



FORM ADV - PART 2A

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Item 1

This Brochure provides information about the qualifications and business practices of EIM Management (USA) Inc. ["EIM" or "EIM USA"]. If you have any questions about the contents of this Brochure, please contact us at 212-370-9000. 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.

EIM is a registered investment advisor. Registration of an investment advisor does not imply a certain level of skill or training. This Brochure does not constitute an offer to sell or the solicitation of any offer to purchase any securities of any entities described herein. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser

Additional information about EIM also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site using the CRD Number for EIM – 10878.

Item 2 – Material Changes

This item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes. We last filed an update to our Brochure on June 2013. Material Changes were made to the following sections:

EIM USA will provide to clients a summary of material changes to its Brochure (along with an offer to provide the full Brochure) within 120 days of the close of the fiscal year, if necessary. EIM will also provide new clients with a Brochure on or prior to such time EIM USA enters into an advisory agreement with the client. EIM USA will also provide interim deliveries of its updated Brochure as required by the SEC and as required to disclose any material information that could affect EIM USA's advisory relationship with its clients.

Currently, our Brochure may be requested by contacting Operations at 212 -371-9000 or e-mailing operations@eimusa.com.

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March 2014

Item 4 - Advisory Business

- Regulatory Assets under Management have been updated to reflect the AUM as of February 2014. The Firm's Regulatory Assets under Management is \$0. At this time, the Firm is not currently providing "continuous and regulatory supervisory or management services" as defined by the SEC. EIM USA is providing advice to liquidating clients regarding the opportune time to submit redemption requests.
- The EIM Group has entered into an agreement to be acquired by Gottex. The deal is pending shareholder and regulatory approval at this time.

Item 10 – Financial Affiliations

- EIM USA has withdrawn their registration with the US Commodity Futures Trading Commission ("CFTC"). The Firm is no longer a member of the National Futures Association ("NFA"). The Firm is currently designated as an exempt Commodity Pool Operator ("CPO").

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Item 4 – Advisory Business

General Description of Advisory Firm – EIM Management (USA) Inc. (“EIM USA”) was founded in 1999 as an SEC Registered Investment Advisor. The SEC identification number is 10878. The Firm was incorporated under the laws of Delaware. The Firm is headquartered and maintains its sole office at 750 Lexington Avenue, 26th Floor, New York 10022. Arpad A. Busson is the Founder of the EIM Group of Companies (“EIM Group”) and continues to play a key role in the strategic direction of the EIM Group. Mr. Busson has been disclosed on the ADV Part 1, Item 10 as a Control Person.

EIM USA is part of the EIM Group and is wholly-owned by EIM Participations Luxembourg S.A. EIM Participations Luxembourg S.A. is wholly-owned by the Albion Trust. Mr. Arpad Busson is the grantor of the Albion Trust. The Rozel Trustees of (Channel Islands) Limited are the trustees for the Albion Trust

In 2014, EIM has entered into an agreement to be acquired by Gottex. The deal is pending shareholder and regulatory approval at this time.

EIM USA is controlled by its Board of Directors which is comprised of Roland Biollay, the Group Chief Financial Officer and Member of the Executive Committee and John Ward, Managing Director and Head of Operational Due Diligence. Mr. Biollay was named EIM USA’s Chief Compliance Officer as of May 14, 2013.

Description of Advisory Services - EIM provides clients with a multi-manager asset allocation program in response to each client’s specific investment objectives and restrictions. Allocations are made to hedge funds managed by third party investment organizations and/or affiliated entities, which in turn can invest in various kinds of securities such as, but not limited to; options, futures, short sales, commodities, currencies, derivatives, and/or other securities.

- EIM may act as an Investment Manager, with sole discretion for asset allocation decisions.
- EIM may also be engaged as a non-discretionary Investment Advisor. In this capacity, EIM will make asset allocation recommendations and the Client can elect to follow or ignore any recommendations under this arrangement.
- EIM may also be engaged as a Sub-Advisor, either on a discretionary or on an advisory basis. The Firm may serve as the General Partner or Managing Member to a Pooled Investment Vehicle.

Hedge funds managed by third party investment organizations and/or affiliated entities are selected on the basis of qualitative, quantitative and operational due diligence conducted exclusively by EIM USA or by affiliated EIM entities. Client portfolios are constructed and managed on the basis of qualitative analysis using proprietary models. All portfolios are managed using this multiple manager structure.

Client Assets Under Management The Firm currently manages \$0 in RAUM as of June 2014. The Firm is not currently providing “continuous and regulatory supervisory or management services” as defined by the SEC. EIM is providing advice to liquidating clients as to the opportune time to submit redemption requests. The Firm manages \$14,000,000 for funds in liquidation, and clients in termination. These figures have been rounded up to the nearest \$100,000.00

Wrap Fee Programs - EIM USA does not participate in or manage any wrap fee programs or accounts.

Item 5 – Fees and Compensation

Advisory Fees and Compensation - EIM is a fee based advisor. The Firm generally receives a management and performance fee in accordance with each individually negotiated investment management agreement (“IMA”). Applicable fees are rendered according to the agreed upon fee schedule and are paid in arrears. Although fees are negotiable, EIM’s fees are typically 1% management - 5% performance for full service accounts. Some clients have negotiated a fixed rate fee. Other fee arrangements may be negotiated based on such factors as asset size, investment mandate and constraints, scope of work and level of services provided – discretionary, advisory or sub advisor relationship.

Payment of Fees - Management fees are generally billed monthly. Accounts initiated during a calendar quarter will be charged a prorated fee. Upon termination of an account, any earned, unpaid fees will be due and payable in accordance with the IMA.

Other Fees and Expenses – In addition to the fees described above, there is a layering of management and performance fees by the underlying hedge funds. Underlying management fees typically range between 1% - 3% and incentive fees between 20% - 30% of the fund’s performance. These fees may vary for each underlying hedge fund. Hedge Fund Managers may

assess a redemption fee for redemptions that occur within a certain period of time after subscriptions.

Other expenses borne by the client, either through the underlying hedge fund or through EIM's mandate, may include but not limited to custodial, administrator, audit, legal and miscellaneous third party fees. On occasion, EIM may sell hedge fund interests in secondary market transactions and clients may incur brokerage and other transaction costs in connection with these transactions.

Item 6 – Performance-Based Fees and Side-By-Side Management

Performance Based Fees - EIM generally receives a performance fee (fees based on a share of capital gains or capital appreciation of the assets of the client) in accordance with the individual IMA. Applicable fees are rendered according to the agreed upon fee schedule. Performance fees are generally determined and payable in arrears based on the ending net asset value of the portfolio during such quarter.

The performance fee may be subject to a high watermark. EIM will charge performance fees in compliance with Rule 205-3 under the Investment Adviser Act of 1940. Since the performance fee is calculated on a basis that includes unrealized appreciation of assets, it may be greater than if such fee were based solely on realized gains.

Each Managed Account operates pursuant to a unique IMA. Since each IMA is separately negotiated with the client; the fees, liquidity, capacity, terms and terminations, and various other rights may differ from one client to another. EIM may provide certain information about the Advisor or its managed accounts to different clients at varying times, which may result in certain clients receiving such information before others.

Waiver to Fees - From time to time, at the discretion of EIM, fees may be waived or reduced (by way of rebate or otherwise). Similar services may be available from other investment advisers for fees that may be higher or lower than the fees charged by EIM. The income received by EIM for services rendered to clients is derived solely from investment fees.

Conflicts of Interest - Performance-based fees may create an incentive for the firm to make riskier or more speculative investments than would be the case in the absence of performance-based compensation. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts (including accounts that may not pay a performance fee or accounts which pay a smaller performance fee) in the allocation of investment opportunities. EIM has adopted Fair Allocation Procedures to ensure that clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Additional Compensation - Employees are paid a competitive salary and annual discretionary bonus based upon individual, and company performance.

Item 7 – Types of Clients

Description of Clients - EIM's services primarily focus on designing customized hedge fund portfolios for Managed Accounts and Private Investment Vehicles ("PIVs"). Historically, clients included pension funds, endowments, foundations, corporations and family offices.

Managed Accounts are subject to investment objectives, guidelines, restrictions, fee arrangements and other terms that are individually negotiated with each such client. An IMA for a Managed Account will generally be with entities that would be determined to be "Accredited Investors" as defined in Rule 501(a) of Regulation D and "Qualified Purchasers" as defined in Section 2(a)(51) of the Investment Company Act of 1940. In the case of a Managed Account, EIM generally requires a minimum of \$20 million to ensure proper diversification, although this minimum may be waived by management when deemed appropriate.

EIM may be engaged as a General Partner or Managing Member to domestic or offshore Pooled Investment Vehicles ("PIV") on terms and conditions similar to those of our Managed Accounts. In contrast to EIM USA's managed accounts, when managing a PIV, EIM does not consider the objectives of any individual investor in the PIV, but rather manages the PIV in accordance with the PIV's investment objectives. Details of investment strategies, risk factors, conflicts of interest and associated fees are described in their respective private placement memorandums ("PPM") and other offering documents. These entities will rely on the "exclusion" from the definition of "investment company" for certain "private" investment companies provided by Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940 and an exemption from registration under the Securities Act provided by Regulation D. EIM does not tailor its advisory services to the individual needs of investors in Funds and does not accept investor imposed investment restrictions.

EIM may also be engaged as a sub-advisor to sponsors of institutional investment products on a discretionary or advisory basis.

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

Methods of Analysis and Investment Strategies - EIM's investment process reflects the fundamental belief that a good portfolio of hedge funds is not just a portfolio of good funds. As the business cycle unfolds, even the best managers may have periods of weaker performance when the market environment is less favourable to their particular strategy. Therefore, while being able to identify the best managers in a particular strategy remains a key contributor to long-term performance, active management of the strategy allocation is just as important. EIM's investment process seeks to optimize both the bottom-up contribution of our Research team and the top-down strategy allocation component in Portfolio Management.

EIM's process is divided into the following phases:

- Research Strategy Heads each manage a Research Portfolio that contains their "best ideas" for their strategy;
- The Asset Allocation Committee consolidates and condenses the Research Portfolios into a series of Model Portfolios, based on its forward-looking scenario views, strategy expectations, and manager assessments. These Model Portfolios, after approval by the Global Investment Committee (GIC), constitute EIM's investment policy for various account profiles and serve as guidance for Portfolio Managers ;
- Portfolio Managers build and manage client portfolios so they reflect EIM's investment policies as closely as possible, within the specific objectives and constraints of each mandate.

Research Portfolios - Each Strategy Head manages an unfunded Research Portfolio containing his or her "best ideas" for the strategy. There is no requirement that a fund in the Research Portfolio be on EIM's List of Approved Funds. Any fund in the strategy universe can be included, as long as a preliminary evaluation indicates that it would have a reasonable chance of meeting EIM's detailed due-diligence requirements if it were at any point considered for investment. Research Portfolios are maintained as paper-traded portfolios on our back-office portfolio management and valuation system WebFolio. All trades made to the portfolios must respect the same liquidity and other terms that a client investment would be subject to. Research portfolios average about 15 to 20 positions.

Strategy Allocation & Model Portfolios - The Asset Allocation Committee then follows the following five steps to arrive at its model portfolios:

Define forward-looking scenarios - Based on macro-economic data and research obtained from external providers, discussions with managers, and its own analysis, the AAC sets out the macro-economic scenarios it believes could plausibly unfold over a horizon of 12 to 18 months. Each of these scenarios is described as a set of expected moves on market factors that influence hedge fund returns and risk, such as the level of interest rates and the shape of the yield curve, equity markets, volatility, credit spreads, default rates, etc.

Derive strategy expectations - For each strategy, the AAC then reviews the market variables and specific strategy signposts to which it is most sensitive, ascertains whether the current levels of the variable are positive, negative or neutral for the strategy, and estimates what impact the expected changes in those variables under each forward-looking scenario would be expected to have. Next, the AAC frames a set of high and low performance expectations for each strategy under each scenario. This key step relies on three inputs:

- Hard data regarding fund exposures and sensitivities available to us through the position-level risk data we obtain from all our managers through a risk aggregator;
- Qualitative inputs on manager expectations and positioning gathered directly by our research team in the field;
- The knowledge and experience of the members of the AAC

Decide strategy allocations - In deciding current strategy allocation, the AAC seeks to strike the appropriate balance between pursuing returns and managing risk. The AAC designates one of its forward-looking scenarios as the most likely “Central Scenario”, but it also considers the others in reaching its strategy allocation. The objective is to be in a position to take advantage of opportunities and trends that are expected to emerge if the higher-probability scenario materializes, while controlling for the potential losses which would result from the emergence of a lower-probability unfavourable scenario. This process is essentially qualitative and not based on a quantitative optimization.

Construct Model Portfolios - As a starting point in this process, a full “Best Ideas” portfolio is created by combining all Research Portfolios, weighting each one based on the strategy weight derived in the previous step. For example, if the AAC Strategy Allocation calls for 35% Long-Short Equity, all the funds in the Long-Short Equity Research Portfolio would be included and their weights rescaled so as to sum to 35% of the total. The resulting portfolio typically has upwards of 100 positions.

The next step is a careful “distillation” of the full “Best Ideas” portfolio down to the roughly forty managers best suited for actual implementation in portfolios, given the environment at the time. This process involves detailed discussion of each manager, giving consideration to the role it was expected to fill in its corresponding Research Portfolio, its position size and its perceived quality relative to its peer group on the List of Approved Funds. This discussion, in which all Strategy Heads, the Chief Strategist and senior portfolio managers participate, allows the emergence of clear shared views about optimum investment policy and the efficient allocation of research resources to the best manager ideas. Any manager retained in the Model Portfolio that is not yet

on the List of Approved Funds is scheduled for detailed due-diligence by the corresponding Strategy Head.

Obtain Global Investment Committee validation - The Global Investment Committee reviews the proposed Model Portfolios prepared by the AAC, to ensure coherence with the firm's broader strategic views on markets and related business risks

Implementation in client portfolio - Upon publication of the revised Model Portfolios, portfolio managers review their existing client portfolios and determine any allocation changes that are indicated. It is the Portfolio Manager's responsibility to manage the portfolio so that it will, first and foremost, meet the specific investment objectives and constraints agreed with the client, while remaining within EIM's general policy guidelines wherever possible. Portfolio Managers prepare the trades they intend to execute, which are reviewed and approved prior to execution by EIM's Chief Strategist or his delegate during monthly Portfolio Allocation Meetings

Methods of Analysis - EIM uses a combination of qualitative, quantitative and operational due diligence in the manager selection process. The qualitative, quantitative and operational analysis is conducted through a series of on-site meetings with the hedge fund organizations.

EIM's qualitative assessment methodology focuses in particular on the following factors:

- Investment strategy, process and portfolio construction
- Objective and style evaluation
- Risk management
- Performance/drawdown analysis
- Investor base and concentration
- Background/reference checks

EIM's quantitative assessment is based on proprietary statistical analysis methods. The primary objective of this analysis is to quantify:

- Peer group risk/return comparison
- Return distribution/dependencies
- Mapping analysis
- Portfolio diversification capability
- VaR and sensitivity analysis

EIM's operational due diligence and risk management assesses the legal and business risks of the hedge funds we invest in and focuses on the following:

- Organization/financial viability
- Legal and regulatory requirements
- Fund structure, costs and service providers
- Corporate Governance/Directors
- Compliance
- Operations, valuations and accounting controls
- IT/Systems and redundancy

Sources of Information - The Firm maintains an extensive proprietary database on hedge fund investment managers. New investment candidates may be developed through analysis of the database and the company's activities in the investment advisory community, among other sources.

EIM may utilize other information sources to identify, analyze and monitor the activities of hedge fund organizations which it employs in the management of client assets; including, but not limited to, information reported in newspapers and magazines, inspecting the activities of hedge fund candidates and existing managers through on-site visits, screening and analysis of third party statistical data and databases, in addition to careful review and analysis of fund prospectuses and periodic reports, if applicable.

Risk Aggregator - EIM uses an independent risk platform to collect the necessary information to carry all the risk analysis necessary to the daily management of fund of hedge fund portfolios. The process requires the collection of all the underlying funds positions by the risk platform, independently from the managers, ideally from the funds' administrators or their prime broker(s). Based on the information provided by the risk platform and with additional information collected by its teams, EIM performs on a systematic basis the analysis of market risk, liquidity and asset-liability mismatch risk & counterparty risk on all underlying hedge funds and on all funds of hedge fund portfolios.

Risk Factors - EIM will seek to select only underlying managers with the highest level of integrity, however EIM's investment selection process cannot ensure that selected underlying managers will perform as desired. EIM will have no control over the day-to-day operations of the selected underlying managers. EIM would not necessarily be aware of certain activities at the underlying manager level, including without limitation, an underlying manager engaging in investment style drift, regulatory breaches or fraud. As a result, there can be no assurance that underlying managers or funds will conform their conduct to the desired standards. There is a risk that underlying managers or funds may fail to meet their stated objectives or fail to continue as going concerns as a result of poor performance, failure to realize assets, regulatory violations and enforcement actions, fraud or others factors.

An investment in hedge funds is highly speculative and involves a high degree of risk. Investment in hedge funds is suitable only for sophisticated investors who fully understand and are capable of bearing such risks. No guarantee or representation is made that a hedge fund allocation will achieve its investment objective or that investors will receive a return of their capital. There can be no assurance that the investment objective of a client mandate, including risk mitigation and diversification goals, will be achieved, and results may vary substantially over time.

The following section is not intended to be an exhaustive list or a comprehensive description of the types of risks that any investor in hedge funds, or any investor pursuing a multi-strategy or multi-manager investment approach, may encounter.

General and Regulatory Risks:

Investments in General. Hedge funds may experience financial difficulties and significant losses on their investments, which difficulties may never be overcome or which losses may never be recouped. Hedge fund managers (“Underlying Managers”) may utilize highly speculative investment techniques, including extremely high leverage, highly concentrated portfolios, workouts and startups, control positions, derivatives and illiquid investments. Investors will not have the ability to direct or influence the management of a hedge fund’s investments. Further, all financial instrument investments present a risk of loss of capital. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions, including, but not limited to, national and international economic conditions, domestic and international financial policies and performance, conditions affecting particular investments such as the financial viability, sales and product lines of corporate issuers, national and international politics and governmental events, and changes in income tax laws.

Risks of Certain Investment Techniques. Hedge funds may employ a number of investment techniques, including the use of leverage, short sales, securities lending, investment in non-investment grade or nonmarketable securities, uncovered option transactions, forward transactions, futures and options on futures transactions, foreign currency transactions and highly concentrated financial products, among others, which could, under certain circumstances, magnify the impact of any negative market, sector or investment development. The use of such investment techniques is a highly specialized activity that may be speculative and that can expose the fund to significant risk of loss.

For example, hedge funds may use extremely high levels of leverage, which can be employed in a variety of ways including direct borrowing, margining (an amount of cash or eligible securities an investor deposits with a broker when borrowing to buy securities), short selling and the use of futures, warrants, options and other derivative products. To the extent that a hedge fund uses

leverage, the value of its net assets will tend to increase or decrease at a greater rate than if no leverage were employed. If income and appreciation on investments made with borrowed funds are less than the required interest payments on the borrowings, the value of a hedge fund's net assets will decrease. The use of leverage by hedge funds can substantially increase the adverse impact of risks to which an investment in such hedge funds may be subject. The cumulative effect of the use of leverage by hedge funds in a market that moves adversely to such hedge funds could result in a substantial loss to hedge fund investors, which would be greater than if the hedge funds were not leveraged. As a result, if an investor's losses with respect to any hedge fund were to exceed the amount of capital invested in that hedge fund, the investor could lose its entire investment. Leverage increases the risk and volatility of hedge funds and, as a consequence, the risk and volatility to which hedge fund investors are subject. To the extent that hedge funds use leverage, the rates at which they can borrow will affect their returns. In the event of a sudden, precipitous drop in value of a hedge fund's assets, the hedge fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the hedge fund, and therefore the losses incurred by the investor in that hedge fund.

Market Risk. Hedge funds are exposed to market risk. Market risk is risk associated with changes in, among other things, market prices of securities or commodities or foreign exchange or interest rates and there are certain general market conditions in which any investment strategy is unlikely to be profitable. From time to time, multiple markets could move together against hedge funds' investments, which could result in significant losses. Such movement would have a material adverse effect on the performance of hedge funds and returns to their investors. Neither EIM USA nor the Underlying Managers have any ability to control such market conditions.

General economic and market conditions, such as currency and interest rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international conflicts or political circumstances, as well as natural disasters, may affect the price level, volatility and liquidity of securities. Economic and market conditions of this nature could result in significant losses for hedge funds, which would have a material adverse effect on the performance of such hedge funds and returns to their investors.

Illiquid Investments and Market Characteristics. Investments held by hedge funds may be or become illiquid which may affect the ability of such hedge funds to exit such investments and the returns made by such hedge funds. Such illiquidity may result from various factors, such as the nature of the instrument being traded, or the nature and/or maturity of the market in which it is being traded, the size of the position being traded, or because there is no established market for the relevant securities. Even where there is an established market, the price and/or liquidity of instruments in that market may be materially affected by certain factors. Securities and commodity exchanges typically have the right to suspend or limit trading in any instrument traded on that

exchange. It is also possible that a governmental authority may suspend or restrict trading on an exchange or in particular securities or other instruments traded. A suspension could render it difficult for a hedge fund to liquidate positions and thereby might expose the hedge fund to losses.

The market prices, if any, for such illiquid investments tend to be volatile and may not be readily ascertainable and a hedge fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Because of valuation uncertainty, the fair values of such illiquid investments reflected in the net asset value of the hedge fund attributable to such investment may not necessarily reflect the prices that would actually be obtained by the hedge fund when such investments are realized. If the realization occurs at a price that is significantly lower than the net asset value attributable to such investment, the hedge fund will suffer a loss. Moreover, securities in which a hedge fund may invest include those that are not listed on a stock exchange or traded in an over-the-counter market. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. The size of a hedge fund's position may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, deleveraging as a consequence of a decision by the counterparties with which hedge funds enter into repurchase/reverse repurchase agreements or derivative transactions to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect a hedge fund's portfolio.

The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A hedge fund may encounter substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the hedge fund. In some cases, a hedge fund may be contractually prohibited from disposing of investments for a specified period of time. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements which would be applicable if their securities were publicly traded.

Despite the heavy volume of trading in securities and other financial instruments, the markets for some instruments have limited liquidity and depth. This could be a disadvantage to hedge funds, both in the realization of the prices which are quoted and in the execution of orders at desired prices.

CFTC Regulatory Risk. On February 9, 2012, the CFTC adopted certain amendments to the regulations governing commodity pools, commodity pool operators, and commodity trading advisors (the "CPO-CTA Rulemaking"). As part of the CPO-CTA Rulemaking, the CFTC

repealed, effective December 31, 2012, the exemption from commodity pool operator registration under Rule 4.13(a)(4), which many Underlying Managers previously relied upon. This rescission limits the ability of hedge funds to use futures, options and swaps (which in many cases are integral parts of such hedge funds' investment strategies) without requiring their Underlying Managers to register as commodity pool operators or seek to rely on another rule-based exemption or limitation with respect to commodity pool operator status, each of which would impose substantial additional regulatory and compliance burdens on such Underlying Managers and the hedge funds they manage. The rescission of Rule 4.13(a)(4) and the new regulatory requirements applicable to Underlying Managers and the hedge funds they manage in the absence of Rule 4.13(a)(4) may adversely affect Underlying Managers' ability to manage the portfolios of their hedge funds and to achieve their hedge funds' investment objectives. The CPO-CTA Rulemaking also imposed additional reporting and disclosure obligations on commodity pool operators and this may too adversely affect EIM's ability to manage its client accounts and impair EIM's ability to achieve its clients' investment objectives, as well as Underlying Managers' ability to manage the portfolios of their hedge funds and to achieve their hedge funds' investment objectives. The CPO-CTA Rulemaking may, in particular, substantially increase regulatory compliance costs for EIM, Underlying Managers and hedge funds, and could have effects on the management of EIM's client accounts and Underlying Managers' hedge fund portfolios that are currently unforeseeable, that could reduce returns to investors and that could impair EIM's and Underlying Managers' abilities to achieve their respective clients' investment objectives.

United States Credit Rating Downgrade Risk. On August 5, 2011, S&P lowered its long-term sovereign credit rating on the U.S. to "AA+" from "AAA" with a negative outlook. Moody's affirmed the "Aaa" long-term sovereign credit rating of the U.S. on November 21, 2011 while maintaining its negative outlook. The downgrade by S&P and any future downgrades by other rating agencies could increase volatility in both stock and bond markets, result in higher interest rates and higher Treasury yields and increase borrowing costs generally. These events could have significant adverse effects on the economy generally and could result in significant adverse impacts on securities issuers and hedge funds. EIM cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on hedge fund portfolios or EIM's client accounts.

Government Investigations Risk. A far-ranging insider trading probe by federal authorities, including the SEC and the Justice Department, into the use of expert consultants is ongoing. The investigation focuses, in part, on whether material, non-public information was provided by expert consultants, including expert networks and independent research boutiques, to hedge funds and mutual funds. At the core of the investigation is whether any managers used so-called soft dollar payments for access to non-public information with the potential to impact stock prices. The implication of any of the Underlying Managers in this insider trading probe is likely to have an immediate and material adverse effect on such Underlying Managers and may result in investors

seeking to redeem en masse from any such Underlying Manager's hedge funds, thereby materially impairing the value and liquidity of EIM's clients' positions in such hedge funds. Any such mass redemption requests are likely to result in Underlying Managers liquidating their hedge funds' holdings at inopportune times and/or prices and are likely to result in suspensions of redemptions and/or the imposition of redemption gates.

Dodd-Frank Act Risks. Congress has enacted sweeping financial legislation, the Dodd-Frank Act, signed into law by President Obama on July 21, 2010, regarding the operation of banks, private fund managers and other financial institutions, which includes provisions regarding the regulation of derivatives. Many provisions of the Dodd-Frank Act will be implemented through regulatory rulemakings and similar processes over a period of time. The impact of the Dodd-Frank Act, and of follow-on regulation, on trading strategies and operations is impossible to predict, and may be adverse. Practices and areas of operation subject to significant change based on the impact, direct or indirect, of the Dodd-Frank Act and follow-on regulation, may change in manners that are unforeseeable, with uncertain effects. By way of example and not limitation, direct and indirect changes from the Dodd-Frank Act and follow-on regulation may occur to a significant degree with regard to, among other areas, financial consumer protection, bank ownership of and involvement with private funds, proprietary trading, registration of investment advisers, and the trading and use of many derivative instruments, including swaps. It is possible that implementation of these measures, or any future measures, could potentially limit or completely restrict the ability of hedge funds to use certain derivative instruments as a part of their investment strategies, increase the costs of using these instruments or make them less effective. Limits or restrictions applicable to the counterparties with which hedge funds engage in derivative transactions could also prevent hedge funds from using these instruments or affect the pricing or other factors relating to these instruments, or may change availability of certain investments. There can be no assurance that such legislation or regulation will not have a material adverse effect on hedge funds or will not impair the ability of hedge funds to utilize certain derivatives transactions or achieve their investment objectives. In addition, Congress may address tax policy, which also could have uncertain direct and indirect impact on trading and operations, as well as, potentially, operations and structure of hedge funds, and the SEC has engaged in a general investigation of private funds, which has resulted in increased regulatory oversight and other legislation and regulation relating to private fund managers, private funds and funds of hedge funds.

Further, the Dodd-Frank Act created the Financial Stability Oversight Council ("FSOC"), an interagency body charged with identifying and monitoring systemic risks to financial markets. The FSOC has the authority to require that non-bank financial companies that are "predominantly engaged in financial activities," such as Underlying Managers and their hedge funds, whose failure it determines would pose systemic risk, be placed under the supervision of the Board of Governors of the Federal Reserve System ("Federal Reserve"). The FSOC has the authority to recommend that the Federal Reserve adopt more stringent prudential standards and reporting and disclosure

requirements for non-bank financial companies supervised by the Federal Reserve. Such disclosure requirements may include the disclosure of the identity of investors in private funds such as hedge funds. The FSOC also has the authority to make recommendations to the Federal Reserve on various other matters that may affect hedge funds, including requiring financial firms to submit resolution plans, mandating credit exposure reports, establishing concentration limits, and limiting short-term debt. The FSOC may also recommend that other federal financial regulators impose more stringent regulation upon, or ban altogether, financial activities of any financial firm that poses what it determines are significant risks to the financial system. In the event that the FSOC designates a hedge fund as a systemic risk to be placed under the Federal Reserve's supervision, the hedge fund could face stricter prudential standards, including risk-based capital requirements, leverage limits, liquidity requirements, concentration requirements, and overall risk management requirements, among other restrictions. Such requirements could hinder a hedge fund's ability to meet its investment objective and may place the hedge fund and/or its Underlying Manager at a disadvantage with respect to its competitors.

Hedge funds and their Underlying Managers may also face additional reporting and recordkeeping requirements under the Dodd-Frank Act. Under the Dodd-Frank Act, advisers to private funds are required to maintain records regarding private funds that include a description of: amount of assets under management and use of leverage, including off-balance-sheet leverage; counterparty credit risk exposure; trading and investment positions; valuation policies and practices; types of assets held; side arrangements or side letters whereby certain investors obtain more favorable rights than other investors; trading practices, and such other information as the SEC determines is necessary and appropriate in the public interest and for the protection of investors or for the assessment of systemic risk. Over time, hedge funds' adherence to the new recordkeeping and reporting requirements may increase their expenses. Additionally, while the Dodd-Frank Act subjects such records and reports to certain confidentiality provisions and provides an exemption from the U.S. Freedom of Information Act, as amended, no assurance can be given that the mandated disclosure of records or reports to the SEC or other governmental entities will not have a significant negative impact on Underlying Managers or their hedge funds. Moreover, these additional reporting risks are equally applicable to EIM in respect of its private fund of hedge fund structures.

Title VII of the Dodd-Frank Act (the "Derivatives Title") imposes a new regulatory structure on derivatives markets, with particular emphasis on swaps and security-based swaps (collectively "swaps"). This new regulatory framework covers a broad range of swap market participants, including banks, non-banks, credit unions, insurance companies, broker-dealers and investment advisers, including Underlying Managers.

The SEC, CFTC and other U.S. regulators (the "Regulators") are in the process of adopting numerous regulations to implement the Derivatives Title. Until the Regulators complete their rulemaking efforts, the extent to which the Derivatives Title and the rules adopted thereunder will

impact hedge funds is unclear. However, it is possible that the new regulatory structure for swaps may jeopardize certain trades and/or trading strategies employed by Underlying Managers, or at least make them more costly.

The Derivatives Title empowers the CFTC and SEC to require that certain swaps be submitted for clearing to regulated clearinghouses. Swaps that are required to be submitted for clearing must also, subject to certain exceptions, be executed through regulated markets, including designated contract markets, national securities exchanges and swap execution facilities. If hedge funds wish to trade swaps subject to the clearing and exchange-trading mandates, they may incur additional costs associated with these new requirements. Other Dodd-Frank Act provisions could limit banks' ability to engage in swaps, which could decrease liquidity in the swap markets and adversely impact the ability of hedge funds to enter into highly-tailored or customized transactions.

The Derivatives Title also requires swap dealers and major swap participants to register with the SEC and/or the CFTC, as appropriate. Swap dealers and major swap participants will be subject to a panoply of new regulations, including among others, capital and margin requirements and business conduct standards. If hedge funds are required to post margin for their swap transactions, the cost of executing these transactions could rise substantially. These costs may make certain trades or trading strategies uneconomical. If a hedge fund or its Underlying Manager is required to register as major swap participant, the hedge fund and/or the Underlying Manager would incur costs related to complying with major swap participant regulation. Additionally, it is expected that swap dealers will transfer at least some of their compliance costs to counterparties in the form of higher fees or less favorable marks on swap transactions. This means that hedge funds could face increased transaction costs when entering into swaps with a swap dealer.

Hedge funds also may be subject to new requirements, including reporting requirements with respect to position information, use of leverage, identity of investors and counterparty and credit risk exposure. New position limit requirements may impair the ability of hedge funds to hedge exposure to or take a directional view of certain physical commodity markets.

These new requirements of the Derivatives Title may also increase the cost of certain hedging and other derivatives transactions; additionally, there may be market dislocations due to uncertainty during the extended regulatory implementation period and it is not yet clear how the derivatives market will adjust to new regulations. Until the Regulators complete the rulemaking process for the Derivatives Title, it is unknown the extent to which such risks may materialize.

There can be no assurance that these developments will not adversely affect the business and investment activities of Underling Managers and certain types of investment funds, including hedge funds. In addition, Underlying Managers may be subject to potential registration requirements or other additional responsibilities under the Derivatives Title, summarized above,

and may therefore incur increased cost in conducting their hedge funds' strategies, which may adversely affect the performance of such hedge funds.

The implementation of the Dodd-Frank Act could also adversely affect EIM, Underlying Managers and hedge funds by increasing transaction and/or regulatory compliance costs. In addition, greater regulatory scrutiny and the implementation of enhanced and new regulatory requirements may increase EIM's, Underlying Managers' and hedge funds' exposure to potential liabilities, and in particular liabilities arising from violating any such enhanced and/or new regulatory requirements. Increased regulatory oversight could also impose administrative burdens on EIM, Underlying Managers and hedge funds, including, without limitation, responding to investigations and implementing new policies and procedures. The ultimate impact of the Dodd-Frank Act, and any resulting regulation, is not yet certain and EIM, Underlying Managers and hedge funds may be affected by the new legislation and regulation in ways that are currently unforeseeable.

Recent Events. The debt and equity capital markets in the United States have been negatively impacted by significant write-offs in the financial services sector relating to subprime mortgages and the repricing of credit risk in the broadly syndicated market, among other things. These events, along with the downgrade to the United States credit rating, deterioration of the housing market, the failure of major financial institutions and the resulting United States federal government actions have led to worsening general economic conditions, which have materially and adversely impacted the broader financial and credit markets and have reduced the availability of debt and equity capital for the market as a whole and financial firms in particular. These events have been adversely affecting the willingness of some lenders to extend credit, in general, which may make it more difficult for issuers of debt securities to obtain financings or refinancings for their investment or lending activities or operations. There is a risk that such issuers will be unable to successfully complete such financings or refinancings. In particular, because of the current conditions in the credit markets, issuers of debt securities may be subject to increased cost for debt, tightening underwriting standards and reduced liquidity for loans they make, securities they purchase and securities they issue.

These events may increase the volatility of the value of securities owned by hedge funds and/or result in sudden and significant valuation increases or declines in hedge funds' portfolios. These events also may make it more difficult for hedge funds to accurately value their securities or to sell their securities on a timely basis, and a significant decline in the value of a hedge fund's portfolio would likely result in a significant decline in the value of your investment in a hedge fund. These developments could also adversely affect the ability of hedge funds to borrow for investment purposes, if they chose to do so, and increase the cost of such borrowings, which would reduce returns to hedge fund investors. These events have adversely affected the broader economy, and may continue to do so, which in turn may adversely affect the ability of issuers of securities

owned by hedge funds to make payments of principal and interest when due, lead to lower credit ratings and increase defaults. There is also a risk that developments in sectors of the credit markets in which hedge funds do not invest may adversely affect the liquidity and the value of securities in sectors of the credit markets in which hedge funds do invest, including securities owned by such hedge funds. Such developments could, in turn, reduce the value of securities owned by hedge funds and adversely affect the value of an investment in the hedge fund.

While the extreme volatility and disruption that U.S. and global markets experienced for an extended period of time beginning in 2007 and 2008 has generally subsided, uncertainty and periods of volatility remain, and risks to a robust resumption of growth persist. Since 2010, several European Union (“EU”) countries, including Greece, Ireland, Italy, Spain, and Portugal, have faced budget issues, some of which may have negative long-term effects for the economies of those countries and other EU countries. There is continued concern about national-level support for the euro and the accompanying coordination of fiscal and wage policy among European Economic and Monetary Union member countries. Thus, the risk of investing in foreign sovereign debt, particularly of EU member countries, has dramatically increased as a result of this European debt crisis. This debt crisis and the ongoing efforts of governments around the world to address it has resulted in increased volatility and uncertainty in the U.S. and global economy and securities markets and it is impossible to predict the effects of these or similar events in the future on the U.S. and global economy and securities markets or on hedge funds’ portfolios, though it is possible that these or similar events could have a significant adverse impact on the value and risk profile of a hedge fund’s portfolio. Moreover, as the European debt crisis has progressed the possibility of one or more eurozone countries exiting the European Economic and Monetary Union, or even the collapse of the euro as a common currency, has arisen. The effects of the collapse of the euro, or of the exit of one or more countries from the Economic and Monetary Union, on the U.S. and global economy and securities markets are impossible to predict and any such events could have a significant adverse impact on the value and risk profile of hedge fund portfolios. Moreover, recent downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. A return to unfavorable economic conditions could impair hedge funds’ ability to achieve their investment objectives.

The recent instability in the financial markets discussed above has led the U.S. Government and certain foreign governments to take a number of unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity, including through direct purchases of equity and debt securities. Federal, state, and other governments, their regulatory agencies or self-regulatory organizations may take actions that affect the regulation of the instruments in which hedge funds invest, or the issuers of such instruments, in ways that are unforeseeable. Legislation or regulation may also change the way in which hedge funds are regulated. Such legislation or regulation could limit or preclude hedge funds’ ability to achieve their investment objectives.

These events, other national or global events and/or the activities of one or more large participants in the financial markets and other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in hedge funds losing substantial value, which could result in hedge funds incurring substantial losses.

Neither EIM nor Underlying Managers know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on hedge funds' portfolios. EIM and Underlying Managers may not timely anticipate or manage existing, new or additional risks, contingencies or developments, including regulatory developments and trends in new products and services, in the current or future market environment.

Geopolitical Risk. The aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Egypt, Libya, Syria and the Middle East, possible terrorist attacks in the United States and around the world, growing social and political discord in the United States, the European debt crisis, further downgrades of United States government securities and other similar events may result in market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties in the United States and worldwide. Neither the Underlying Managers nor EIM knows how long the securities markets may be affected by these events and cannot predict the effects of these events or similar events in the future on the U.S. economy and securities markets. There can be no assurance that these events and other market disruptions will not have other material and adverse implications.

Highly Volatile Markets. The prices of a hedge fund's investments, and therefore the net asset value of the hedge fund, can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts in which a hedge fund may invest are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments and interest rate-related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Moreover, since internationally there may be less government supervision and regulation of worldwide stock exchanges and clearinghouses than in the U.S., a hedge fund may also be subject to the risk of the failure of the exchanges on which its positions trade or of its clearinghouses, and there may be a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls.

Counterparty Risk. To the extent that a hedge fund engages in principal transactions, including, but not limited to, forward currency transactions, swap transactions, repurchase and reverse repurchase agreements and the purchase and sale of bonds and other fixed income securities, it

must rely on the creditworthiness of its counterparties under such transactions. In certain instances, the credit risk of a counterparty is increased by the lack of a central clearing house for certain transactions, including swap contracts. In the event of the insolvency of a counterparty, a hedge fund may not be able to recover its assets, in full or at all, during the insolvency process. Counterparties to investments may have no obligation to make markets in such investments and may have the ability to apply essentially discretionary margin and credit requirements. Similarly, hedge funds will be subject to the risk of bankruptcy of, or the inability or refusal to perform with respect to such investments by, the counterparties with which it deals. While Underlying Managers typically seek to minimize a hedge fund's exposure to counterparty risk by entering into such transactions with counterparties the Underlying Manager believes to be creditworthy at the time they enter into the transaction, no assurance can be made that a counterparty will not encounter financial difficulties that impair the operational capabilities or the capital position of a hedge fund. Recent events in the credit market have challenged the financial stability of a number of established financial institutions with which hedge funds regularly deal.

Additionally, under the arrangements between hedge funds and their prime brokers and custodians, the prime brokers and custodians will have rights to identify as collateral, to rehypothecate or to otherwise use for their own purposes assets held by them for the hedge funds from time to time. Legal and beneficial title to such assets may therefore be transferred to the relevant prime broker and custodian. Similarly, any cash of a hedge fund held or received by or on behalf of a prime broker or custodian may not be treated as client money and may not be subject to the client money protections conferred by the client rules of the SEC or equivalent rules of other regulators to which such prime broker or custodian may be subject. Accordingly, the cash of hedge funds may also constitute collateral and may not be segregated from the cash of the prime brokers and custodians. Consequently, hedge funds may rank as an unsecured creditor in respect of such assets and cash on the insolvency of a prime broker and custodian and might not be able to recover such assets and cash in full. The inability of hedge funds to recover such cash could have a material adverse effect on the hedge fund's performance and returns to investors. For example, the bankruptcy of Lehman Brothers Holdings Inc. materially and adversely affected the operations of funds that used Lehman Brothers Holdings Inc. as a prime broker.

Strategy Disclosure:

Long/Short Equity and/or Fixed Income Strategies. Long/short equity and/or fixed income strategies generally seek to generate capital appreciation through the establishment of both long and short positions in equities or fixed income, by purchasing undervalued securities and selling overvalued securities to generate returns and to hedge out some portion of general market risk. If an Underlying Manager's analysis is incorrect or based on inaccurate information, these investments may result in significant losses to a hedge fund. Since a long/short strategy involves identifying securities that are generally undervalued (or, in the case of short positions, overvalued)

by the marketplace, the success of the strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur, or may occur over extended time frames that limit profitability. Positions may undergo significant short-term declines and experience considerable price volatility during these periods. In addition, long and short positions may or may not be related. If the long and short positions are not related, it is possible to have investment losses in both the long and short sides of the portfolio. Long/short strategies may increase the exposure of hedge funds to risks relating to derivatives transactions, leverage, portfolio turnover, concentration of investment portfolio and short-selling.

Convertible Arbitrage Strategies. This strategy entails the risk that an Underlying Manager is incorrect as to the relative valuation of the convertible security and the underlying equity securities or that factors unrelated to the issuer, such as actions of the Federal Reserve or government agencies, may have unexpected impacts on the value of the fixed income or equity markets, potentially adversely affecting the hedge fund's hedged position. Recent market events caused hedge funds to sell large amounts of convertible securities, which adversely affected the market price of convertible securities.

Merger or Event Driven Arbitrage Strategies. Hedge funds may invest in companies involved in (or which are the target of) acquisition attempts or takeover or tender offers or mergers or companies involved in work-outs, liquidations, demergers, spin-offs, reorganizations, bankruptcies, share buy-backs and other capital market transactions or "special situations." The level of analytical sophistication, both financial and legal, necessary for a successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that the Underlying Managers will correctly evaluate the nature and magnitude of the various factors that could, for example, affect the prospects for a successful reorganization or similar action. There exists the risk that the transaction in which such business enterprise is involved 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 of the security or other financial instrument in respect of which such distribution is received. Acquisitions sometimes fail because the U.S. government, European Union or some other governmental entity does not approve of aspects of a transaction due to anti-trust concerns, tax reasons, subsequent disagreements between the acquiror or target as to management transition or corporate governance matters or changing market conditions. Similarly, if an anticipated transaction does not in fact occur, or takes more time than anticipated, the hedge fund may be required to sell its investment at a loss. As there may be uncertainty concerning the outcome of transactions involving financially troubled companies in which hedge funds may invest, there is potential risk of loss by such hedge funds of their entire investment in such companies. In some circumstances, investments may be relatively illiquid making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. Accordingly, hedge funds' ability to respond to market movements may be impaired and consequently such hedge funds may experience adverse price movements upon

liquidation of their investments, which may in turn adversely affect the hedge funds. Settlement of transactions may be subject to delay and administrative uncertainties. An investment in securities of a company involved in bankruptcy or other reorganization and liquidation proceedings ordinarily remains unpaid unless and until such company successfully reorganizes and/or emerges from bankruptcy, and hedge funds may suffer a significant or total loss on any such investment during the relevant proceedings.

An Underlying Manager's investments may involve arbitraging between a security and its announced buy-out price, between two or more securities (as a "pairs trade" or otherwise), between the equity and equity options markets, and/or any similar transaction or combination of transactions. This means, for example, that the Underlying Manager may purchase (or sell) securities (i.e., on a current basis) and take offsetting positions in options in the same or related securities. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. To the extent that an anticipated outcome does not occur, the price differential will most likely change unfavorably and cause a loss on the position.

Investing in securities of companies in a special situation or otherwise in distress requires active monitoring by the Underlying Managers of such companies and may, at times, require active participation by investing hedge funds (including by way of board membership or corporate governance oversight), in the management or in the bankruptcy or reorganization proceedings of such companies. Such involvement may restrict such hedge funds' ability to trade in the securities of such companies. It may also prevent such hedge funds from focusing on matters relating to other existing investments or potential future investments of such hedge funds. In addition, as a result of their activities, hedge funds may incur additional legal or other expenses, including, but not limited to, costs associated with conducting proxy contests, public filings, litigation expenses and indemnification payments to the investment manager or persons serving at the investment manager's request on the boards of directors of companies in which the hedge funds have an interest. It should also be noted that any such board representatives have a fiduciary duty to act in the best interests of all shareholders, and not simply the hedge funds, and thus may be obligated at times to act in a manner that is adverse to the hedge funds' interests.

The occurrence of any of the above events may have a material adverse effect on the performance of the hedge funds and consequently on the returns to investors.

Fixed Income Arbitrage Strategies. Fixed income arbitrage strategies generally involve analyzing the relationship between the prices of two or more investments. To the extent the price relationships between such investments remain constant, little or no gain or loss on the investments will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably, causing a loss.

Volatility Arbitrage Strategies. The success of volatility arbitrage strategies depends on the ability of the Underlying Managers to accurately assess the relative value of a security in relation to its historical trading range. However, even if the Underlying Managers make an accurate assessment of a security's historical trading range, the security may strike a new trading range, resulting in the failure of the volatility arbitrage strategy with respect to that security. The simultaneous failure of volatility arbitrage strategies among a number of securities or hedge funds may result in significant losses to investors.

Statistical Arbitrage Strategies. The success of statistical arbitrage is heavily dependent on the mathematical models used by the Underlying Managers in seeking to exploit short-term and long-term relationships among stock prices and volatility. Models that have been formulated on the basis of past market data may not be predictive of future price movements. The Underlying Managers may select models that are not well-suited to prevailing market conditions. Furthermore, the effectiveness of such models tends to deteriorate over time as more traders seek to exploit the same market inefficiencies through the use of similar models. In addition, in the event of static market conditions, statistical arbitrage strategies are less likely to be able to generate significant profit opportunities from price divergences between long and short positions than in more volatile environments.

Relative Value Trading Strategies. The Underlying Managers utilize, among others, relative value trading strategies which are composed of positions in contracts relating to two or more assets the prices of which are expected to either converge or diverge and, in theory, mitigate the absolute price risk associated with taking an outright, unhedged position in respect of a single asset, and may be based upon historical price relationships and intended to neutralize the adverse (and positive) price effects of macro-economic events and trends. However, relative value strategies are subject to certain risks. The success of the Underlying Managers' trading activities depends, among other things, on the Underlying Managers' ability to identify unjustified or temporary discrepancies between the fundamental value and the market price of an asset or between the market prices of two or more assets whose prices are expected to move in relation to each other and to exploit those discrepancies to derive a profit to the extent that the Underlying Managers are able to anticipate in which direction the relative values or prices will move to eliminate the identified discrepancy. For example, a relative value strategy may fail to profit fully or at all or may suffer a loss or a greater loss due to a failure of the component contract prices to converge or diverge as anticipated. This may occur with respect to prices relating to all or only certain contract maturities.

Identification and exploitation of the investment opportunities that may be pursued by the Underlying Managers involve a high degree of uncertainty. If what the Underlying Managers perceive as an unjustified or temporary price or value discrepancy posing an investment opportunity is nothing more than a price differential due to reasons not likely to disappear within

the time horizon of an investment made by the hedge funds, if the Underlying Managers fail to anticipate the direction in which the relative prices or values will move to eliminate a discrepancy, or if the Underlying Managers have incorrectly evaluated the extent of the expected spread relationships, so that, for example, the value of the hedge funds' long positions appreciates at a slower rate than the value of the hedge funds' short positions in related assets, then the expected returns for investors will not materialize, and the hedge funds may sustain a loss that will adversely affect the price of their interests.

The discrepancies that the Underlying Managers seek to identify and turn into profit opportunities for hedge funds may arise due to a variety of circumstances. Some may be due to uneven flows of information to the relevant markets, with the market for one asset reflecting the impact of specified items of information before or after the same information has an impact on the market for a related asset. Others may be the result of regulatory or legal restrictions applicable to one type of asset, but not to a functionally equivalent asset (which occurs, for example, when regulated financial institutions are prohibited from investing in a particular type of asset, but are free to take, via derivative arrangements, positions that leave them exposed to the performance of the same asset). A reduction in the volatility and market inefficiencies that create the opportunities in which the Underlying Managers may seek to invest, as well as other market factors, will reduce the scope for the Underlying Managers' investments and may limit the hedge funds' opportunities for profit and adversely affect the price of their interests.

Global Macro. Underlying Managers may engage in global macro strategies. Global macro strategies include both directional trading and relative value approaches to what are generally short-term allocations of capital. Underlying Managers utilizing a directional trading approach will take unhedged long or short positions in various markets. Such unhedged investments may expose the fund to full market risk and are subject to substantial losses. The use of a relative value approach is also subject to the risk of substantial losses because of imperfect correlation of a hedge fund's portfolio of long and short positions.

Hedging Techniques. The Underlying Managers may employ various hedging techniques to attempt to reduce risk. If the trading methodology of the Underlying Managers analyzes market conditions incorrectly, their hedging techniques could result in a loss, regardless of whether the intent was to reduce risk. These hedging techniques may also increase the volatility of certain financial instruments, and therefore the hedge funds. In addition, such techniques may involve a small investment of cash relative to the magnitude of the risk assumed or result in a loss if the other party to the transaction does not perform as promised. Moreover, when engaging in a hedging transaction, an Underlying Manager may determine not to seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a hedge fund from achieving the intended hedge or expose the hedge fund to a risk of loss. An Underlying Manager may also determine not to hedge against

a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge or because they do not foresee the occurrence of the risk. It may not be possible for an Underlying Manager to hedge against a change or event at attractive prices or at a price sufficient to protect the assets of a hedge fund from the decline in value of the portfolio positions anticipated as a result of such change. In addition, a specific hedge may not be available with respect to a particular financial instrument and, even if available, may not perfectly correlate (whether intentionally or unintentionally) with the position which is sought to be hedged.

Inadvertent Concentration. The Underlying Managers may subscribe to various investment strategies which may expose the fund to a number of investment strategy risks. The investor may inadvertently be exposed to concentration risk as a number of Underlying Managers may have overlapping strategies and thus could accumulate large positions in the same or related instruments, without EIM USA's knowledge. Even if known, EIM USA's ability to avoid such concentration would depend on its ability to reallocate capital among existing or new hedge funds. This might not be feasible for several months until withdrawals and contributions are permitted by the hedge funds.

Short Selling. Some Underlying Managers may engage in short selling strategies. Short-selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short-selling necessarily involves certain additional risks. However, if the short seller does not own the securities sold short (an uncovered short sale), the borrowed securities must be replaced by securities purchased at market prices in order to close out the short position, and any appreciation in the price of the borrowed securities would result in a loss. Uncovered short sales expose a hedge fund to the risk of uncapped losses until a position can be closed out due to the lack of an upper limit on the price to which a security may rise. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. There is the risk that the securities borrowed by the hedge fund 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 the hedge fund 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 at the time the securities were originally sold short.

In September 2008, in response to spreading turmoil in the financial markets, the SEC temporarily banned short selling in the stocks of numerous financial services companies, and also promulgated new disclosure requirements with respect to short positions held by investment managers. The SEC's temporary ban on short selling of such stocks has since expired, but should similar restrictions and/or additional disclosure requirements be promulgated, especially if market turmoil

occurs, a hedge fund (especially if the hedge fund utilizes short selling as a significant portion of its investment strategy) may be forced to cover short positions more quickly than otherwise intended and may suffer losses as a result. Such restrictions may also adversely affect the ability of hedge funds to execute their investment strategies generally. Similar emergency orders have also recently been instituted in non-U.S. markets in response to increased volatility. The SEC recently adopted amendments to Regulation SHO under the Securities Exchange Act of 1934 that restrict the ability to engage in a short sale at a price that is less than or equal to the current best bid if the price of the covered security has decreased by 10% or more from the covered security's closing price as of the end of the prior day.

Derivatives. Some Underlying Managers may invest in complex derivative instruments that seek to modify or emulate the investment performance of particular securities, commodities, interest rates, indices or markets on a leveraged or unleveraged basis. These instruments generally have counterparty risk and may not perform in the manner expected by the counterparties, thereby resulting in greater loss or gain to the investor. These investments are all subject to additional risks that can result in a loss of all or part of an investment, such as interest rate and credit risk volatility, world and local market price and demand and general economic factors and activity. Derivatives may have very high leverage embedded in them that can substantially magnify market movements and result in losses greater than the amount of the investment. Some of the markets in which derivative transactions are affected are over-the-counter or interdealer markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are shareholders of exchange-based markets. This exposes the hedge funds to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. The hedge funds are not restricted from dealing with any particular counterparty or from concentrating all of their transactions with one counterparty. Many unforeseeable events, such as government policies, can have profound effects on interest and exchange rates, which in turn can have large and sudden effects on prices of derivative instruments.

Futures. Futures markets are highly volatile. To the extent that the hedge funds engage in transactions in futures contracts and options on futures contracts, the profitability of such hedge funds depends to some degree on the ability of the Underlying Managers to analyze correctly the futures markets, which are influenced by, among other things, changing supply and demand relationships, weather, governmental policies, commercial and trade programs, world political and economic events, changes in interest rates and other unforeseen events. A variety of possible actions by various government agencies can also inhibit profitability or can result in loss. Moreover, investments in commodities, futures and options contracts involve additional risks, including, without limitation, leverage (margin is usually 5–15% of the face value of the contract and exposure can be nearly unlimited) and credit risk vis-a-vis the contract counterparty. The CFTC and futures exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short position which any person may hold or control in particular

commodities contracts. It is possible that a position held by a hedge fund may have to be liquidated in order to avoid exceeding such limits, and such liquidation, if required, could adversely affect the operations and profitability of the hedge fund. In addition, commodity exchanges may limit fluctuations in commodity futures contract prices during a single day and thus during a single trading day no trades may be executed at prices beyond the “daily limit.” Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be neither taken nor liquidated unless the hedge fund is willing to effect trades at or within the limit, which may hinder the ability of the hedge fund to trade.

Like other leveraged investments, a futures transaction may result in losses in excess of the amount invested.

Swaps. Hedge funds may enter into equity, interest rate, index, currency rate, total return, credit, credit default and other types of swap agreements. The transactions are entered into in an attempt to obtain a particular return without the need to actually purchase the reference asset. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease a hedge fund’s exposure to long-term or short-term interest rates (in the U.S. or abroad), foreign currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices, baskets of securities, or inflation rates.

Swap agreements are two-party contracts entered into 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, which may be adjusted for an interest factor. The gross returns to be exchanged or “swapped” between the parties are generally 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 in a “basket” of securities representing a particular index. Most swap agreements entered into by a hedge fund would require the calculation of the obligations of the parties to the agreements on a “net basis.” Consequently, a hedge fund’s current obligations (or rights) under a swap agreement generally will 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”).

Swap agreements will tend to shift investment exposure from one type of investment to another. For example, if a hedge fund agrees to exchange payments in dollars for payments in foreign currency, the swap agreement would tend to decrease the hedge fund’s exposure to U.S. interest rates and increase its exposure to foreign currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a hedge fund’s portfolio.

Examples of swaps include:

- Interest rate swaps, which involve the exchange by a hedge fund with another party of their respective commitments to pay or receive interest. The purchase of an interest rate cap entitles the purchaser, to the extent that a specified index exceeds a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate cap. The purchase of an interest rate floor entitles the purchaser, to the extent that a specified index falls below a predetermined interest rate, to receive payments of interest on a notional principal amount from the party selling such interest rate floor.
- Currency swaps, in which a hedge fund may exchange with another party their respective commitments to pay or receive currency.
- Credit swaps, which involve other risks including, without limitation, the credit quality of the issuer, the counterparty or the associated reference pool.
- Credit default swaps, which consist of an agreement between two parties in which the “buyer” agrees to pay to the “seller” a periodic stream of payments over the term of the contract and the seller agrees to pay the buyer the par value (or other agreed-upon value) of a referenced debt obligation upon the occurrence of a credit event with respect to the issuer of the referenced debt obligation. Generally, a credit event means bankruptcy, failure to pay, obligation acceleration or modified restructuring.

The use of swaps subjects the hedge funds to risk of default by the counterparty. If there is a default by the counterparty to such a transaction, the hedge fund will have contractual remedies pursuant to the agreements related to the transaction; however, in such event, recovery would be dependent on the creditworthiness of the counterparty. Hedge funds may also enter into interest rate, total return or other swaps that may be surrogates for other instruments such as currency forwards and interest rate options. The value of such instruments generally depends upon price movements in the underlying assets, risk elements, shares, rights or commitments, as well as counterparty risk.

Option Transactions. The purchase or sale of an option involves the payment or receipt of a premium payment by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other investment for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the

investor is exposed to the extent of the actual price movement in the underlying security in excess of the premium payment received.

Hedge funds may purchase or sell customized options and other derivatives in the over-the-counter market that may have different features than traditional exchange-traded options though they also share the same risks. These options and derivative instruments may also subject the hedge funds to risk of default by the counterparty. Investments in these financial instruments may also be subject to additional risk such as interest rate and other risks.

A hedge fund's ability to close out their positions as purchasers of exchange-listed options would be dependent upon the existence of a liquid secondary market on an exchange. Among the possible reasons for the absence of a liquid secondary market on an exchange are (i) insufficient trading interest in certain options, (ii) restrictions on transactions imposed by an exchange, (iii) trading halts, suspensions or other restrictions imposed with respect to particular classes or series of options or underlying securities, (iv) interruption of the normal operations on an exchange, (v) inadequacy of the facilities or an exchange or the Options Clearing Corporation to handle current trading volume or (vi) a decision by one or more exchanges to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options on that exchange would generally continue to be exercisable in accordance with their terms.

Exchange Traded Funds ("ETFs"). Hedge funds may invest in ETFs to gain exposure to certain desired investment categories. ETFs are a type of investment company bought and sold on a securities exchange. An ETF represents a fixed portfolio of securities designed to track a particular market index or economic exposure. Generally, ETFs provide a passive economic exposure to an asset class (e.g., large capitalization stock) or segment of an asset class (e.g., residential real estate). The risks of owning an ETF generally reflect the risks of owning the underlying securities the ETF is designed to track, although lack of liquidity in an ETF could result in it being more volatile. In addition, ETFs bear management fees, which increase their costs. As a shareholder of an ETF, the hedge funds would bear their pro rata portion of the ETF's expenses, including advisory fees. These expenses would be in addition to the fees and other expenses that hedge funds bear directly in connection with their own operations. Hedge funds may be limited by provisions of the 1940 Act applicable to private funds in regard to the size of a particular investment in an ETF.

Indexed Securities. Hedge funds may invest in securities that fluctuate in value with an index. Such securities generally will either be issued by the U.S. Government or one of its agencies or instrumentalities or, if privately issued, collateralized by mortgages that are insured, guaranteed or otherwise backed by the U.S. Government, its agencies or instrumentalities. The interest rate or, in some cases, the principal payable at the maturity of an indexed security may change positively or inversely in relation to one or more interest rates, financial indices, securities prices or other financial indicators ("Reference Prices"). An indexed security may be leveraged to the extent that

the magnitude of any change in the interest rate or principal payable on an indexed security is a multiple of the change in the Reference Price. Thus, indexed securities may decline in value due to adverse market changes in Reference Prices. Because indexed securities derive their value from another instrument, security or index, they are considered derivative debt securities, and are subject to different combinations of prepayment, extension, interest rate and/or other market risks.

“OTC” Transactions. Hedge funds may engage in transactions involving securities traded on “over-the-counter” (“OTC”) markets. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes hedge funds to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. Therefore, to the extent that hedge funds engage in trading on OTC markets, hedge funds could be exposed to greater risk of loss through default than if they confined their trading to regulated exchanges.

Real Estate. Investing in real estate, including real estate investment trusts (“REITs”) may subject hedge funds to risks associated with the ownership of real estate, including terrorist attacks, war or other acts that destroy real property (in addition to securities market risks). Some REITs may invest in a limited number of properties, in a narrow geographic area, or in a single property type, which increases the risk that a hedge fund could be unfavorably affected by the poor performance of a single investment or investment type. These companies are also sensitive to factors such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer. Borrowers could default on or sell investments the REIT holds, which could reduce the cash flow needed to make distributions to investors. In addition, REITs may also be affected by tax and regulatory requirements in that a REIT may not qualify for preferential tax treatments or exemptions. REITs require specialized management and pay management expenses. Securities issued by private partnerships in real estate may be more illiquid than securities issued by other hedge funds generally, because the partnerships’ underlying real estate investments may tend to be less liquid than other types of investments.

Private Equity. Investment in private equity involves the same types of risks associated with an investment in any operating company. However, securities issued by private partnerships investing in private equity investments may be more illiquid than securities issued by other hedge funds generally, because the partnerships’ underlying investments may tend to be less liquid than other types of investments. In addition, private equity transactions generally utilize large amounts of leverage, which can increase returns but exacerbate any losses.

Private Investing in Public Equity (“PIPEs”). Investment in PIPEs involves the same types of risks associated with an investment in any operating company. However, PIPE securities may be more illiquid than securities issued by other hedge funds generally, because the partnerships’ underlying investments may tend to be less liquid than other types of investments. PIPE securities are generally issued under Securities Act Section 4(2) or Regulation D and are exempt from registration. As such, PIPE investors receive restricted securities and cannot publicly trade them until the issuer files and SEC approves a resale registration statement.

Leverage Risk. Hedge funds may borrow and may utilize various lines of credit, reverse repurchase agreements, “dollar” rolls, issuance of debt securities, swaps, forward purchases, other off-balance sheet derivative transactions and other forms of leverage. While leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the leverage, the value of a hedge fund’s net assets will decrease. Accordingly, any event which adversely affects the value of an investment by a hedge fund would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used. In periods of extreme market volatility, the need to sell assets in a declining market can cause even greater losses, as prices may be artificially depressed. Generally, most leveraged transactions involve the posting of collateral. Increases in the amount of margin that a hedge fund is required to post could result in a disposition of hedge fund assets at times and prices which could be disadvantageous and could result in substantial losses. Creditors’ claims may be senior to the rights of investors in the underlying fund.

Foreign Securities. Hedge funds may invest in securities of non-U.S. issuers. These investments involve special risks not usually associated with investing in securities of U.S. companies, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of the imposition of withholding or other taxes on dividends, interest, capital gain or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the hedge fund’s investment opportunities. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company. There is also less regulation, generally, of the securities markets in many foreign countries than there is in the U.S., and such markets may not provide the same protections available in the U.S. With respect to certain countries, there may be the possibility of political, economic or social instability,

the imposition of trading controls, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could materially adversely affect a hedge fund's investments in those countries. Furthermore, individual economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency, and balance of payments position. Investment in non-U.S. countries may also be subject to withholding or other taxes, which may be significant and may reduce returns.

Brokerage commissions, custodial services and other costs relating to investment in international securities markets generally are more expensive than in the U.S. In addition, clearance and settlement procedures may be different in foreign countries and, in certain markets, such procedures have been unable to keep pace with the volume of securities transactions, thus making it difficult to conduct such transactions.

Currency Risks. The hedge funds may purchase instruments denominated in currencies other than the hedge funds' base currency of U.S. dollars. In doing so, the hedge funds will be exposed to certain currency risks, including illiquidity, blockages by governments, political unrest or other factors, failure or inability to deliver, pressures from speculators and other factors that can result in losses with respect to such instruments notwithstanding any mark-to-market return. In addition, to the extent that currency risk is not hedged, changes in the value between the U.S. dollar and other currencies can increase or reduce the actual returns from non-dollar denominated investments. The hedge funds may at times have significant currency exposure. Therefore, market movements in the underlying currencies could result in substantial losses to the extent such exposures are not hedged.

Investments in Governmental Debt. The hedge funds may invest in debt of both U.S. and non-U.S. government agencies and instrumentalities and quasi-governmental entities. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and the hedge funds may have limited legal recourse in the event of default because, among other reasons, remedies must be pursued in the courts of the defaulting party. In addition, political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance. A sovereign debtor's willingness or ability to repay principal and to pay interest in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's policy toward international lenders, and the political constraints to which the sovereign debtor may be subject. Periods of economic uncertainty may result in the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issues. The occurrence of political, social or diplomatic changes in one or more of the countries issuing sovereign debt could

adversely affect a hedge fund's investments. Political changes or a deterioration of a country's domestic economy or balance of trade may affect the willingness of countries to service their sovereign debt.

Investment in sovereign debt obligations of non-U.S. governments involves additional risks not present in debt obligations of corporate issuers and the U.S. government. See "Recent Events," above.

Portfolio Valuation. Interests in hedge funds are generally valued based upon values or performance information provided by the Underlying Managers or their administrators, as the case may be. However, such information may be subject to little independent verification or other due diligence. Certain securities or investments, particularly those for which market quotations may not be readily available, may be difficult to value. Because of overall size, concentration in particular markets and maturities of positions held by a hedge fund, the value at which its investments can be liquidated may differ, sometimes significantly, from the interim valuations provided. In addition, the timing of liquidations may also affect the values obtained on liquidation. Securities held by hedge funds may routinely trade with bid-offer spreads that may be significant. In addition, hedge funds may hold loans or privately placed securities for which no public market exists. Accordingly, the values of hedge funds provided may be subject to an upward or downward adjustment based on information reasonably available at that time or following the auditing of a hedge fund's financial records. There can therefore be no guarantee that a hedge fund investment could be realized at the valuation provided at any given point in time.

When market quotations may not be available, investments such as complex or unique financial instruments may be priced pursuant to a number of methodologies, such as computer-based analytical modeling or individual security evaluations. These methodologies generate approximations of market values, and there may be significant professional disagreement about the best methodology for a particular type of financial instrument or different methodologies that might be used under different circumstances. In the absence of an actual market transaction, reliance on such methodologies is essential, but may introduce significant variances in the ultimate valuation of a hedge fund interest.

Moreover, Underlying Managers will generally face a conflict of interest in providing valuations since such valuations will affect the compensation of the Underlying Managers.

Investment Manager/Underlying Manager/Hedge Fund:

Competition. The Underlying Managers will engage in investment and trading activities which are highly competitive with other investment and trading programs including those of mutual funds and other financial institutions, investment banks, broker-dealers, commercial banks, insurance companies and pension funds, as well as private investors, all of whom may have investment

objectives similar to those of the hedge funds. These competitors may have substantially greater resources than the Underlying Managers and may have substantially greater experience than the Underlying Managers.

Additionally, the growth in recent years in the number of hedge funds and assets managed by such funds, together with the increase in other market participants (such as the proprietary desks of investment banks) may reduce the opportunities available for the Underlying Managers to make certain investments or adversely affect the terms upon which investments can be made. This could reduce the ability of a hedge fund to generate returns and/or reduce the quantum of these returns. Historic opportunities for some or all hedge fund strategies may be eroded over time while structural and/or cyclical factors may reduce opportunities for the Underlying Managers temporarily or permanently.

Use of Multiple Underlying Managers. No assurance can be given that the collective performance of the Underlying Managers will result in profitable returns or avoid losses for an investor. Underlying Managers generally invest wholly independently of one another and may at times hold economically offsetting positions. To the extent that Underlying Managers do, in fact, hold such positions, a client's portfolio, considered as a whole, may not achieve any gain or loss despite incurring fees and expenses in connection with such positions. Positive performance achieved by one or more Underlying Managers may be neutralized by negative performance experienced by other Underlying Managers. Moreover, the independent nature of Underlying Managers' investing may also result in Underlying Managers holding the same or similar positions and, to the extent Underlying Managers do, in fact, hold the same or similar positions, an investor's indirect exposures to such positions through its investments in hedge funds may be more concentrated (and thus more risky and volatile) than if such investments were coordinated. In addition, Underlying Managers are compensated based on the performance of their portfolios. Accordingly, there often may be times when a particular Underlying Manager may receive incentive compensation in respect of its portfolio for a period even though the value of an investor's overall portfolio may have decreased during such period. Furthermore, it is possible that from time to time, various Underlying Managers may be competing with each other for the same positions in one or more markets. In any such situations, an investor could indirectly incur certain transaction costs without accomplishing any net result.

Limited Liquidity. Hedge funds may be or may become illiquid, their marketability may be restricted and the realization of investments from them may take a considerable time and/or be costly, in particular because hedge funds may have restrictions that allow redemptions only at specific infrequent dates with considerable notice periods, and apply lock-ups, gates and/or redemption fees, all of which operate to restrict the ability of an investor to liquidate a hedge fund investment. For example, hedge funds may permit redemptions only on a semi-annual, annual, or less frequent basis. As a result, investors could be unable to redeem capital from hedge funds in

which it invests for an extended period after EIM USA has determined that the Underlying Manager operating such hedge fund has begun to deviate from its announced trading policies and strategy (or has otherwise determine to liquidate an investment in a hedge fund).

There are also certain events which may delay or prohibit the ability of EIM USA to redeem from the hedge funds, including market volatility and illiquidity, which could result in a suspension of redemptions by the hedge funds or a suspension or delay in the payment of redemption proceeds from such hedge funds. Any such event will adversely impact the ability of an investor to withdraw from the fund and receive withdrawal proceeds within any finite period of time. Further, under certain circumstances investors may receive in-kind payments from the hedge funds, rather than cash payments, in which event the investor will have to bear the cost and expense of liquidating such in-kind payments.

Hedge funds generally have the ability to indefinitely suspend the right of their investors to redeem their investment during periods of exceptional market conditions, such as those experienced during the 2007-2009 financial crisis, and such suspension may occur for an extended period of time or as a prelude to liquidation of the hedge fund. Consequently, an investment in a hedge fund could depreciate in value during the time a redemption is delayed, and investors would be precluded from redeploying their capital to more advantageous investment opportunities. The risk of illiquidity in a hedge fund is exemplified by the turmoil in the markets during 2007-2009 in which a number of hedge funds suspended redemptions, resulting in the inability of investors to obtain liquidity in their holdings in such hedge funds.

Side Pockets. Some hedge funds may, from time to time, invest in non-marketable securities and are authorized as per their offering memorandum to exchange at any time a portion of their investors' shares against a separate class of shares commonly referred to as "side pocket". To effect a side pocket investment, underlying funds will typically exchange a portion of their main class of shares for a separate class of shares representing side pocket investments. Side pocket investments may be more difficult to value, there may be no current market value for the side pocket and the price at which the underlying fund carries the side pocket may represent its acquisition cost or other valuation. The value of side pocket investments reported by Underlying Managers may not accurately reflect the price at which such investments are eventually sold.

Upon redemption from an underlying fund with side pockets; full proceeds from the redemption may be delayed until the side pocket investments are liquidated as described. With regard to the any side pocket class, generally hedge funds are authorized to postpone for an indefinite period the redemptions of the investors' side pocket class shares to the date such hedge fund redeems such special non-marketable investments.

Possibility of Misconduct by Underlying Managers. Misconduct or misrepresentations by employees of the Underlying Managers or service providers could cause significant losses to a

hedge fund. Employee misconduct may include binding the hedge fund to transactions that exceed authorized limits or present unacceptable risks and unauthorized trading activities or concealing unsuccessful trading activities (which, in any case, may result in unknown and unmanaged risks or losses) or making misrepresentations regarding any of the foregoing. An Underlying Manager could divert or abscond with assets, fail to follow its stated investment strategies, issue false reports or engage in other misconduct, all without EIM USA's knowledge. Losses could also result from actions by service providers, including, without limitation, failing to recognize trades and misappropriating assets. In addition, employees and service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the hedge fund's business prospects or future marketing activities. Despite EIM USA's due diligence efforts, misconduct and intentional misrepresentations may be undetected or not fully comprehended, thereby potentially undermining EIM USA's due diligence efforts. As a result, no assurances can be given that the due diligence performed by EIM USA will identify or prevent any such misconduct and EIM USA must ultimately rely on each Underlying Manager to operate in accordance with the investment strategy and guidelines laid out by such Underlying Manager, and the accuracy of the information provided by such Underlying Manager.

Potential Conflicts of Interest Involving Managers. Certain of the Underlying Managers may engage in other forms of related and unrelated activities in addition to advising hedge funds. They may also make investments in securities for their own account. Activities such as these could detract from the time an Underlying Manager devotes to the affairs of hedge funds. In addition, certain of the Underlying Managers may engage affiliated entities to furnish brokerage services to hedge funds and may themselves provide market making services, including acting as a counterparty in stock and over-the-counter transactions. As a result, in such instances the choice of broker, market maker or counterparty made by a hedge fund and the level of commissions or other fees paid for such services (including the size of any mark-up imposed by a counterparty) may not have been made at arm's length.

Delegation of Control. Although EIM USA screens Underlying Managers, it has no ability to predict the investments the Underlying Managers may select, or whether Underlying Managers will act in accordance with disclosure documents or descriptive materials furnished by them to EIM USA.

Increase in Managed Assets. A major increase in the assets managed by an Underlying Manager may impair the ability of their strategies and operations to perform up to historical levels. Such Underlying Managers may divert from stated strategies into strategies or markets with which they could have little or no experience. This could result in serious losses to the hedge funds.

New Strategies. Many of the strategies used by the Underlying Managers may not have been in existence during periods of major market stress, disruption or decline. As a result, it is not known how these strategies will perform in these periods.

Limited Operating History. Certain Underlying Managers may be new or relatively new firms and have little or no operating history upon which their performance can be evaluated. In addition, certain Underlying Managers may have experience trading for themselves or managed accounts but may not have previously operated a hedge fund.

Dependence on the Underlying Manager. The success of the investment policy of a hedge fund will be significantly dependent upon the Underlying Managers and their expertise and ability to attract and retain suitable staff. The success of a particular hedge fund will be dependent on the expertise of the Underlying Manager for that hedge fund. Incapacitation or loss of key people within hedge funds may adversely affect such hedge funds. Many Underlying Managers may have only one or a limited number of key individuals. The loss of one or more individuals from an Underlying Manager could have a material adverse effect on the performance of such hedge fund.

Access to Information from Underlying Managers. Although EIM receives information from each prospective Underlying Manager regarding its historical performance, if any, and investment strategy, in most cases EIM USA has little or no means of independently verifying the information supplied to it by such Underlying Manager. In general, EIM will rely in large part on the limited information provided to it by the Underlying Managers. For example, EIM may not learn of significant structural changes, such as turnover in personnel, capital withdrawals or capital growth, or may learn of such changes only after they have occurred. The absence of detailed information could result in significant losses.

Litigation Risk. A hedge fund could become involved in shareholder, insider trading or other litigation as a result of its investment activities, which could adversely affect the hedge fund.

Incentive Compensation and Multiple Layers of Fees. Most, if not all, Underlying Managers will be entitled to receive incentive fees with respect to their trading. These arrangements may give the Underlying Managers an incentive to make riskier or more aggressive investments than they would otherwise make and/or to value their positions at a higher value. Additionally, EIM USA charges incentive and management fees, and these fees are in addition to the incentive and management fees charged by hedge funds.

Valuation. Because of the overall size and concentrations in particular markets and maturities of positions that may be held by the hedge funds from time to time, the liquidation values of the hedge funds' investments may differ significantly from the interim valuations of such investments provided to the investors. Such differences may be further affected by the time frame within which such liquidation occurs. Third party pricing information may at times not be available in respect of certain of the hedge fund's securities and other investments. Valuations of the hedge fund's securities and other investments, which affect the amount of the advisory fees and the net asset value of the hedge fund, may involve uncertainties and judgmental determinations, and if such

valuations should prove to be incorrect, the net asset value of the hedge fund could be adversely affected. Valuation determinations are conclusive and binding.

Information Technology Systems. Underlying Managers depend on information technology systems in order to assess investment opportunities, strategies and markets and to monitor and control risks for their hedge funds. Information technology systems are also used to trade in the underlying investments of hedge funds. It is possible that a failure of some kind which causes disruptions to these information technology systems could materially limit the Underlying Manager's ability to adequately assess and adjust investments, formulate strategies and provide adequate risk control. Any such information technology related difficulty could harm the performance of a hedge fund. Further, failure of the back-office functions of the Underlying Managers to process trades in a timely fashion could prejudice the investment performance of a hedge fund.

Material, Non-Public Information. From time to time, Underlying Managers may come into possession of confidential or material, non-public information that would limit the ability of a hedge fund to acquire or dispose of investments held by the hedge fund. A hedge fund's investment flexibility may be constrained as a consequence of the inability of an Underlying Manager to use such information for investment purposes. Moreover, an Underlying Manager may acquire confidential or material, non-public information or be restricted from initiating transactions in certain securities or liquidating or selling certain investments at a time when the Underlying Manager would otherwise take such an action.

Side Letters and Other Agreements. Underlying Managers and hedge funds may enter into separate agreements with certain of their investors, such as those affiliated with the Underlying Manager or hedge fund or those deemed to involve a significant or strategic relationship. Such agreements may provide more beneficial terms to investors other than EIM clients by waiving certain terms or allowing such investors to invest on different terms than those on which EIM clients have invested, including, without limitation, with respect to fees, liquidity, changes in redemption terms, key man provisions, notification upon the occurrence of certain events (in some instances including the ability to redeem upon the occurrence of certain events), "most favored nation" clauses and disclosure of certain information. Under certain circumstances, these agreements could create preferences or priorities for such investors. For example, hedge funds may offer certain of its investors additional or different information and reporting than that offered to EIM or its clients. Such information may provide the recipient greater insights into the hedge fund's activities as compared to clients of EIM in their capacity as investors in such hedge fund, thereby enhancing the recipient's ability to make investment decisions with respect to the hedge fund and enabling such investor to make more informed decisions than EIM or its clients about redeeming from the hedge fund. Any resulting redemption could force the hedge fund to sell investments at a time when it might not otherwise have done so or for a price less than their deemed

fair market value, which will adversely affect EIM clients as a remaining investor in the relevant hedge fund.

Item 9 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of EIM or the integrity of EIM's management. EIM and its management have no material legal or disciplinary events to report at this time.

Item 10– Other Financial Industry Activities and Affiliations

Other Financial Industry Activities EIM USA is registered with the SEC as an investment advisor. The Firm has withdrawn their registration with the U.S. Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator (“CPO”) and as a commodity-trading

advisor (“CTA”). The Firm is no longer a member of the U.S. National Futures Association (“NFA”). The Firm has been designated as an exempt CPO at this time.

Affiliations - EIM USA is under common control of the EIM Group. The Firm has a number of affiliated entities domiciled in other jurisdictions. Where required, the non-U.S. domiciled affiliates are registered with local regulators. EIM USA will purchase non-discretionary research via a servicing agreement from affiliated EIM global entities. In addition to research, EIM USA will utilize technology, proprietary software and related system support and other services of the EIM

Group. Affiliates may provide revenue to each other under Service Agreements developed to meet the needs and circumstances of each company.

The following are affiliated EIM investment entities:

- E.I.M. S.A., Nyon (Switzerland),
- EIM (United Kingdom) Limited, London (UK),
- EIM (France) S.A.S, Paris (France),

Certain designated employees of E.I.M. S.A. are associated persons of EIM USA and provide the following functions:

- Corporate Governance,
- Portfolio Management and Research,
- Risk Reporting and
- Compliance services

The Group's CFO, Roland Biollay is a member of the US Board of Directors and is the acting Chief Compliance Officer for EIM USA. He can be reached via email at rbiollay@eim.ch.

EIM has entered into an agreement to be acquired by Gottex. The deal is pending shareholder and regulatory approval at this time

Item 11 – Code of Ethics

EIM strives to adhere to the highest industry standards of conduct based on principals of professionalism, integrity, honesty and trust. EIM has adopted a Code of Ethics to meet these standards. A copy of the Code of Ethics will be provided upon request.

Item 12 – Brokerage Practices

Since EIM's Managed Accounts and PIVs invest in hedge funds through private transactions, the Firm does not typically use broker dealers to effect securities transactions. There may be occasions where the Firm may sell hedge fund interests in secondary market transactions and clients may incur brokerage and other transaction costs in connection with these transactions.

Brokerage for Client Referrals - EIM does not receive client referrals or compensation from any Secondary Market Platforms. EIM does not consider referrals as criteria in its selection of a broker-dealer in secondary market transactions.

Participation or Interest in Client Transactions - EIM may recommend investments in partnerships, investment companies, separate accounts, or other entities in which an affiliate may have some financial interests or derive some financial benefit.

Termination of an Account - The services of EIM may be terminated pursuant to the written notice of termination contained in the IMA. EIM retains the right to purchase securities from client accounts, during the course of a liquidation of a client mandate. EIM may liquidate all or any part of the investments by the sale to another advisory account at the underlying funds' NAV at the time of the sale.

Item 13 – Review of Accounts

Eric Bissonier Chief Strategist, and Chairman of Global Investment Committee, is ultimately responsible for the ongoing review of accounts. Client investment objectives and restrictions are hard coded into the Firm's Order Management System, Webfolio. Risk Management compares the client portfolio against the mandate parameters and risk policy.

Nature and Frequency of Regular Reports - EIM communicates with its clients through a range of reports, telephone conversations, letters and client meetings. The frequency of communication varies from client to client and depends on each client's needs EIM portfolio managers can provide portfolio updates on a quarterly basis via conference calls and are generally available for 1 to 2 meetings in person per year, or more frequently, as requested. The operations team is the point person for client communications.

Internal monthly reports are prepared and delivered for each client account via the Firm's secure Webportal. Reports contain asset allocation data, current or estimated market value for each investment and performance results for various time periods, including results since the inception of the account. Reports serve as the client's basis for monitoring investment results and achievement of their individual objectives.

Portfolio Performance Reports - The Operations team performs a monthly reconciliation between the portfolio positions as they appear in EIM's Webfolio monitoring system and those appearing on the independent Administrator and/or Custodian's statement.

Internal monthly reports are prepared and delivered for each client account via the Firm's secure Webportal. Reports contain asset allocation data, current or estimated market value for each investment and performance results for various time periods, including results since the inception of the account. Reports serve as the client's basis for monitoring investment results and achievement of their individual objectives.

EIM provides estimated portfolio performance reports typically on the fifth business day after month end. EIM also provides final portfolio performance reports to its clients within 25 to 30 days after month-end. These reports include a final monthly portfolio valuation and performance analysis prepared and reconciled to independent custodial and administrator statements. Both the estimated and final performance reports contain net performance by manager, strategy, and in aggregate.

Item 14 – Client Referrals and Other Compensation

Solicitation Agreements - EIM may enter into a contractual arrangement with unaffiliated third parties and/or affiliated persons who may solicit clients for the firm. The arrangements are made in writing pursuant to Rule 206(4)-3 of the Investment Advisors Act of 1940, as amended. Clients will be informed of any such arrangements pertaining to their accounts in advance of entering into an advisory agreement with or through EIM. The solicitor is to provide prospective clients with a solicitor's disclosure statement and a copy of this brochure. In these cases, clients do not pay additional fees, commissions or higher costs as these third parties are paid directly by EIM and not by the Client. Each referring source executes a Solicitation Agreement in a form satisfactory to EIM.

Where the solicitor is an associated person of EIM or its affiliated entities, the affiliated solicitor will simply disclose their relationship to the client at the time of the meeting. The client will not be presented with a disclosure document or acknowledgement.

Soft Dollars - EIM does not have any relationships with Prime Brokers under which, for example, it receives any benefits from directing hedge fund business to that Broker. Nor does EIM receive any services such as research or access to equipment ("Soft-Dollar arrangements").

Item 15 – Custody

EIM does not maintain custody of client assets. Each managed account must designate an independent qualified custodian in their Discretionary Investment Management (IMA) or Advisory Agreements (IAA). The designated custodians generally provide quarterly statements directly to the account, as well as to EIM. Managed Accounts are not audited by a certified public accountant unless requested by the Client. Clients will incur custody fees in the course of our management of their accounts.

Clients are urged to carefully review and compare third party statements from custodians, administrators and/or underlying fund managers with the monthly statements provided by EIM USA.

If the custodian does not provide quarterly statements, please promptly notify Client Services of the fact.

For Investors in Private Funds, pursuant to a fund administration agreement, the fund administrator will prepare and send a valuation at least quarterly for each Investor's interest in the Fund via e-mail. Investors also will receive audited annual financial statements of the Fund prepared by independent certified public accountants in accordance with the SEC Custody Rule.

EIM USA has engaged a PCAOB accounting firm to perform surprise audits for those accounts which would require surprise audits under the SEC Custody Rule.

Item 16 – Investment Discretion

Securities to be Bought or Sold - EIM manages each client account on a discretionary and/or advisory (i.e. non-discretionary) basis in accordance with their IMA or IAA. Pursuant to discretionary advisory contracts, EIM has unlimited authority to select hedge fund managers and funds for the management of each client account, subject to restrictions which have been determined by EIM and the client, and which have been documented in the client contract and subject to the Firm's Risk Policy. The Risk Policy specifies a series of qualitative "rules" (related to funds' operational set-up) and quantitative limits at the fund and portfolio levels (related to concentration issues, sensitivities to market factors, etc.), that are monitored systematically by Risk Management.

For Advisory accounts, EIM will make hedge fund asset allocation recommendations to the Client. The Client may elect to follow or ignore the recommendations under this agreement.

Amount of Securities to be Bought or Sold - EIM generally attempts to construct well-diversified portfolios. The use of multiple hedge fund organizations and/or funds is designed to provide diversification. Each investment advisory organization and fund is generally unconstrained with respect to its investments.

Pursuant to discretionary IMAs, EIM is generally given unlimited discretion to determine the weightings (amount of assets to be invested in each fund) to be allocated to each hedge fund manager subject to any investment restrictions by the client and the Firm's Risk Policy.

For advisory accounts, EIM will recommend an appropriate weight to the Client. The Client may elect to follow or ignore the recommendations.

Certain client mandates may prohibit allocations to funds or investment advisory organizations that might invest in particular securities or types of securities.

Investment Allocations - In a case where EIM might be in a position to obtain exceptional allocations from managers that are “closed” to further investment, we have put in place a formal set of allocation rules (“Fair Allocation Policy”), which govern the apportionment of this capacity fairly among our client portfolios. Given the restrictions and constraints of the account, the following rules for “limited allocations” apply:

New clients receive priority in gaining exposure to managers with limited capacity. Thereafter, capacity is allocated to clients with cash available to invest who require exposure to the strategy offered by the manager in question. A number of other factors, however, can impact the uniformity of investments and investment decisions among accounts; which include; but are not limited to; account size, investment mandate, client-specific investment restrictions, client liquidity or transparency requirements, client fee sensitivity, cash flows, lock-up periods and/or redemption fees, existing portfolio weightings, underlying funds’ ERISA or other investor limitations, and funds closing and/or opening to new investors.

As a result of the foregoing, accounts with similar investment goals may nonetheless not participate uniformly in various investment opportunities. One benefit of the flexibility of the separate account structure is that clients are better able to tailor the investment mandate to their specific needs. This factor, however, also may work to reduce EIM’s ability to effect across the board investment decision making for its separate account clients. In all instances, EIM works to insure that investment opportunities are made available to all clients in a fair and equitable manner.

EIM’s complete Fair Allocation Policy is available upon request.

Item 17 – Voting Client Securities

Proxy Voting Policy - EIM understands and appreciates the importance of proxy voting and corporate actions. To the extent that EIM has discretion to vote the proxies for a Managed Account and/or Fund, the Firm will vote any such proxies in the client’s best interest and in accordance with EIM’s proxy voting policies and procedures. The Firm maintains a record of all proxy decisions and the rationale for voting; this will be retained for inspection by the Client at any time. The Client may contact Client Services for proxy decisions. EIM’s complete proxy-voting procedures are available to Managed Accounts, Investors and others upon request.

Other Legal Actions - EIM may provide information but will not act or advise Clients in any legal proceedings, including bankruptcies or class actions, involving Investment Funds held or previously held by the Account.

Item 18 – Financial Information

Financial Condition of the Firm - EIM will notify Managed Accounts and Investors should the Firm's financial condition be such that it could hamper the Firm from delivering unconflicted investment advisory services.

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