “profit allocation.” The manner of calculation of such profit allocation is disclosed in the pertinent Feeder Fund’s PPM and may vary by Feeder Fund. Generally, 20% of the investment profits of each Feeder Fund are allocated as profit allocation to the Managing Member or the Profit Allocation Shareholder, as applicable, subject to a high water mark. As is the case with the Management Fee, Continuum and its affiliates reserve the right to waive all or a portion of the profit allocation for certain investors, including but not limited to affiliates, principals, partners and employees of Continuum and their respective families and any estate planning and/or other vehicles established by or on behalf of any of them, as may be determined in Continuum’s sole discretion.

### *Other Types of Fees or Expenses*

Fund investors bear indirectly the fees and expenses charged to the Funds. These fees vary, but typically include, without limitation, (i) investment- and trading-related expenses of the Funds (e.g., assignment fees, hedging costs, spreads, mark-ups on securities, swaps and forwards, commodity trading-related expenses, short dividends, currency and other hedging costs, brokerage commissions (including options and futures trades), interest expenses in respect of margin accounts, repurchase agreements and other indebtedness and other similar costs and expenses); (ii) legal, accounting and administrative expenses; (iii) auditing, tax preparation and other professional expenses; (iv) directors and officers insurance; (v) filing fees and expenses; (vi) custodial fees; (vii) bank services fees; (viii) the costs of printing and distributing periodic and annual reports and statements; (ix) expenses in connection with the ongoing offering of Fund interests; (x) regulatory and compliance expenses directly related to the Funds; (xi) hardware, software, data bases and other technical and telecommunications services used in the investment management process; (xii) fees and travel expenses in connection with investigating and monitoring potential and existing investments; (xiii) order management and risk management systems; (xiv) order management and risk management systems expenses and other expenses related to the investment decision and monitoring process; (xv) expenses paid to third-party vendors associated with the Funds’ internal accounting, order management and risk management systems; (xvi) interest on any indebtedness and other borrowing charges; and (xvii) the Funds’ *pro rata* share of the operational expenses of any acquisition vehicles utilized.

In connection with researching specific transactions, investments or asset types, Continuum may engage third-party consultants, accountants, attorneys or other experts, and connection therewith incur initial and ongoing specialized research, due diligence and monitoring related expenses.

Such expenses will be borne by the Funds. The Funds will pay any extraordinary expenses or costs that they may incur (e.g., litigation expenses or damages) and any indemnification obligations they may owe the Managing Member, Continuum, the directors of the Master Fund, their respective affiliates or other parties.

Please also see “Item 12—Brokerage Practices” below.

### *Side Letters*

The Feeder Funds may from time to time enter into agreements with certain investors which provide for terms of investment that are more favorable to such investors than the terms described in the pertinent PPM. Such terms may include, but are not limited to, (i) the reduction, waiver or different calculation of Management Fees and the Profit Allocation, including with respect to investments made by the Managing Member, Continuum and Mr. Scherer, as well as the other affiliates, principals, partners and employees of Continuum and their respective families and any estate planning and/or other vehicles established by or on behalf of any of them; (ii) preferential transfer or liquidity rights, including additional withdrawal dates and waived or reduced withdrawal notice periods, lock-up period or holdback periods for withdrawal proceeds; (iii) greater transparency on Fund positions or withdrawals or subscription amounts; (iv) the commitment to permit future investments in the Feeder Fund by such investors when the Feeder Fund is otherwise closed to new or additional investments; and (v) undertakings designed to protect an investor from violating an applicable statute or administrative regulation.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

As stated in “Item 5 – Fees and Compensation” above, currently all Continuum clients are subject to payment of a performance-based fee. Continuum does not presently face the potential conflicts of interest that may arise from differing fee arrangements among clients.

## **Item 7. Types of Clients**

As described in “Item 4 – Advisory Business” above, Continuum provides investment advice to private investment funds (defined previously as the “Funds”). Investment advice is provided directly to the Funds and not individually to the Fund investors.

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

### ***Methods of Analysis, Investment Strategies and Risk of Loss***

The Funds’ investment objective is to seek to capitalize on prepayment and credit-centric market opportunities across residential mortgage backed securities (“RMBS”), commercial mortgage backed securities (“CMBS”) and asset backed securities (“ABS”) (collectively, the “Structured Fixed Income Market”), focusing primarily on the opportunities found within the U.S. Structured Fixed Income Market. The Funds may also invest in non-dollar denominated RMBS, CMBS and ABS issued outside of the United States and other non-dollar denominated investments. Continuum intends to utilize a fundamental and quantitative driven investment methodology in conjunction with a proactive management approach to construct a portfolio of long and short prepayment, credit, and interest rate positions with positive asymmetric payoffs that is expected

to have a low volatility return profile. Continuum intends to further diversify by investment strategy (*i.e.*, market neutral, capital structure arbitrage, relative value, deep value, basis, tactical, and credit term structure), credit grade (*i.e.*, performing, stressed, and distressed), capital structure, and investment horizon while dynamically managing portfolio risk. This strategy intends to employ a proactive drawdown risk management process in conjunction with liquidity reserve requirements that are designed to limit loss exposure during adverse market conditions and reduce return volatility.

Investments may include, among other things, any of the following: (i) agency RMBS and non-agency RMBS; (ii) CMBS; (iii) consumer ABS and commercial ABS that represent interests in commercial and residential real estate loans; (iv) whole loans; (v) credit default swaps, total return swaps, put and call options and other derivatives relating to RMBS, CMBS, ABS and other fixed income investments, whether over-the-counter or otherwise; (vi) futures, swaps, forward, option and other derivative contracts or instruments; (vii) investments, including equity and debt investments, in other entities that purchase RMBS, CMBS, ABS and other fixed income investments, including leveraged vehicles that issue securities commonly known as “collateralized bond obligations,” “collateralized debt obligations” or “collateralized loan obligations” and warehouse facilities relating to the foregoing and other entities, whether leveraged or unleveraged; and (viii) distressed and special situation investments relating to the foregoing.

Continuum is authorized to acquire securities, interests or other financial instruments on behalf of the Fund for which there is no ready market, such as private or restricted securities. These investments may include securities, interests or other financial instruments that are subject to legal or contractual restrictions on sale, are not traded on any exchange or in the over-the-counter market or that Continuum determines should be held until the resolution of a special event or circumstance.

The size of the positions held by the Funds and the position turnover are likely to vary as investment strategies and market opportunities change.

The Funds may employ leverage to enhance returns subject to regulatory limits and contractual limitations imposed by prime brokers and other lenders. Leverage may take the form of trading on margin, investing in derivative instruments that are inherently leveraged, and entering into other forms of direct or indirect borrowing.

The descriptions contained herein of specific investment strategies and methods that may be engaged in by the Funds should not be understood as in any way limiting Fund investment activities. The Funds may engage in investment strategies and methods not described herein that Continuum considers appropriate, provided that such strategy and methods are consistent with the Funds’ overall objectives and strategies.

In order to achieve certain tax, regulatory or administrative efficiencies, the Master Fund may acquire a portion of its investments through various entities that are affiliates of, and under common control with, the Master Fund (each, an “Acquisition Vehicle”). Acquisition Vehicles may include trusts, limited liability companies and various other entities, which may be classified as corporations or partnerships, for U.S. federal income tax purposes, as determined in

Continuum's discretion. Neither Continuum nor any of its affiliates will receive any additional allocations, fees or compensation for forming or serving as a manager (or in another similar capacity) of an Acquisition Vehicle, although such persons may be reimbursed for reasonable out-of-pocket expenses incurred in the provision of such services.

### ***Material Risks of Continuum's Strategies***

Investing in securities involves risk of loss that Fund investors should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Funds' investments. This summary does not attempt to describe all of the risks associated with an investment in the Funds. Although no summary can fully describe all of the risks associated with such an investment, each PPM contains a more complete description of the risks associated with an investment in the Funds.

***General.*** The Funds' investments are subject to credit, liquidity, prepayment and interest rate risk. The risk that the Funds' performance could be adversely affected may be increased to the extent the Funds' portfolio is concentrated in any one issuer, industry, region or country. The market value of the Funds' investments will generally fluctuate with, among other things, the financial condition of the obligors on the underlying debt obligations, general economic and market conditions, political events, developments in any particular industry and changes in prevailing interest rates.

***RMBS.*** Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. Foreclosure of a residential mortgage loan that is in default may be a lengthy, difficult and expensive process. At any one time, the portfolio of RMBS purchased by the Funds may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such areas than would be the case for a pool of mortgage loans having more diverse property locations.

***Subprime RMBS.*** In recent years, borrowers have increasingly financed their homes with new mortgage loan products, in many cases allowing them to purchase homes they might otherwise have been unable to afford. Many of these new products feature low monthly payments during the initial years of the loan that can increase over the loan term. Recent performance data and press reports regarding such mortgage loan products and rating agency actions indicate that the performance of such mortgage loan products under current economic conditions is significantly worse than the performance of more traditional mortgage loan products. The U.S. residential mortgage market has experienced a variety of difficulties and changed economic conditions that may adversely affect the Funds' performance. Delinquencies and losses with respect to residential mortgage loans have increased, particularly in the subprime sector. Another factor that may have contributed to higher delinquency rates is the increase in monthly payments on adjustable rate mortgage loans.

***Delinquent or Defaulted RMBS.*** The pools of re-performing and non-performing subprime mortgage loans securing or backing the RMBS purchased by the Funds may include mortgage



loans that are either currently delinquent or have been delinquent in the past. Mortgage loans with a history of delinquencies are more likely to experience delinquencies in the future.

**CMBS.** The cyclical and leverage associated with real estate-related investments have historically resulted in periods of adverse performance. In addition, commercial mortgage loans generally are nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans and may provide for the payment of all or substantially all of the principal only at maturity. In some cases, the properties securing commercial mortgage loans may be subject to additional debt that may affect the related borrower's ability to refinance the loan or result in reduced cash flow and deferred maintenance. Additional risks may be presented by the type and use of a particular commercial property. Commercial property values and net operating income are subject to volatility, and net operating income may or may not be sufficient to cover debt service on the related mortgage loan at any given time.

**Structural and Legal Risks of CMBS and RMBS.** Legal risks can arise as a result of the procedures followed in connection with the origination of the mortgage loans for an issue of RMBS or the servicing thereof, each of which may be subject to various U.S. federal and state laws, public policies and principles of equity that protect consumers. Violation of certain provisions may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it or subject the servicer to damages and sanctions. Any such violation also could result in cash flow delays and losses on the related issue of RMBS. Failure to comply with state and U.S. federal consumer protection laws and related statutes could subject the lenders under the mortgage loans backing an RMBS to specific statutory liabilities, may limit the ability of an issuer of an RMBS to collect all or part of the principal of, or interest on, the related underlying mortgage loans or could subject such issuer to damages and administrative enforcement.

Structural and legal risks of CMBS and RMBS include the possibility that, in a bankruptcy or similar proceeding involving the originator or the servicer, the assets of the issuer could be treated as never having been truly sold by the originator to the issuer and could be substantively consolidated with those of the originator, or the transfer of such assets to the issuer could be voided as a fraudulent transfer. Challenges based on such doctrines could result in cash flow delays and losses on the related CMBS or RMBS issue. In addition, numerous federal and state statutory provisions, including the federal bankruptcy laws and state debtor relief laws, may adversely affect the ability of an RMBS issuer to collect the principal of, or interest on, the loans. CMBS or RMBS (other than the residential agency MBS) are generally not guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on CMBS and RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

**Risk of Government Action.** The rise in the rate of foreclosures of properties backing subprime loans in certain states may prompt legislators, regulators and attorney generals in such states to try to prevent certain foreclosures and bring lawsuits against participants in the financing of subprime loans in their states, including issuers of RMBS backed by such loans and investors in such RMBS, including the Funds.

**CDOs.** CDOs are subject to credit, liquidity and interest rate risks. There is no established, liquid secondary market for many of the CDO securities the Funds may purchase. The lack of such an established, liquid secondary market may have an adverse effect on the market value of such CDO securities and the Funds' ability to sell them. Further, CDOs will be subject to certain transfer restrictions that may further restrict liquidity. The performance of CDOs is adversely affected by macroeconomic factors, including (i) general economic conditions affecting capital markets, (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide, (iii) recent concern about financial performance, accounting and other issues relating to various publicly traded companies and (iv) recent and proposed changes in accounting and reporting standards and bankruptcy legislation.

**ABS.** ABS, which represent an interest in a pool of assets such as commercial and residential real estate loans, have yield and maturity characteristics corresponding to their underlying assets. Payments on certain ABS include both interest and a partial payment of principal. This partial payment of principal may be comprised of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of ABS can be adversely affected. In addition, like other interest-bearing securities, the values of ABS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option.

**Prepayment Risk.** Prepayment risk is the risk that principal will be repaid at a different rate than anticipated, causing the return on a security purchased to be less than expected. ABS and MBS present this risk.

**Use of Derivatives.** The Funds may make use of various derivative instruments, such as convertible securities, options, futures, forwards and interest rate, credit default, total return and equity swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses. Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of such position may be limited.

**Residual Interests.** The Funds may make substantial investments in unsecured equity tranches and equivalent junior subordinate securities of structured finance vehicles. Such residuals represent subordinated interests in the relevant structured finance vehicle only and are not secured by any assets of the vehicle. Due to the leverage inherent in structured finance vehicle

structures, changes in the value of the residuals could be greater than the changes in the values of the underlying collateral. Accordingly, “equity” or subordinated interests and note classes may not be paid in full and may be subject to total loss. Although the use of leverage creates an opportunity for substantial returns for the Funds on the residuals, it increases substantially the likelihood that the Funds could lose their entire investment in residuals if the pool of underlying collateral held by the relevant structured finance vehicle is adversely affected by market developments.

**Whole Loans.** Pools of whole loans may be acquired directly or serve as the collateral for certain ABS and MBS investments of the Funds. Whole loans are generally subject to the same risks relating to the underlying collateral of ABS, MBS and CDOs. However, the holders of whole loans are exposed to such risks directly, as whole loans do not benefit from certain advantages that may be present as a result of the securitization process, including risk allocation, credit support and hedging mechanisms. Further, as whole loans are not securities, they may be harder to dispose of than interests in structured finance vehicles.

**Synthetic Securities.** The Funds may purchase or enter into derivative financial instruments known as “synthetic securities.” A synthetic security contains a similar probability of default, recovery upon default and expected loss characteristics as those of the debt security or other obligation upon which the synthetic security is based (the “reference obligation”), but contains maturity, interest rate and other non-credit characteristics that may be different from those of the reference obligation. In addition to the credit risks associated with holding RMBS, CMBS and ABS, in the case of synthetic securities the Funds will usually have a contractual relationship only with the counterparty of such synthetic security and not with the obligor of the reference obligation (the “reference obligor”). The Funds generally will have no right to directly enforce compliance by the reference obligor with the terms of the reference obligation, nor will they have any rights of setoff against the reference obligor or rights with respect to the reference obligation. Consequently, the Funds will be subject to the credit risk of the counterparty as well as that of the reference obligor. As a result, concentrations of synthetic securities in any one counterparty subject the Funds to an additional degree of risk with respect to defaults by such counterparty as well as by the reference obligor.

**Investments with Troubled Origination.** The investments chosen by Continuum may have been originated by financial institutions or other entities that are, or may in the future be, insolvent, in serious financial difficulty or no longer in existence. As a result, the standards by which such investments were originated, the recourse to the selling institution or the standards by which such investments are being serviced or operated may be adversely affected. Further, there is a risk of material misrepresentation or omission on the part of the borrower or the lender on the loans and other debt instruments backing the Funds’ investments. Inaccuracy or incompleteness of information concerning borrowers may adversely affect the valuation of the collateral underlying the loans or adversely affect the ability of the Funds to perfect or effectuate a lien on the collateral securing the loan. Inaccurate or incomplete disclosure of the terms of the loan by a lender may adversely affect the ability of a borrower to assess accurately its ability to repay the loan and make accurate representations to lenders.

**International Investing.** Investing outside the United States may involve greater risks than investing in the United States. These risks include: (i) less publicly available information;

(ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a foreign jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, foreign companies are generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Foreign markets also have different clearance and settlement procedures, and in certain markets settlements sometimes have failed to keep pace with the volume of securities transactions. Transaction costs of buying and selling foreign securities also are generally higher than those involved in U.S. transactions. Furthermore, foreign financial markets generally have substantially less volume than U.S. markets, and securities of many foreign companies are less liquid and their prices more volatile than securities of comparable U.S. companies.

***Credit Default Swaps and Other Credit Derivatives.*** The Funds may make investments in credit default swaps, total rate of return swaps or other credit derivatives. Such derivatives are a relatively recent development in the financial markets, resulting in certain legal, tax and market uncertainties that present risks in entering into such agreements. There is currently little or no case law or litigation characterizing credit default swaps, total rate of return swaps or other credit derivatives, interpreting their provisions or characterizing their tax treatment. In addition, additional regulations and laws may apply to credit default swaps, total rate of return swaps or other credit derivatives that have not heretofore been applied and that may have a material adverse effect on the Funds. The use of leverage will significantly increase the sensitivity of the market value of the credit default swaps, total rate of return swaps or other credit derivatives to changes in the market value of the reference obligations, which are subject to the risks related to the credit of the underlying obligors.

***Portfolio Valuation.*** Because the secondary market for RMBS, CMBS, ABS and other assets in which the Funds may invest is limited, it may be difficult to value such assets. Market quotations (or other third party pricing information) may not be readily available for some of the Funds' assets or may be volatile and/or subject to large spreads between bid and ask prices, and valuation may require more research than for other types of investments. Hence, there is a risk that a Fund investor that withdraws all or part of its investment while the Funds hold such private, thinly traded or illiquid investments will be paid an amount less than it would otherwise be paid if the actual value of such investments were higher than the value assigned by the Funds. Similarly, there is a risk that a Fund investor might, in effect, be overpaid and have to pay back excess amounts of such withdrawal if the actual value of such investment were lower than the value assigned by the Funds.

***Leverage.*** Losses incurred on the Funds' leveraged investments will increase in direct proportion to the degree of leverage employed. The Funds will also incur interest expense on the borrowings used to leverage their positions. The use of leverage also may result in the forced liquidation of positions (which may otherwise have been profitable) as a result of margin or collateral calls. To the extent the assets of the Funds have been leveraged through the borrowing of money, the purchase of securities on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by the Funds' portfolio fail to cover such costs, the Funds' net asset value may decrease faster than if there had been no borrowings.

**Turnover.** The Funds will not be restricted in effecting transactions by any limitation with regard to their portfolio turnover rate. In light of the Funds' investment objectives and policies, the Funds' portfolio turnover rate may be substantial, which would result in significant transaction costs.

#### **Item 9. Disciplinary Information**

Continuum has no legal or disciplinary events to report that would be material to a client's or prospective client's evaluation of Continuum's advisory business or the integrity of its management.

#### **Item 10. Other Financial Industry Activities and Affiliations**

As noted above, Adaptive Alpha Fund MM, LLC (previously defined as the Managing Member), an affiliate of Continuum, serves as the managing member of the Domestic Feeder Fund and the profit allocation shareholder of the Master Fund and as such is entitled to receive a profit allocation in those capacities. The Managing Member, in its capacity as profit allocation shareholder of the Master Fund, has ultimate authority over the Master Fund's operation. Any persons acting on behalf of the Managing Member are subject to the supervision and control of Continuum in connection with any investment advisory activities. In accordance with SEC guidance, the Managing Member will be registered as an investment adviser in reliance on the Form ADV filed by Continuum.

Continuum and its employees/management persons do not have relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

##### *Code of Ethics*

As a fiduciary, Continuum owes an undivided duty of loyalty to its clients and thus demands the highest standards of ethical conduct and care by all of its principals and employees (referred to herein as "supervised persons"). It is Continuum's policy that all supervised persons conduct themselves so as to avoid, to the extent possible, not only actual conflicts of interest with clients but any conduct that could give rise to the appearance of a conflict of interest that might compromise the trust placed in Continuum by its clients. Continuum's policies and procedures have been designed to identify and properly disclose, mitigate and/or eliminate applicable conflicts of interest.

Continuum has adopted a Code of Ethics that sets forth standards of ethical and business conduct expected of Continuum's supervised persons and addresses conflicts that may arise from personal trading by Continuum's supervised persons. The Code of Ethics, among other things, requires compliance with the federal securities laws, reflects Continuum's fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions and requires Continuum's supervised persons to periodically report and/or preclear certain personal securities transactions.

The Code of Ethics will be provided to any client or potential client upon request.

### *Personal Trading*

Continuum's supervised persons are permitted to invest in their personal trading accounts, subject to certain restrictions, and may in certain circumstances invest in the same or related securities as Continuum recommends to the Funds, including doing so at or about the same time as the Fund transaction is effected. In order to reduce certain conflicts of interest that may arise between client accounts and the personal trading activities of Continuum's supervised persons, Continuum has adopted a personal trading policy (contained in the Code of Ethics). The personal trading policy, among other things, requires preclearance of certain transactions and reporting of all transactions in and holdings of "reportable securities."

### *Principal Transactions and Cross Trades*

It is not generally anticipated that the Master Fund will enter into transactions in which Continuum and/or an affiliate participates or has a significant economic interest. Moreover, Continuum does not generally anticipate effecting client cross-transactions where Continuum causes a transaction to be effected between (i) the Master Fund and (ii) another account advised by it or any of its affiliates. However, if Continuum determines it is in the best interests of the Master Fund to enter into any such related party transaction, and if such transaction is subject to the disclosure and consent requirements of Section 206(3) of the Investment Advisers Act of 1940, such requirements will be satisfied with respect to the Master Fund, the Feeder Funds and all Fund investors if disclosure is given to, and consent obtained from, the members of the board of directors of the Master Fund who are not affiliated with Continuum or the Managing Member. Continuum must determine that any principal transaction is in the best interest of the participating client. Cross trades must be in the best interest of each participating client and must be consistent with Continuum's duty to seek best execution.

## **Item 12. Brokerage Practices**

### *Best Execution*

Continuum is authorized to select the prime brokers for the Funds and to determine the broker-dealer to be used for each securities transaction for the Funds. Continuum may cause the Funds to pay, or authorize the payment and reimbursement of, brokerage commissions (including those that may be in excess of the lowest rates available that are paid to broker-dealers that execute transactions for the Funds and that supply or pay for the cost of brokerage, research or execution services utilized by the Funds). In choosing broker-dealers, Continuum is not required to consider any particular criteria. For the most part, Continuum seeks the best combination of brokerage cost and execution quality. However, Continuum is not required to select the broker-dealer that charges the lowest transaction cost, even if that broker-dealer provides execution quality comparable to other broker-dealers. Continuum may consider the value of various services or products, beyond execution, that a broker-dealer provides to the Funds and/or Continuum. Because many of those services could benefit Continuum, Continuum may have a conflict of interest in allocating the Funds' brokerage business. Continuum may utilize broker-

dealers that may direct or refer investment opportunities or introduce prospective investors to the Funds, but such referrals will not be a criteria for selection of broker-dealers.

The Funds are not required to allocate either a stated dollar or stated percentage of their transactions to any broker-dealer for any minimum time period, and Continuum will review such relationships periodically.

#### *Soft Dollar Benefits*

Continuum presently has no soft dollar arrangements. However, Continuum may use broker-dealers that provide research or other products or services to most or all of their customers, without being requested to do so, and Continuum may receive and use research provided by these broker-dealers. In this situation, Continuum receives a benefit because it does not have to produce or pay for the research. Continuum may have an incentive to select broker-dealers based on their interest in receiving the research or other products or services, even though no soft dollar arrangements are in place, rather than on the Funds' interest in receiving the most favorable execution. However, since the research provided is not material in nature and quantity and is provided by most broker-dealers with which Continuum deals, Continuum's receipt of such research does not have a material effect on Continuum's selection of broker-dealers. Continuum does not separately compensate such broker-dealers for the provision of such services and does not believe that it "pays up" for such services. The research received will be used for the benefit of all Continuum clients.

#### *Allocation of Investment Opportunities*

As a fiduciary, Continuum must allocate investment opportunities among its clients (including the Funds and any other clients Continuum may advise in the future) in a fair and equitable manner.

Continuum currently advises only the Funds. However, Continuum in the future may act as the investment adviser to investment entities, single investor funds and/or separately managed accounts with investment strategies and policies similar in many respects to, or very different from, those of the Funds. In particular, Continuum offers certain potential clients the opportunity to participate in single investor funds and separately managed accounts which will be managed with an investment approach that is substantially similar to the approach Continuum anticipates taking in respect of the Funds. There are no restrictions on Continuum's ability to manage accounts of other clients following the same or a different investment objective, philosophy and strategy as those used for the Funds.

To the extent Continuum provides services for other clients in the future, it will seek to allocate orders and investment opportunities in a manner that it believes is in the best interests of all of its clients (including the Funds). Although such allocations may be *pro rata* as to the Funds and other participating entities and clients, they will not necessarily be so, where Continuum's allocation policies (*e.g.*, differing objectives or other considerations) dictate a different result.

In cases where a limited amount of an instrument is available for purchase, the allocation of such instrument, as between the Funds and any such other clients, may necessarily reduce the amount available for purchase by the Funds. There can be no assurance that a particular order or

investment opportunity will be allocated in a particular manner. If conflicts arise in the allocation of investment opportunities, Continuum will seek to resolve such conflicts fairly. The foregoing policy does not require that each opportunity be made available to all accounts, leaving significant discretion to Continuum. For example, there may be accounts with different objectives, so that the same transaction would not necessarily be made available to all accounts.

If and when pertinent in the future, if more than one client invests in a common position, Continuum may (but is not required to) aggregate orders if doing so would be (i) in the interest of each relevant client, (ii) consistent with Continuum's duty to seek best execution and (iii) consistent with the guidelines and restrictions of each relevant client. No client will be favored over any other client. Each client that participates in an aggregated order will participate at the average price for all of Continuum's transactions in that security on a given business day, with transaction costs shared *pro rata*.

### *Trading Errors*

Continuum is under no obligation to reimburse the Funds for any errors or mistakes of Continuum with respect to Continuum's placing or executing trades for the Funds or any other administrative errors made by Continuum, its agents and affiliates ("Trade or Administrative Errors"). Trade or Administrative Errors are considered by Continuum to be a cost of doing business. However, pursuant to the exculpation of liability and indemnification provisions contained in the pertinent investment management agreement or other fund documentation, Continuum will be obligated to reimburse the Funds for any Trade or Administrative Error resulting from Continuum's willful misconduct or gross negligence. Any correction of a Trade or Administrative Error will only be made to the extent required so that the Funds do not incur a loss related to such Trade or Administrative Error. Continuum, subject to its fiduciary obligations, will determine whether or not any Trade or Administrative Error is required to be reimbursed in accordance with such liability and exculpation provisions. Continuum, in its sole discretion, reserves the right to reimburse the Funds for any Trade or Administrative Error. Continuum's reimbursement of the Funds for any particular Trade or Administrative Error will not constitute a waiver of any policy to cause the Funds to bear the losses from such Trade or Administrative Error. Continuum has an inherent conflict of interest with respect to the discovery and treatment of Trade or Administrative Errors. Any net gain resulting from Trade or Administrative Errors will be for the benefit of the Funds, and will not be retained by Continuum.

If Continuum advises other types of clients in the future, such as a separately managed account, different trading error policies may apply.

## **Item 13. Review of Accounts**

### *Review of Accounts*

Continuum will review, as pertinent, the Funds' portfolio holdings to determine that the investments held by the Funds remain consistent with the pertinent offering documents and will generally review the Funds' performance on an ongoing basis.



## *Reports to Clients*

Fund investors receive monthly update letters, unaudited performance information at least quarterly and audited financial statements on an annual basis. A Fund may offer certain investors additional information and reporting that other investors may not receive.

### **Item 14. Client Referrals and Other Compensation**

Not applicable.

### **Item 15. Custody**

Although Continuum does not physically hold the securities and other assets of the Funds, Continuum is deemed to have custody of the Funds' assets, since a Continuum affiliate serves as managing member of, or in a similar capacity for, certain of the Funds. Fund investors do not receive account statements from any custodians; rather, the Funds are subject to an annual audit and the audited financial statements are distributed to each Fund investor.

### **Item 16. Investment Discretion**

Continuum provides discretionary investment advisory services to the Funds, subject to the investment objectives, strategies and policies applicable to each Fund. Continuum may make investment decisions, without consultation with the Funds or the Fund investors, regarding which securities are bought and sold for the Funds, the total amount of the securities to be bought and sold, the broker-dealers (if any) with which orders are placed for execution and (as applicable) the commission rates at which securities transactions are effected. Such discretionary authority is granted to Continuum in the applicable limited partnership agreement, investment management agreement or other pertinent Fund documentation.

Continuum has full discretion in all investment decisions made on behalf of the Funds.

### **Item 17. Voting Client Securities**

Continuum has voting authority and responsibility with respect to securities held by the Funds. Continuum does not expect to receive many solicitations in connection with equity securities of traditional operating companies. However, proxy voting is also deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities. In voting proxies, Continuum is guided by general fiduciary principles and votes in the manner it believes is consistent with efforts to achieve a client's stated investment objectives.

Continuum's general policy is to vote in accordance with the recommendation of an issuer's management on routine and administrative matters, unless Continuum has a particular reason to vote to the contrary. This general policy is not a predetermination, however, to vote in favor of the issuer's management, as Continuum will review all client proxies in accordance with the general fiduciary principles noted above. With respect to non-recurring or extraordinary matters, Continuum will vote on a case-by-case basis in accordance with the goals of achieving a client's stated objectives. Continuum retains the discretion to take no action with respect to a proposed

vote if it determines that doing so is in the best interests of a client (for example, where Continuum determines that the cost of voting exceeds the expected benefit to the client).

Continuum follows procedures designed to identify conflicts or potential conflicts that could arise between its own interests and those of its clients. If it is determined that any such conflict or potential conflict is not material, Continuum may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, one or more methods may be used to resolve the conflict, including (i) engaging a third party to recommend a vote with respect to the proxy, (ii) disclosing the conflict to the client and obtaining its consent before voting or (iii) convening a proxy voting committee to review the conflict.

Clients may request a copy of Continuum's proxy voting policy, as well as applicable proxy voting records, by contacting Continuum.

#### **Item 18. Financial Information**

Continuum is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its clients, and Continuum has not been the subject of a bankruptcy petition.