

Edgestream Partners, L.P.
Part 2A of Form ADV
The Brochure

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This brochure provides information about the qualifications and business practices of Edgestream Partners, L.P. If you have any questions about the contents of this brochure, please contact us at (609) 681-2200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Edgestream Partners, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Edgestream Partners, L.P. is a relatively newly-registered investment adviser and this is our first update to our initial Form ADV Part 2 that we filed on January 15, 2013. Though we note that no material changes have occurred since our initial filing, we recommend that you read this ADV Part 2 in its entirety. Edgestream Partners, L.P. succeeded to the registration with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940, as amended, held by its former wholly owned subsidiary, Merfin, LLC, as described more fully herein.

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1. Advisory Business

Edgestream Partners, L.P., a Delaware limited partnership, is an investment management firm specializing in alternative investment strategies for institutional and private investors. Prior to January 1, 2013, Edgestream Partners, L.P. conducted its securities advisory business through its wholly owned subsidiary Merfin, LLC, a California limited liability company. Effective as of December 31, 2012, Merfin, LLC was merged with and into Edgestream Partners, L.P. Merfin, LLC was initially founded in 1995 and in 2007 became a wholly owned subsidiary of Edgestream Partners, L.P. Peter N. Yianilos and Sandor H. Straus are the principal owners of Edgestream Partners, L.P. Peter N. Yianilos and Sandor H. Straus have known each other professionally since 1980 and began working together on the strategies now employed by Edgestream Partners, L.P. in 2001.

Our firm uses a proprietary technical trading system that utilizes mathematical models to identify profitable trading opportunities in various futures interests, foreign exchange instruments and securities markets.

Our firm serves as the investment adviser to our one investment advisory client, Edgestream Equities Fund, L.P. (the “**Edgestream Equities Fund**”).

The Edgestream Equities Fund is a subsidiary of Edgestream Master Fund, Ltd. (the “**Master Fund**”), a commodity pool that we operate and to which we provide commodity trading advice. The Master Fund is neither a “private fund” as defined under the Investment Advisers Act of 1940, as amended, nor an “investment company” as defined under the Investment Company Act of 1940, as amended. The Master Fund acts as the master fund to two feeder funds (the “**Feeder Funds**”) and trades solely in futures contracts and foreign exchange interests. In connection with the margin deposits required by the Master Fund’s futures clearing merchants, the Master Fund may at any time hold a significant portion of its capital in cash and cash equivalents, including U.S. Treasury bills. A portion of the Master Fund’s assets are invested in the Edgestream Equities Fund to invest solely in securities. Our firm adheres to the investment strategy set forth in the offering documents for the Feeder Funds, which set forth the investment strategy applicable for the Edgestream Equities Fund. We do not modify our securities recommendations to our client according to the particular interests of the underlying investors in the Feeder Funds, nor do we allow these investors to place restrictions on the trading we conduct for our client.

As of December 31, 2012, we managed client assets in the amount of approximately \$473,962,814. This amount includes approximately \$383,166,813 primarily consisting of cash, cash equivalents, futures contracts and foreign-exchange instruments owned by the Master Fund. As of December 31, 2012, the client assets held directly by our one investment advisory client, Edgestream Equities Fund, were approximately \$90,796,000. We do not manage any client assets on a non-discretionary basis.

2. Fees and Compensation

We receive all of our asset-based fees and performance-based compensation from our client’s parent, the Master Fund. The assets and performance of our client are aggregated with the assets and performance of our client’s parent for purposes of determining our asset-based fees and performance-based compensation.

The Master Fund pays our firm an asset-based management fee equal to 2% per annum based on the month-end net asset value of the Master Fund. This asset-based management fee is accrued monthly and paid quarterly in arrears.

Our firm receives performance-based compensation from the Master Fund as an allocation. Our firm deducts its performance-based compensation from the Master Fund at the end of each calendar quarter or when investors in a Feeder Fund make a withdrawal or redemption. We do not currently negotiate our compensation either directly or through side letters.

Our firm takes its 20% performance based-compensation on the net profits attributable to shares of the Master Fund, subject to a “high water mark” limitation. This means that we only receive our performance-based compensation when net profits attributable to shares of the Master Fund for the quarter have recovered any losses from prior quarters.

We do not receive any asset-based fees or performance-based compensation in advance. If an investor withdraws or redeems from a Feeder Fund before the end of a payment period, the applicable asset-based fee or performance allocation is charged or taken at the time of withdrawal or redemption on the withdrawn or redeemed amount.

In connection with our advisory services, the Feeder Funds bear all of their own expenses which include their pro rata share of our client's expenses. The following describes the types of expenses the Feeder Funds may incur on behalf of our client.

- brokerage commissions;
- dealer spreads;
- interest expenses;
- dividends payable with respect to securities sold short;
- custodial fees;
- exchange fees;
- give-up fees;
- automated order routing fees and expenses and related transactional fees and expenses;
- certain data feeds and third-party data center hosting fees and expenses;
- costs of certain dedicated communication facilities;
- accounting, tax and other reporting expenses (including costs of third-party accounting, tax and reporting software);
- fees and expenses associated with the preparation and filing of Forms PF, CPO-PQR and other regulatory filings which seek information about the client, the Master Fund or the Feeder Funds;
- legal, administrative and accounting fees and expenses;
- governmental, registration, license and membership fees (including, without limitation, exchange memberships);
- expenses associated with compliance with applicable laws and regulations;
- costs and expenses related to the offer and sale of interests in the Feeder Funds;
- taxes and other governmental charges;
- all expenses incurred in connection with any threatened, pending or anticipated litigation or examination or proceeding;
- insurance expenses; and
- other extraordinary or non-recurring expenses.

We allocate the expenses pro rata among the Feeder Funds based on their respective capital balances or in any other manner we deem fair and reasonable.

For more information on brokerage transactions and costs, please see Section 9: “Brokerage Practices.”

3. Performance-Based Fees and Side-by-Side Management

Our firm receives performance-based compensation in the form of a performance allocation from our client's parent as discussed in Section 2 “Fees and Compensation.” The existence of the performance-based compensation may create an incentive for our firm to make riskier or more

speculative investments on behalf of our client. Our firm's proprietary investment in our client through the Feeder Funds aids in aligning our interests with the interests of our client.

4. Types of Clients

Our firm provides investment advice to Edgestream Equities Fund, a pooled investment vehicle. The investors that indirectly invest in our client (through the Feeder Funds and, in turn, the Master Fund) may include institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities. Investors must meet certain standards of net worth or knowledgeability regarding the firm's investment program.

We do not provide investment advice to any person other than Edgestream Equities Fund nor is this brochure intended to be an offer to invest in our client or the Feeder Funds or to open a managed account with us.

5. Methods of Analysis, Investment Strategies and Risk of Loss

We seek to maximize long-term returns for our client through capital appreciation by investing our client's assets pursuant to a proprietary technical trading system, described in greater detail below. Since the trading methods used by our firm are both proprietary and confidential, the following discussion is general in nature and is not intended to be exhaustive.

Our firm's technical trading system is largely automated with respect to the generation of its signals and utilizes mathematical models to identify profitable trading opportunities in various securities markets. Our trading decisions are based on a strategy which seeks to take into account certain "technical" factors in identifying price patterns. The buy and sell signals generated by the system are not based on analysis of fundamental supply and demand factors, general economic factors or anticipated world events. Instead, they are generally based upon an analysis of actual price movements and other quantitative market data. We anticipate typically holding our client's positions for no longer than several days. From time to time we may hold certain positions for longer periods. We intend to continuously research and develop modified trading systems, and deploy these systems from time-to-time. We also intend to follow the signals generated by the trading system in determining the trades to place on behalf of our client. While we retain the right to override the system at any time and for any reason, it is generally not our intent to do so in the ordinary course of business (e.g., significant market upheavals, natural disasters). We establish the risk parameters for our client within which the trading system operates. From time to time we also revise these risk parameters in our sole discretion.

We anticipate investing our client's assets in a diversified portfolio of U.S.- and non-U.S. listed equity securities, equity linked swaps, contracts for differences and/or similar instruments.

Our client (and its indirect investors) should be aware of certain special considerations and risk factors relating to our investment strategies. The following explanation of certain risks is not necessarily exhaustive, but rather highlights some of the more significant risks involved in our investment strategies. Investors in the Feeder Funds should also review the risk factors set forth

in the applicable offering document, which may contain additional explanations of strategies, risks and other related details not discussed below.

- *Trading Strategies.* There can be no assurance that the specific trading strategies we utilize will produce profitable results. Profitable trading is often dependent on anticipating trading patterns. Markets subject to random price fluctuations, rather than defined trends or patterns, may generate a series of losing trades. There have been periods in the past when the markets have been subject to limited and ill-defined price movements, and such periods may recur. The best trading strategy, whether based on fundamental or technical analysis, will not be profitable if there are no patterns of the kind it seeks to follow. No assurance can be given that our techniques and strategies will be profitable in the future.
- *Trade Errors.* Unless we determine, in our sole discretion, that a trade error was the result of our willful misconduct, fraud or gross negligence, any losses associated with trade errors that are not recovered from a third party are borne by our client. If a trading error, after correction, results in a gain for our client, the gain will remain in our client.
- *Increased Costs of Frequent Trading.* Our strategy requires taking frequent trading positions. Portfolio turnover and brokerage commission expenses resulting from frequent trading may significantly exceed those of other investment entities of comparable size.
- *Trading Decisions Based on Technical Strategy.* The profitability of any technical trading strategy depends upon occurrence in the future of price moves or patterns in the instruments traded. In the past, there have been periods without discernible patterns and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no patterns of the kind it seeks to follow. Any factor that may lessen the prospect of significant patterns in the future (for example, increased governmental control of markets or increased government participation in markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at the system's signaled prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability. We may modify and alter our strategy so that the trading strategy used in the future may differ from our current strategy. Investors are normally not notified of modifications and alterations, and thus will have no opportunity to evaluate the potential of their investment with regard to the modified strategy.
- *Possible Effects of Other Mathematical Technical Systems.* Technical trading strategies employing mathematical models to analyze price movements and other quantitative data are not new. If other traders follow similar strategies, the effectiveness of our strategy may be reduced. It is likely the use of technical trading strategies employing mathematical models has increased in recent years. The effect of the increase, if any, in the proportion of funds traded pursuant to mathematical-technical strategies in recent years cannot be predicted. Any increase, however, could alter trading patterns or affect execution of trades to the detriment of our client.

- *No Formal Diversification Policies.* Although diversification is an integral part of our overall portfolio risk management process, we are not restricted as to the percentage of our client's assets that may be invested in any particular instrument, market or asset class. Our client has not adopted fixed guidelines for diversification of its investments among instruments or markets and may be heavily concentrated, at any time, in a limited number of positions. In attempting to maximize our client's returns, we may concentrate our client's holdings in those instruments or markets which, in our sole judgment, provide the best profit opportunity in view of our client's investment objectives.
- *Counterparty and Custodial Risk.* To the extent our client invests in swaps, "synthetic" or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments and over the counter transactions, or, in certain circumstances, non-US securities, our client takes the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty, the risk of settlement default, and generally, the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. These risks could subject our client to substantial losses. 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. In an effort to mitigate such risks, we will attempt to limit transactions on behalf of our client to counterparties which we believe are established, well capitalized and creditworthy.

In addition, there are risks involved in dealing with the custodians or brokers who settle trades, particularly with respect to non-US investments. We expect that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of our client. Therefore, our client should not be exposed to a credit risk with respect to these parties. However, it may not always be possible to achieve this segregation and there may be practical or timing problems associated with enforcing our client's rights to its assets in the case of an insolvency of one of these parties.

- *Interest Rate Fluctuations.* The prices of securities tend to be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to our client of borrowed securities and leveraged investments. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose our client to losses.
- *Equity Securities Generally.* Our client will trade equity securities. In general, market prices of equity securities are frequently subject to greater volatility than prices of fixed-income securities. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so

again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting these types of irregularities or which are the subject of rumors of accounting irregularities.

- *Common Stock.* Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to the issuer's assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer.
- *Equity Securities of Small and Mid-Cap Companies.* Some of the issuers of equity securities in which we may invest on behalf of our client may be more vulnerable than larger companies to adverse business or market developments, may have limited markets or financial resources and may lack experienced management. In addition, many small and medium size companies are not well known to the investing public, do not have significant institutional ownership and are followed by relatively few analysts. Therefore, there may tend to be less publicly available information concerning these smaller to medium-sized companies compared to what is available for companies that have larger market capitalizations.
- *Short Selling.* We will engage in selling securities short on behalf of our client. Selling securities short inherently involves leverage because the short sale of a security will involve the sale of a security not owned by the seller. The seller may borrow the security for delivery at the time of the short sale. If the seller borrows the security, the seller must then buy the security at a later date in order to replace the shares borrowed. If the price of the security at such later date is lower than that at the date of the short sale, the seller realizes a profit; if the price of the security has risen, however, the seller realizes a loss. Selling a security short which is borrowed exposes the seller to unlimited risk with respect to the security due to the lack of an upper limit on the price to which a security can rise.
- *Use of Swaps.* Our client may invest in U.S. or non-U.S. equities through the use of swaps. In general, a swap contract typically involves leverage (i.e., it provides exposure to potential gain or loss from a change in the level of the market price of a security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the swap contract). Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in the swap contract. Some of the swap contracts entered into by our client may be privately negotiated in the over-the-counter market. These contracts also involve exposure to credit risk, since contract performance depends in part on the financial condition of the counterparty. These transactions are also expected to involve significant transaction costs.

- *Recent Developments in Financial Markets.* Recent developments in the global financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty. In light of such recent market turmoil and the overall weakening of the financial services industry, our client, our firm and other financial institutions' financial condition may be adversely affected and they may become subject to legal, regulatory, reputational and other unforeseen risks that could have a material adverse effect on our client's business and operations.
- *Investments in Futures Contracts.* The Master Fund (our client's parent) invests in commodity, interest rate, equity index and other futures and such futures prices can be highly volatile. Because of low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested. Also, any large losses incurred by the Master Fund may affect our client's ability to make investments in securities due to a decrease in available capital.

We do not recommend primarily any single type of security. Our client generally holds a diverse range of investments, yet we still encourage our client (as well as its indirect investors) to consider all of the risk factors we have described above and in the applicable offering document. Any investment can be risky and our client and its indirect investors must be prepared to assume any potential loss.

6. Disciplinary Information

Neither our firm nor any management person has been involved in any criminal or civil actions in a domestic, foreign or military court.

Neither our firm nor any management person has been subject to an administrative proceeding before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither our firm nor any management person has been subject to a proceeding before any self-regulatory organization.

7. Other Financial Industry Activities and Affiliations

The following management persons of our firm are registered with the National Futures Association:

Name	Title	Registration	Registration Number
Peter N. Yianilos	CEO	Principal and Associated Person	0325809
Sandor H. Straus	EVP and CFO	Principal, Associated Person and Branch Office	0229518

		Manager	
Vincent J. Cuticello	CCO	Principal, Associated Person	0410576

Edgestream Partners, L.P. is registered with the National Futures Association as a commodity pool operator and a commodity trading advisor. Edgestream Partners, L.P. acts as commodity pool operator and commodity trading advisor to several private investment funds that we sponsor, but relies on exemptions from certain disclosure, recordkeeping and reporting requirements for these private investment funds pursuant to Commodity Futures Trading Commission Rule 4.7. These exemptions are based on the qualifications of each private investment fund's investors.

Affiliations with Pooled Investment Vehicles

Edgestream Partners, L.P. serves as the general partner to the Edgestream Equities Fund, L.P. and to the domestic Feeder Fund, Edgestream Sumatra Fund, L.P. Edgestream Partners, L.P. also engages the directors for the Edgestream Master Fund and its non-U.S. Feeder Fund, Edgestream Nias Fund, Ltd. (in which eligible non-U.S. and U.S. tax-exempt investors invest). Although these arrangements may give us heightened control and discretion over our client, we manage any potential conflicts of interest by fully disclosing these relationships and adhering to the investment strategy in the applicable offering documents of the Feeder Funds. In addition, we entered into an investment management arrangement with our client. While this may be an interested party agreement, the material terms of the investment management arrangement are fully disclosed to all investors in the Feeder Funds prior to their investment.

Other than as described above, we do not have arrangements with any other related persons that are service providers to our client that is material to us.

8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a Code of Ethics in accordance with the Securities and Exchange Commission requirements. Our Code of Ethics works to ensure that our employees' securities transactions are consistent with our fiduciary duty to our client and to ensure compliance with legal and regulatory requirements. It focuses on specific areas where employee conduct has the potential to affect our client's or investors' interests adversely, such as personal securities trading, outside activities, gifts, the influence of personal relationships and charitable contributions. Our Code of Ethics requires employees to submit quarterly statements to our Chief Compliance Officer for certain accounts holding securities in which an employee or certain of their family members have an interest. Certain employee trades in which an employee or certain of their family members have an interest must be reviewed and pre-approved by our Chief Compliance Officer. We provide a copy of our Code of Ethics to our client or any investor in the Feeder Funds upon request.

Our principals and employees do not recommend to our client, nor do they buy or sell for our client's accounts, securities in which they have a material financial interest.

Employees and entities affiliated with us are not allowed to trade in any securities that are on our restricted list. Employees and entities affiliated with us are only allowed to trade in government securities, mutual fund shares and certain other types of investments set forth in our Code of Ethics. If employees wish to invest in securities other than these types of investments, the prior approval of our Chief Compliance Officer is required.

9. Brokerage Practices

In selecting broker-dealers and determining the reasonableness of their commissions for our client's transactions, we strive to achieve "best execution," by taking into account any combination of the following factors:

- Reputation, financial strength and stability
- Quality of execution (accurate and timely execution, clearance and dispute resolution)
- Overall costs of a trade (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads, in the context of the firm's knowledge of negotiated commission rates currently available and other current transaction costs
- Error correction capabilities
- Availability and costs of securities to borrow in relation to short sales
- Willingness to execute difficult transactions
- Willingness and ability to commit capital
- Ongoing reliability
- Nature of the security and the available market makers
- Desired timing of the transaction and size of trade
- Confidentiality of trading activity
- Market intelligence regarding trading activity
- The receipt of brokerage or research services

In addition, our employees may, from time to time, participate in "capital introduction" events sponsored by broker-dealers. Capital introduction events are events designed to bring asset managers together with investors in one forum. While we do not compensate broker-dealers for organizing these events or for any successful investor relationships we may make at these events, we may consider potential invitations to capital introduction events when selecting broker-dealers to execute our client's trades, subject to our overall obligation to seek best execution on behalf of our client. We do not, however, have a policy to refer clients or our client's trading activities to those broker-dealers.

We May Utilize Research and Other “Soft Dollar” Benefits. At times, our firm may pay higher prices to buy securities from, or accept lower prices for the sale of securities to, brokerage firms that provide us with investment and research information. This investment and research information is often referred to as one type of “soft dollar” benefit, and may also be referred to as “full-service brokerage.” The research services that broker-dealers might provide us with include:

- written information and analyses concerning specific securities, companies or sectors,
- market, financial and economic studies and forecasts,
- statistics and pricing or appraisal services,
- discussions with research personnel and
- invitations to attend conferences or meetings with management or industry consultants.

We can use these research services and products in connection with our advisory services for any of our accounts, not necessarily for only the account that “paid” for them. For example, we might utilize research services that a broker-dealer provides for one of our funds in connection with our advisory services for other accounts and vice versa. As of the date of this brochure, we do not believe this is an issue since we manage assets for only one client account.

We note that another type of soft dollar relationship exists, in which a broker-dealer pays the expenses and costs of third parties that provide an investment adviser with benefits. We do not currently engage in any of these “third party soft dollar” relationships.

We Intend for Any Use of Soft Dollar Benefits That May Occur to Fall Within the Safe Harbor. The Securities and Exchange Commission has created a safe harbor that protects financial advisers from liability for a possible breach of fiduciary duty to their clients for engaging in soft dollar arrangements for certain services at other than the lowest transaction costs if they make a good faith determination that the amount of the commission was reasonable in relation to the value of the research services received. We intend that any soft dollar arrangements that we may employ will fall within this safe harbor.

The Use of Soft Dollars Can Create a Conflict of Interest. Although our policies require us to always obtain the best execution for our client by taking into account all applicable factors, using client transactions to obtain research and other benefits creates incentives that result in conflicts of interest between advisers and their clients. When we use client markups or markdowns to obtain research products and services, our firm receives a benefit because we do not have to produce or pay for the research products and services. The availability of these benefits may influence us to select one broker-dealer rather than another to perform services for clients, based on our interest in receiving the products and services instead of on our client’s interest in receiving the best execution prices. Obtaining these benefits may cause our client to pay higher fees than those charged by other broker-dealers.

The use of soft dollars to obtain research services creates a conflict of interest between our firm and our client because our client pays for products and services that are not exclusively for its

benefit and that may be primarily or exclusively for the benefit of our firm. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollar benefits tends to increase our profitability.

We Use Particular Procedures to Direct Transactions in Return for Soft Dollars. We direct our client's transactions to broker-dealers based on overall best execution, as explained above.

Except for "Capital Introduction" (described above) We Do Not Consider Referrals in Selecting or Recommending Broker-Dealers.

Trade Aggregation and Allocation

Our firm has only one client to which all investments are allocated.

10. Review of Accounts

Due to the frequent trading that characterizes our trading strategy, our back office team and our client's administrator review all trading related to our client on a daily basis. Our accounting team reviews our client and all related transactions on a daily and monthly basis.

Investors in Feeder Funds receive the following written reports, among others, regarding the applicable Feeder Fund in which they have invested:

- Unaudited monthly final net asset value/capital account reports,
- Quarterly investor letters from our firm's principals
- Quarterly Transparency Report prepared by the client's third party administrator, and
- Annual audited financial statements.

11. Client Referrals and Other Compensation

Except as described in Item 9 above, we do not, nor do any of our principals or employees, compensate anyone for client referrals.

12. Custody

While it is our firm's practice not to accept or maintain physical possession of our client's funds and securities, we are deemed to have custody of its funds and securities under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, because we have the authority to access our client's funds and deduct fees and expenses from its accounts.

In order to comply with Rule 206(4)-2, we utilize the services of qualified custodians (as defined under Rule 206(4)-2) to hold all of our client's funds and securities. We also ensure that the qualified custodian maintains these funds and securities in an account that contains only our client's funds and securities, under our client's name. In accordance with Rule 206(4)-2, we also (1) engage an outside auditor to audit our client at the end of each fiscal year and (2) distribute the results of the audit in audited financial statements that are prepared in accordance with

generally accepted accounting principles to all investors in Feeder Funds within 120 days after the end of the fiscal year.

13. Investment Discretion

Scope of Authority

Our firm accepts discretionary authority to manage our client's securities account. Essentially, this means that we have the authority to determine, without obtaining specific consent from our client or its indirect investors, which securities to buy or sell and the amount of securities to buy or sell. Despite this broad authority, we are committed to adhering to the investment strategy and program set forth in offering memoranda of the Feeder Funds.

Procedures for Assuming Authority

Before accepting their subscriptions for interests or shares, we provide all potential investors in Feeder Funds with an offering memorandum that sets forth, in detail, our investment strategy and program. By completing our subscription documents to acquire an interest or shares in one of the Feeder Funds, investors give us complete authority to manage their investments in accordance with the offering memorandum they received.

14. Voting Client Securities

Upon receiving notification of a proxy, we will determine whether to vote a proxy on behalf of our client after considering whether the proposal will have a material effect on our investment strategy for our client. Due to the quantitative trading strategies (and corresponding short holding periods, frequently changing position sizes and changing position directionality) of the securities targeted by the strategy employed by our firm on behalf of our client, we expect this analysis to lead us to determine not to vote proxies in almost all circumstances.

Due to the nature of our strategy, we do not expect that material conflicts of interest will arise between our firm and our client over proxy voting. We recognize, however, that such conflicts may arise from time to time, such as, for example, when our firm or one of its affiliates has a business arrangement that could be affected by the outcome of a proxy vote or has a personal or business relationship with a person seeking appointment as a director of a company. We expect that we will not vote proxies in almost all circumstances and that therefore our decision not to vote in a particular case will not be viewed as being based on any such conflict of interest.

If we determine that the foregoing proxy voting policies do not adequately address a material conflict of interest related to a proxy, we will provide our client (including investors in the Feeder Funds) with copies of all proxy solicitation materials that we receive with respect to that proxy, notify our client (including investors in the Feeder Funds) of the actual or potential conflict of interest and of our intended response to the proxy request, and request that our client (based on the vote of investors in the Feeder Funds) consent to our intended response. If our client consents to our intended response or if our client (based on responses from investors in the Feeder Funds) fails to respond to the notice within a reasonable period of time specified in the notice, we will vote the proxy as described in the notice. If our client (based on the vote of

investors in the Feeder Funds) objects to our intended response, we will vote the proxy as directed by our client.

Our Chief Compliance Officer will maintain written or electronic copies of each proxy statement received and of each executed proxy (if applicable). The Chief Compliance Officer will also maintain records relating to each proxy including the decision whether to vote, the voting decision (if applicable) and any documents that were material to making the voting decision.

The Chief Compliance Officer is responsible for ensuring, if requested, that we provide our client (including investors in the Feeder Funds) with (i) a description of our proxy voting policies and procedures and (ii) instructions about how investors may obtain information from our firm on how we voted with respect to our client's securities. The Chief Compliance Officer is responsible for responding to requests from investors regarding how we voted proxies. The Chief Compliance Officer will maintain a record of each written request from an investor for proxy voting information and our written response to any request (oral or written) from an investor for proxy voting information.

15. Financial Information

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We do not believe any financial condition exists that is reasonably likely to impair our ability to meet contractual commitments to our client.

Our firm has never been the subject of a bankruptcy petition.