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BROCHURE PURSUANT TO PART 2A OF FORM ADV

<http://www.paamco.com/>

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This brochure provides information about the qualifications and business practices of Pacific Alternative Asset Management Company, LLC ("PAAMCO US"), Pacific Alternative Asset Management Company Europe LLP ("PAAMCO Europe") and Pacific Alternative Asset Management Company Asia Pte. Ltd. ("PAAMCO Asia," and with PAAMCO Europe and PAAMCO US, "PAAMCO"). If you have any questions about the contents of this brochure, please contact us at 949-261-4900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about PAAMCO is also available on the SEC's website at: www.adviserinfo.sec.gov.

In this brochure, PAAMCO US is referred to as a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and PAAMCO Europe and PAAMCO Asia are referred to as "relying advisers." SEC registration does not imply a certain level of skill or training.

Item 2. Material Changes

This section discusses only material changes since the last annual update of this Brochure. This Brochure was previously updated by PAAMCO US on March 31, 2014.

PAAMCO US is registered with the SEC as an investment adviser. Pursuant to an SEC No-Action Letter (American Bar Association, Business Law Section, pub. avail. Jan. 18, 2012), you are receiving this Part 2A of Form ADV from PAAMCO US for itself as “filing adviser” and on behalf of PAAMCO Europe and PAAMCO Asia (collectively, “PAAMCO Affiliates”) as “relying advisers”. As such, this Brochure incorporates information on PAAMCO US and the PAAMCO Affiliates (collectively referred to as “PAAMCO”).

Items 4, 5, 8, and 11 have had material updates since the last Brochure, dated March 31, 2014, while conforming changes have been on other Items.

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Item 4. Advisory Business

PAAMCO US was founded in 2000. PAAMCO US is owned by PAAMCO Founders Co., LLC ("Founders") and by certain supervised persons of PAAMCO and its affiliates. The owners of Founders are Jane Buchan, Judith Posnikoff, William Knight, James Berens and Franklin Realty Holdings, LLC, an entity controlled by S. Donald Sussman.

PAAMCO Europe, a subsidiary of PAAMCO US, was founded in 2003. PAAMCO Europe does not currently advise any Clients (as defined below). It instead refers potential investment advisory clients to and performs due diligence on hedge fund managers, primarily those located in Europe, for PAAMCO US. PAAMCO Europe is owned 92.13% by PAAMCO US and the balance is owned by employees of PAAMCO Europe.

PAAMCO Asia, a subsidiary of PAAMCO US, was founded in 2006. PAAMCO Asia does not currently advise any Clients. PAAMCO Asia instead refers potential investment advisory clients to and performs due diligence on hedge fund managers, primarily those investing in Asia, for PAAMCO US. PAAMCO Asia is owned 96.09% by PAAMCO US and the balance is owned by employees of PAAMCO Asia.

As of March 1, 2014, PAAMCO US managed \$9.2 billion on a discretionary basis and \$6.7 billion on a non-discretionary basis.

PAAMCO US is a "hedge fund of funds" adviser, meaning that it advises clients on investments in various types of private investment vehicles or managed accounts (each, an "Investment Fund"). The term "Investment Fund" also includes the Segregated Portfolios (as defined below). PAAMCO US provides these advisory services to a variety of clients on either a discretionary or non-discretionary basis. In particular:

- (i) PAAMCO US serves as the manager or investment adviser of funds that have a single investor (or group of affiliated investors) ("Separate Accounts");
- (ii) PAAMCO US serves as the manager or investment adviser of funds that have multiple investors that are generally not affiliated with each other ("Commingled Funds");
- (iii) PAAMCO US serves as the investment adviser to each segregated portfolio ("Segregated Portfolio") of certain Cayman Islands segregated portfolio companies (each, an "SFP Fund" and, collectively, the "Separate Fund Platform" or the "SFP"). The day-to-day investment activities of each Segregated Portfolio are conducted by subadvisers that are not affiliated with PAAMCO (each, a "Subadviser"); and
- (iv) PAAMCO US provides advisory or consulting services regarding Investment Funds ("Advisory Clients").

Additionally, PAAMCO provides non-investment advisory services, referred to as Client-Directed MAP Services, which is further described below.

The term “Client” as used in this brochure means the Separate Accounts, the Commingled Funds, the Segregated Portfolios, the Advisory Clients and any other investment advisory clients of PAAMCO US. The term “PAAMCO Fund” as used in this brochure refers to the Separate Accounts and the Commingled Funds. The list of Clients above is not exhaustive and PAAMCO US may thus provide advisory services to other types of clients. PAAMCO Affiliates may also provide investment services to clients in the future.

As noted above, PAAMCO US provides advisory and subadvisory services on a discretionary and non-discretionary basis. For example, PAAMCO US typically has investment discretion with regard to the PAAMCO Funds but typically does not have investment discretion with regard to Advisory Clients.

Generally, only Separate Accounts, Commingled Funds and Advisory Clients may invest in the Segregated Portfolios.

For most Clients, PAAMCO researches and evaluates Investment Funds that PAAMCO US believes will meet such Client’s investment objectives. Where PAAMCO US has investment discretion, PAAMCO US is also responsible for implementing its investment advice for a Client by causing the investment or redemption of Client assets in or from Investment Funds and other appropriate investments. As part of its ongoing evaluation of Investment Funds, PAAMCO may determine from time to time that a customized and dynamic investment mandate may be appropriate. PAAMCO reaches that determination in consultation with the applicable Manager (as defined below) or Subadviser and provides that Manager or Subadviser the discretion to implement and pursue the agreed upon mandate.

While PAAMCO US serves as the investment adviser to each Segregated Portfolio, the day-to-day investment activities of each Segregated Portfolio are conducted not by PAAMCO US or the PAAMCO Affiliates but by the Subadviser to such Segregated Portfolio. Under the terms of the subadvisory agreement among the applicable SFP Fund for and on behalf of the applicable Segregated Portfolio, PAAMCO US and the Subadviser (“Subadvisory Agreement”), the Subadviser is responsible for determining the specific securities and other investments to be bought and sold and arranging the execution of all orders for the purchase and sale of such securities and other investments with respect to the applicable Segregated Portfolio in accordance with the agreed upon mandate and investment guidelines.

PAAMCO US works with each Separate Account and Advisory Client to determine such Client’s specific investment objectives. During the course of these discussions, a Separate Account or Advisory Client may place various types of restrictions on the management of their accounts. For example, a Separate Account or Advisory Client may restrict investment in a certain industry, in Investment Funds that implement specific strategies or in a specific region of the world. Investors in Commingled Funds may not generally impose restrictions on PAAMCO US’s investment discretion.

Clients and their respective beneficial owners have varying business terms, including, but not limited to, differences in fees charged, redemption rights, information about the positions held by the Investment Funds (as may be permitted by PAAMCO’s procedures and by the Investment Fund’s unaffiliated manager), functional currency, investment objectives and guidelines, and investment minimums.

Additionally, PAAMCO also provides client-directed managed account platform services (“Client-Directed MAP Services”) to certain investors in Separate Accounts and to other select

clients. These services were established to provide assistance to such investors and other clients with their respective in-house direct hedge-fund programs. Client-Directed MAP Services are obtained by investing in a segregated portfolio (each, an “SP”) of one or more Cayman Islands segregated portfolio companies. PAAMCO serves as adviser to the SP. The PAAMCO Fund investor or client identifies and selects a manager to act as a subadviser to the SP established for such investor/client (and certain of its affiliates, if the investor/client so chooses). The investor/client is responsible for the following with respect to the selected subadviser and related SP: (i) determination of the investment mandate along with investment guidelines, (ii) determination of the fee and redemption terms, (iii) date of investment, and (iv) other business terms (such as key man provisions and notice provisions) that the investor/client deems important. The assets of such SP are managed on a day-to-day basis by the selected subadviser pursuant to the investment mandate determined by the investor/client.

As adviser to the SP, PAAMCO is responsible for (i) operational due diligence on the selected subadviser, (ii) negotiation of legal terms (e.g., legal, regulatory and compliance terms), (iii) executing the subadvisory agreement with the selected subadviser, (iv) providing information on individual portfolio exposure, aggregated position-level exposure, performance attribution and risk modeling, and (v) other operational and reporting services with respect to the SP.

PAAMCO may in the future provide Client-Directed MAP Services through other arrangements.

PAAMCO US does not participate in any wrap fee programs.

Item 5. Fees and Compensation

For Separate Accounts, the standard management fee for PAAMCO US services is 1% (annual) of assets under management, with breakpoints for lower management fees for investors that exceed specific assets under management thresholds. PAAMCO US is also entitled to receive incentive (performance-based) fees with regard to certain Separate Accounts.

For Commingled Funds, the standard management fee for PAAMCO US services is 1% (annual) of assets under management, and the standard incentive (performance-based) fee is 5% (annual) of realized and unrealized capital appreciation, with a high water mark.

PAAMCO US does not receive a management or incentive fee with regard to the SFP. However, each Subadviser receives management fees in the range of 0.375 – 2.0% and incentive fees in the range of 10 – 20%. PAAMCO US negotiates such fees with each Subadviser independently, and such fees are ultimately approved by the Board of Directors of the respective SFP Fund.

For Client-Directed MAP Services, PAAMCO receives a monthly services fee, which is determined with respect to the client’s assets under management with PAAMCO under the Client-Directed MAP Services and the amount of assets, if any, that PAAMCO is managing on a discretionary basis. This fee is initially set at 0.50% per annum with tiered break points as assets exceed specific thresholds.

PAAMCO US’s fees and its compensation for its Advisory Clients are negotiated on a case-by-case basis.

PAAMCO US's fees and compensation may be negotiated and thus may vary from the standard fee schedules noted above.

PAAMCO US generally deducts fees from Clients' assets, but may bill Advisory Clients for fees. Fees are generally payable monthly, quarterly, semi-annually or annually in arrears. Certain Clients may pay fees in advance. Payment terms may be negotiated.

In addition to the fees PAAMCO US charges its Clients, each investor in a Separate Account, Commingled Fund, or a Segregated Portfolio also pays its *pro rata* portion of the Separate Account's or the Commingled Fund's ongoing expenses, including transaction (e.g., brokerage commissions), administrative, insurance, fidelity bonds, custody, legal, tax preparation, audit and accounting expenses, pricing and valuation agents and other expenses of the Separate Account or Commingled Fund that are reasonably incurred in connection with the operation of the business and maintenance of the Separate Account or Commingled Fund. Each investor in a Segregated Portfolio pays its *pro rata* portion of the same ongoing expenses of that Segregated Portfolio, except the Subadviser to that Segregated Portfolio pays the costs associated with insurance and the fidelity bond, if any. Advisory Clients may also incur similar expenses.

Each Client also pays its *pro rata* portion of the management fees, incentive fees or allocations, redemption fees, and expenses in respect of each Investment Fund in which such Client is invested.

Clients generally do not pay fees in advance. However, if a particular Client and PAAMCO US adopt a fee arrangement that calls for payment of fees in advance, upon redemption or termination of the advisory relationship or upon investment other than at the beginning of the normal investment cycle, PAAMCO US will refund fees and/or charge that Client (or the investors in such Client) only for the actual period of time that PAAMCO US provided advisory services.

The PAAMCO Affiliates each receive fees for services from PAAMCO US and do not receive any fees from any Clients. In addition, PAAMCO Europe receives a percentage of management fees, incentive fees and/or other fees paid to PAAMCO US by any PAAMCO US client referred by PAAMCO Europe.

Please see the response to Item 12 for additional information about brokerage commissions.

Neither PAAMCO nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

As stated in Item 5 above, PAAMCO US charges some Clients performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the Client's assets. The fact that PAAMCO US is compensated based on trading profits may create an incentive for PAAMCO US to make investments on behalf of certain Clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fee received by PAAMCO US is based primarily on realized and unrealized gains and losses. As a result, the performance-based fee earned could be based on unrealized gains that Clients may never realize. Because PAAMCO US receives performance-based fees

from some Clients and not from others, there may be an incentive to favor one Client over another.

PAAMCO has adopted controls that are intended to ensure that no Clients are favored or disadvantaged on the basis of fees. PAAMCO's general allocation policy is to allocate investments and redemptions in Investment Funds – or Investment Fund investment styles – on a *pro rata* basis. In this regard, allocations to Investment Funds – or Investment Fund investment styles – are generally distributed *pro rata* based on the size of the account and any target model weights on a best efforts basis to the extent practicable among appropriate portfolios. Similarly, redemptions are generally allocated on a *pro rata* basis based on the size of the account and any target model weights. Limited investment opportunities (such as allocations to closed Investment Funds or allocations that receive prior investor high water marks) are generally allocated *pro rata* based on the size of each account and any target model weights during a monthly trade review meeting.

In situations where limited investment capacity or redemptions are available for a given Investment Fund, and a *pro rata* allocation of capacity or redemptions may not be feasible or in the best interests of PAAMCO's clients, PAAMCO may consider not only its clients' guiding allocation objectives, but may also consider specific circumstances related to an account or an investment, including, among other considerations, cash available for investment in each client account, timing of notice for subscription or redemption for each client account, asset mix of each account, objectives and restrictions of each account, *de minimis* investment amounts, investment style and other investment considerations.

Certain PAAMCO Funds are treated as “plan assets” for purposes of the fiduciary responsibility standards and prohibited transaction restrictions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the parallel prohibited transaction excise tax provisions of Section 4975 of the Internal Revenue Code of 1986. For compliance and other reasons, certain Investment Funds may limit the amount of the investment made by a “plan assets” fund, or may prohibit such investments altogether. As a result, allocations of investments for “plan assets” and non-“plan assets” PAAMCO Funds may be different due to the ability or inability of different Investment Funds to accept assets subject to ERISA.

Item 7. Types of Clients

PAAMCO US serves as a manager, adviser and/or subadviser to domestic and offshore limited partnerships, limited liability companies and companies that are single-member funds or pooled investment vehicles. PAAMCO US also provides consulting services on Investment Fund investments to a limited number of institutional clients. These institutional clients include pension plans, endowments, and other institutions. PAAMCO Europe and PAAMCO Asia currently provide advisory services only to PAAMCO US.

In general, the minimum initial investment amount for a Separate Account is \$100 million. Each Commingled Fund also has a minimum required initial investment amount, which generally ranges from \$1,000,000 to \$5,000,000. Investors may generally not effect a partial redemption if, after such redemption, the net asset value of their investment would be less than the applicable minimum investment amount. The foregoing investment minimums may be waived or modified in the sole discretion of PAAMCO US (or, in the case of PAAMCO Funds that have a separate board of directors, general partner or managing member, then the board of directors, general partner or managing member of those funds).

Each investor in a PAAMCO Fund or a Segregated Portfolio must generally be an “accredited investor” as defined in Regulation D under the Securities Act of 1933 and a “qualified purchaser” as defined in the Investment Company Act of 1940. In the case of certain offshore funds, non-U.S. investors generally need not be “accredited investors” or “qualified purchasers” so long as each such non-U.S. investor is not a “U.S. person” as defined in Regulation S under the Securities Act of 1933, as amended. Certain PAAMCO Funds impose other eligibility requirements in addition to those discussed above.

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

The PAAMCO Funds pursue their investment objectives by investing substantially all of their assets in a variety of Investment Funds covering many different investing styles. PAAMCO systematically evaluates Investment Fund managers (“Managers,” which for the avoidance of doubt includes Subadvisers) with an approach involving personal interviews in the Managers’ offices, phone interviews, and analysis of documents provided by the Managers. Each Manager’s investment strategy, portfolio management skills and performance are analyzed. Investment Fund management firms are monitored through contact both in their offices and through phone calls and electronic communications.

In addition to its investment reviews, PAAMCO also conducts a legal review, an operational due diligence review, a risk data review, and an independent risk assessment. If a Manager does not pass any one of these reviews, it will typically not be considered for investment. Prospective Managers are presented to the Investment Oversight Committee (“IOC”) for a vote on eligibility for investment. The IOC is comprised of senior staff members in each of PAAMCO’s offices from Portfolio Management, Account Management, Risk Management, Compliance and Investment Operations. The IOC serves as an integrity check to seek to ensure that the due diligence process is complete, meets PAAMCO standards, and that the terms agreed to are consistent with PAAMCO’s investment policies, restrictions and guidelines. The IOC then votes to make the Manager eligible for investment. The IOC meets monthly and has full veto power over any potential Manager hire.

Once a Manager is approved for eligibility by the IOC, the PAAMCO sector specialist determines the weight of the Manager within his/her respective sector and makes the hire/fire decision. To construct the model Moderate Multi-Strategy portfolio, the PAAMCO Strategy Allocation Committee proposes a tactical strategy allocation, which is ultimately determined by the Portfolio Construction Group.

For customized client portfolios, the PAAMCO account manager makes the decision to allocate to Investment Funds based on the client’s stated preferences and the allocation must fit within the client’s investment guidelines and risk tolerances.

PAAMCO US provides advice to Advisory Clients regarding the selection of Managers.

The Managers employ investment strategies that cover a broad range of asset classes including private funds and other investment styles and strategies. PAAMCO generally divides the private fund universe into the following sectors: Long/Short Equity, Equity Market Neutral, Convertible Bond Hedging, Fixed Income Relative Value, Distressed Debt, Long/Short Credit, Event-Driven Equity and Opportunistic. PAAMCO’s investment staff is divided into teams led by a sector specialist who is supported by associates and analysts. Each team focuses on one of these investment categories:

- Long/Short Equity: Long/short equity Managers construct net long or net short portfolios by using equity hedging strategies. These strategies typically involve taking a long position in a stock while shorting an individual stock or broad based market instrument. Net and gross exposures are managed in order to take advantage of both current market conditions and the resulting investment opportunity set. Long/short equity Managers use short positions to hedge against a general stock market decline as well as to generate alpha.
- Equity Market Neutral: Equity market neutral Managers construct portfolios that balance long and short positions in order to hedge systemic factors or exposures. Portfolios are generally constructed to be neutral across sectors, industries, and investment styles. Many equity market neutral Managers use sophisticated, computer-run quantitative models to select stocks. These models are used to create both a statistical advantage in picking stocks and a strategic advantage in controlling exposure to systemic risk.
- Convertible Bond Hedging: Convertible bond hedging generates profits by identifying pricing disparities between a company's convertible bonds and its underlying stock. Convertible bond hedging Managers actively monitor the factors that will change the relationship between the convertible bond and underlying equity and typically execute a hedge by purchasing the convertible bond and selling short the stock. Beyond this typical convertible hedge position, Subadvisers also use various techniques to hedge other influential factors, such as interest rate movements and credit spreads.
- Fixed Income Relative Value: Managers employing these strategies seek to capture profit from taking offsetting long and short positions in related fixed income securities and derivatives. The pricing difference between very closely related fixed income securities is often narrow. As a result, Managers typically use leverage to magnify the small pricing discrepancies between the instruments. Generally, fixed income relative value Managers are positioned with moderate risk and will be able to take advantage of volatility movements in interest rates and foreign exchange.
- Distressed Debt: Managers that focus on distressed debt strategies invest in the securities of companies that are experiencing financial or operational difficulties. Typically, based on a specific Manager's style, a distressed debt hedge fund invests in bank debt, corporate debt, trade claims, common stock, or warrants. Distressed situations can include reorganizations, bankruptcies, distressed sales, and other corporate restructurings. The mispricing of these securities often occurs because traditional buyers often must sell the securities of troubled companies. When this happens, distressed debt Managers attempt to capture the pricing discount that occurs.
- Long/Short Credit: This area focuses on fixed income securities where the majority of the return is derived from credit exposure and selection as opposed to the general term structure of interest rates. Strategies utilized by long/short credit include the purchase or short sale of stressed and distressed bonds, bank loans, high-yield debt and securities from recently reorganized firms (including equities). Long/short credit Managers employ a wide variety of strategies to invest across

the capital structure on a long and short basis. Typically, Managers take positions as a result of bottom-up, fundamental credit analysis on the company and its capital structure. The strategy attempts to capitalize on inefficiencies in the marketplace while maintaining a lower degree of cyclical and directionality than a typical distressed debt investment.

- Event-Driven Equity: This broad strategy area focuses on event-driven trades implemented mainly through equity positions. In executing this strategy, Managers seek to profit from discontinuities in the valuation of securities caused by “events.” These discontinuities may occur as a result of pending traditional merger and acquisitions negotiations, but also through pending restructurings, reorganizations, spin-offs, asset sales, liquidations and share class or company holdings being discounted.

In the case of merger arbitrage, typically the trade is to buy the equity of the target and sell short the equity of the acquirer, making a profit (capturing the “merger spread”) if the deal closes as expected. The Managers may go long or short the affected securities and will generally seek to hedge out risk on a position by position basis; in addition many Managers have overlay hedges at the portfolio level.

- Opportunistic Investments: This area aims to capitalize on strategies not captured by the above strategies and take advantage of niche opportunistic investments that may have a shorter investment horizon or a focused mandate. Such mandates are sourced with specialty Managers across a range of strategies. Another goal of this area is to improve the over all risk composition of client portfolios, including, but not limited to, hedging mandates and the pursuit of other asymmetric investments.

In addition to pursuing one or more of the above strategies, one or more Managers may also engage in an activist strategy (the “Activist Strategy”), which involves shareholder activism that will attempt to influence the directors and/or management of target companies.

Investing in securities involves a risk of loss that investors in PAAMCO Funds and Advisory Clients should be prepared to bear. There are material risks associated with the fund of funds structure and with the investment strategies employed by the Managers of the Investment Funds. Some of these risks are described below. These risks may also apply to Advisory Clients where PAAMCO US recommends the investment of Client assets in Investment Funds.

Risks Related to PAAMCO's Fund of Funds Approach.

Multi-Manager Concept. As noted above, the PAAMCO Funds invest substantially all of their assets in Investment Funds. While providing PAAMCO clients with diversification, this multi-Manager approach also exposes PAAMCO clients to several layers of fees and expenses. In addition to the management fees and performance fees, if any, charged by PAAMCO US, each Investment Fund may charge a management fee and/or a performance fee and may incur expenses. These fees and expenses reduce the returns generated by the PAAMCO Funds and may, in the aggregate, be higher than fees and expenses charged by Investment Funds with a single Manager.

Moreover, because the PAAMCO Funds invest in Investment Funds whose Managers make their trading decisions independently, it is theoretically possible that one or more of such Managers may, at any time, take investment positions that are opposite of positions taken by other Managers. It is also possible that these Managers may, on occasion, be competing with each other for similar positions at the same time. Also, a particular Manager may take positions for its other clients that are opposite to positions taken for the Investment Fund in which a PAAMCO Fund invests.

Investment Strategies. The success of the PAAMCO Funds depends on PAAMCO's ability to select and allocate assets to individual Investment Funds, including PAAMCO-only Investment Funds. Success also depends on each Investment Fund's ability to select individual investments, to correctly interpret market data, predict future market movements and otherwise implement its investment strategy.

PAAMCO will actively allocate and reallocate assets among various Investment Funds. There can be no assurance that the PAAMCO Funds will always be able to invest in a particular Investment Fund. No assurance can be given that the investment strategies to be used by the PAAMCO Funds or an Investment Fund will be successful under all or any market conditions.

Dependence on Managers. Neither PAAMCO nor a PAAMCO Fund will have direct control over a PAAMCO Fund's assets once they are allocated to Investment Funds; therefore, a PAAMCO Fund is highly dependent upon the expertise and abilities of the Managers who have investment discretion over a PAAMCO Fund's assets invested with them. Therefore, the death, incapacity or retirement of the Manager of any Investment Fund or its principals, as well as the investment decisions made by any Manager or its principals, may adversely affect investment results of a PAAMCO Fund. Furthermore, while PAAMCO analyzes Investment Funds and their Managers prior to a PAAMCO Fund's investing with them, and while PAAMCO monitors the performance of the Investment Funds and generally receives portfolio information from each Manager retained on behalf of a PAAMCO Fund, the information PAAMCO receives may not always be complete or accurate. As such, it may not be possible for PAAMCO to uncover fraudulent activity perpetrated by one or more Investment Funds or their Managers.

Investment Risks in General. PAAMCO Funds will engage in speculative investment strategies through their investment in the Investment Funds. The prices of securities and other assets in which the Investment Funds will invest may be volatile. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly.

Limited Asset Allocation Flexibility. A PAAMCO Fund is restricted in its ability to allocate capital and control risk given various limitations on the liquidity of Investment Funds. Investment Funds may permit redemptions only on a semi-annual, annual, or less frequent basis and/or be subject to "lock-ups" (where investors are prohibited from redeeming their capital for a specified period following investment in such fund or, in certain cases, subject to a redemption fee with respect to any redemptions during such period) and/or "gates." A PAAMCO Fund could be unable to redeem its capital from Investment Funds in which it invests for an extended period

after PAAMCO has determined that the Manager operating such Investment Fund has begun to deviate from its announced trading policies and strategy.

Reliability of Valuations. A PAAMCO Fund's interest in an Investment Fund is generally valued at an amount equal to a PAAMCO Fund's interest in such Investment Fund, as determined pursuant to the instrument governing such Investment Fund, and reported by the Manager of the relevant Investment Fund or its administrator. As a general matter, the governing instruments of the Investment Funds provide that any securities or investments that are illiquid, not traded on an exchange or in an established market, or for which no value can be readily determined are assigned such fair value as the respective Managers may determine in their judgment based on various factors, which include, but are not limited to, dealer quotes or independent appraisals, and may include estimates. A PAAMCO Fund generally relies on these valuations in calculating a PAAMCO Fund's net asset value for reporting, withdrawals, fees and other purposes. Such valuations may not be indicative of what actual fair market value would be in an active, liquid, or established market.

Variations in Valuation. The value of an instrument held by a Segregated Portfolio of one SFP Fund may vary from the value of the same or a similar instrument held by a Segregated Portfolio of another SFP Fund for various reasons including, but not limited to, the pricing vendors used and/or pricing methods adhered to by the administrator of one SFP Fund versus the administrator used by another SFP Fund.

Emerging Managers. A PAAMCO Fund may directly or indirectly invest a portion of its assets in Investment Funds managed by "Emerging Managers." PAAMCO generally classifies a Manager as emerging if it is less than two years old or has less than \$500 million in assets under management at the time of initial investment by the first Client. Emerging Managers may have less experience managing their respective Investment Funds and in operating an investment management firm than other Managers that have been in business for a longer period of time. The relatively shorter operational experience of Emerging Managers could lead to greater losses for their respective Investment Funds and for a PAAMCO Fund than if a PAAMCO Fund had invested in funds managed by more experienced Managers under similar circumstances.

Client-Directed MAP Services. With respect to Client-Directed MAP Services, PAAMCO performs operational due diligence on each subadviser. However, PAAMCO will not provide investment advice regarding the selection of the subadviser, propose investment guidelines, perform investment risk analytics or otherwise monitor an SP from an investment performance standpoint. PAAMCO's duties with respect to the provision of Client-Directed MAP Services are limited and, accordingly, PAAMCO has no liability to the investor/client, its members or shareholders or otherwise for the selection of the subadviser to an SP, the decision to invest in an SP, the investment performance of an SP or for the failure to redeem from an SP.

Risks Related to the Investment Funds. The following risks apply to investments by Investment Funds:

Equity Securities. The value of the securities held by a PAAMCO Fund, directly or through the Investment Funds, is subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. A PAAMCO Fund's net asset value will increase and decrease, reflecting fluctuations in the value of securities underlying the securities held by a PAAMCO Fund or by an Investment Fund.

Short Selling. Some of the Investment Funds will engage in short selling, both as part of their general investment strategy and for hedging purposes. Short selling involves selling securities that are not 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 allows an Investment Fund to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase.

Debt and Other Income Securities. Many of the Investment Funds may invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations.

The debt securities in which the Investment Funds may invest are not necessarily required to satisfy any minimum credit rating standard, and may include instruments that are considered to be of relatively poor standing and have predominantly speculative characteristics with respect to capacity to pay interest and repay principal. The Investment Funds may invest in bonds rated lower than investment grade, which may be considered speculative. The Investment Funds may also invest a substantial portion of their assets in high-risk instruments that are low rated or unrated.

Mortgage-Related Securities. Mortgage-related securities are collateralized by residential or commercial mortgages or pools of residential or commercial mortgages. Pools of mortgage loans are assembled as securities for sale to investors by various governmental, government-related and private organizations. These securities may include complex instruments such as collateralized mortgage obligations, stripped mortgage-backed securities ("SMBS"), mortgage pass-through securities, interests in real estate mortgage investment conduits, as well as other real estate related securities, which are subject to credit risks associated with the performance by the mortgagors. Additionally, the mortgage-related securities in which the Investment Funds invest may include those with fixed, adjustable, floating or variable interest rates, those with interest rates that change based on multiples of changes in a specified index of interest rates and those with interest rates that change inversely to changes in interest rates, as well as those that do not bear interest. The mortgage-related securities in which the Investment Funds invest may also relate to balloon mortgages.

Convertible Securities. Some of the Investment Funds will invest in convertible securities ("Convertibles"), which are generally debt securities or preferred stocks that may be converted into common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly.

Because convertible arbitrage also involves the short sale of underlying common stock, the strategy is also subject to stock-borrow risk, which is the risk that the Investment Fund will be unable to sustain the short position in the underlying common shares.

High-Yield Securities. Investment Funds may invest in high-yield securities, which are generally unrated or rated below investment grade and may be considered speculative. Such securities are generally not exchange-traded and, as a result, these instruments trade in the over-the-counter marketplace, which is less transparent than the exchange-traded marketplace. In addition, an Investment Fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities (which react primarily to fluctuations in the general level of interest rates) and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

Distressed Securities. An Investment Fund may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they may also offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. In addition, often there is no minimum credit standard that is a prerequisite to an Investment Fund's investment in any instrument, and a significant portion of the obligations and securities in which an Investment Fund invests may be less than investment grade.

Foreign Sovereign Debt. Sovereign debt includes bonds that are issued by foreign governments or their agencies, instrumentalities or political subdivisions or by foreign central banks. Sovereign debt also may be issued by quasi-governmental entities that are owned by foreign governments but are not backed by their full faith and credit or general taxing powers. Investment in sovereign debt involves special risks. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal and/or interest when due in accordance with terms of such debt, and an Investment Fund may have limited legal recourse in the event of a 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.

Non-U.S. Exchanges and Markets. An Investment Fund may engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges and is frequently less regulated. For example, certain of those exchanges may not provide the same assurances of the integrity (financial and

otherwise) of the marketplace and its participants, as do U.S. exchanges. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges.

Non-U.S. Investments. Investment in non-U.S. issuers or securities principally traded outside the United States may involve certain special risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive, accounting reporting and disclosure requirements than domestic issuers. The securities of some foreign governments and companies and foreign securities markets are less liquid and at times more volatile than comparable U.S. securities and securities markets. The foregoing risks associated with non-U.S. investments are even greater in emerging markets.

Currency Risk. The value of an Investment Fund's assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when an Investment Fund changes investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

Derivatives Risk. Certain Investment Funds may trade derivatives ("Derivatives"). These are financial instruments that derive their performance, at least in part, from the performance of an underlying asset, including, but not limited to, stocks, bonds, commodities, currencies, interest rates and market indices. The Derivatives the Investment Funds may use include, without limitation, futures, options, swaps and swaptions.

Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular Derivative and the portfolio as a whole. Derivatives permit an Investment Fund to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as an Investment Fund can increase or decrease the level of risk, or change the character of risk, of its portfolio by purchasing or selling specific securities.

If an Investment Fund trades Derivatives at inopportune times or if its Manager judges market conditions incorrectly, such investments may lower that Investment Fund's return or result in a loss. An Investment Fund also could experience losses if its Derivatives were poorly correlated with its other investments or if the Investment Fund were unable to liquidate its position because of an illiquid secondary market. The market for many Derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for Derivatives.

Futures Contracts and Options on Futures Contracts. In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations to an investing Investment Fund. The counterparty for futures contracts and options on futures contracts traded in the United States and on most non-U.S. futures exchanges

is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where the clearinghouse is not backed by the clearing members (*i.e.*, some non-U.S. exchanges), it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing member or clearinghouse will be able to meet its obligations to an Investment Fund.

Option Transactions. The purchase or sale of an option by one or more Investment Funds involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument 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 or other instrument in excess of the premium payment received.

OTC Transactions. Certain Investment Funds may invest in derivative instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter (“OTC”) transactions. 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 an Investment Fund 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. In addition, an Investment Fund will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy, governmental prohibition or other causes, which could subject the Investment Fund, and thus a PAAMCO Fund, to losses.

Derivative Counterparty Risk. A Investment Fund's use of Derivatives involves the risk that the other party to the Derivative contract will fail to make required payments or otherwise to comply with the terms of the contract. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a Derivative contract due to financial difficulties, an Investment Fund may experience significant delays in obtaining any recovery under the Derivative contract in a bankruptcy or other proceeding. The Investment Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. A Investment Fund may trade Derivatives by means of a prime broker or an executing broker and is subject in either case to counterparty risk with respect to the broker. Although an Investment Fund manager may attempt to mitigate the default risk to the Investment Fund through careful counterparty selection and proper monitoring and risk management, counterparty defaults may still occur and any such occurrence may result in losses to the Investment Fund.

Swaps. One or more Investment Funds may enter into swap transactions. Swap agreements historically have been OTC, two-party contracts entered into primarily by institutional investors for periods typically ranging from a few weeks to more than one 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. There are various types of swaps, including but not limited to, total return swaps, credit default swaps and interest rate swaps; all of these and other swaps are

derivatives and as such, each is subject to the general risks relating to derivatives described above.

Failure of Prime Broker, Other Broker-Dealers and Banks. Institutions, such as brokerage firms or banks, may hold certain of an Investment Fund's assets in "street name." Bankruptcy, inadequate controls or fraud at one of these institutions, in particular, an Investment Fund's prime broker, which may hold the majority of that Investment Fund's assets, could impair the operational capabilities or the capital position of that Investment Fund. In addition, as an Investment Fund may borrow money or securities or utilize operational leverage with respect to its assets, that Investment Fund will post certain of its assets as collateral securing the obligations or leverage ("Margin Securities"). Some or all of the Margin Securities may be available to creditors of that Investment Fund's prime broker in the event of its insolvency. In addition, there may be substantial delays in the repayment of that Investment Fund's assets in the event that the prime broker were to become insolvent, as well as a risk of total loss of such assets.

Cash Positions. A substantial portion of a PAAMCO Fund's assets may, from time to time, be maintained in cash or cash-equivalent investments. Although such a practice may assist in the preservation of capital, the assumption of cash positions may also impact overall investment return.

Special Situations. Certain Investment Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the Investment Fund of the security or other financial instrument in respect of which such distribution is received.

Leverage; Interest Rates. Certain Investment Funds may seek to enhance returns through the use of leverage, which can be described as exposure to changes in price at a ratio greater than 1:1 in reference to the amount invested. Additionally, leverage may involve borrowing by an Investment Fund to buy securities on margin or make other investments. Leverage magnifies both the favorable and unfavorable effects of price movements in the investments of an Investment Fund, which may subject the Investment Fund, and thus the PAAMCO Funds, to a substantial risk of loss. In the event of a sudden, precipitous drop in value of an Investment Fund's assets occasioned by a sudden market decline, it might not be able to liquidate assets quickly enough to meet its margin or borrowing obligations. Also, because acquiring and maintaining positions on margin allows the Investment Fund to control positions worth significantly more than its investment in those positions, the amount that it stands to lose in the event of adverse price movements is high in relation to the amount of its investment. In addition, since margin interest will be one of the Investment Fund's expenses and margin interest rates tend to fluctuate with interest rates generally, it is at risk that interest rates generally, and hence margin interest rates, will increase, thereby increasing its expenses.

General Economic Conditions. The success of any trading activity may be affected by general economic conditions, which may affect the level and volatility of securities prices, currency exchange rates, interest rates and the extent and timing of investors' participation in the markets for currencies, securities and other instruments. Unexpected volatility or liquidity in the markets in which the PAAMCO Funds directly or indirectly hold positions could impair the PAAMCO Funds' ability to carry out their business or cause them to incur losses.

Financial Market Conditions, Illiquidity and Resultant Actions of Managers of Investment Funds. The financial markets in the United States and other countries have recently experienced a variety of difficulties and changed conditions. These difficulties and changes, coupled with other recent challenges affecting the economies of certain countries, may lead to reduced liquidity in equity, credit and fixed-income markets, which would in turn adversely affect many issuers worldwide as well as the Investment Funds. This reduced liquidity may also result in more difficulty obtaining financing by issuers and the Investment Funds. In addition, these conditions could result in reduced demand for the securities and other assets in which the PAAMCO Funds and Investment Funds invest, and may affect the valuations assigned to such securities and assets, and similar securities and assets, by the PAAMCO Funds, the Investment Funds and other market participants.

An investment manager of an Investment Fund affected by such market conditions may seek to impose certain limitations on redemptions from such Investment Fund for prolonged periods by, for example: (1) suspending the determination of the Investment Fund's net asset value, (2) suspending redemptions in whole or in part, (3) suspending subscriptions or capital contributions, (4) imposing "gates" or restrictions on redemption amounts above a certain level and/or (5) extending the period for payment of redemption proceeds. In addition, such manager may seek to, among other things, (i) wind up the relevant Investment Fund, including at times and under conditions where the disposition of its securities and other assets may not be at prices deemed favorable to the PAAMCO Funds and other investors therein, (ii) assign certain illiquid or similar assets held by the relevant Investment Fund to "special situation" or "side pocket" accounts, from which redemptions are prohibited, (iii) distribute certain securities or other assets held by the relevant Investment Fund into a liquidating trust or similar account or vehicle, in which case payment to the PAAMCO Funds and other investors in such Investment Fund of the portion of their redemptions attributable to the securities or other assets held in such liquidating trust or similar account or vehicle may be delayed until such time as such securities and other assets are liquidated or become freely tradable, and/or (iv) distribute certain securities and other assets held by such Investment Fund in-kind to the PAAMCO Funds and other investors therein, in which case the PAAMCO Funds may not be able to liquidate such securities and other assets during certain periods and/or at prices deemed favorable to its investors.

Turnover. An Investment Fund's trading activities may be made on the basis of short-term market considerations. Certain Investment Funds' portfolio turnover rates will be significant, involving substantial brokerage commissions and fees. Each Investment Fund will be responsible for the payment of all of the trading expenses incurred in connection with its trading activities, which will ultimately affect the return achieved by a PAAMCO Fund.

Start-Up Periods. The Investment Funds may encounter start-up periods during which they will incur certain risks relating to the initial investment of newly contributed assets. Moreover, start-up periods also represent a special risk in that the level of diversification of an Investment Fund's portfolio may be lower than in a fully committed portfolio or group of portfolios.

Future Regulatory Change is Impossible to Predict. Market disruptions and the dramatic increase in the capital allocated to asset management strategies during recent years have led to increased governmental as well as self-regulatory organization scrutiny of alternative investment vehicles, such as the Investment Funds. The Dodd-Frank Wall Street Reform and Consumer Protection Act could have a significant impact on the private fund industry, as well as the operations of the Investment Funds. The SEC, the CFTC, the U.S. Congress, U.S. state legislatures and state securities administrators could impose greater regulation on the industry in the future. It is uncertain what impact the changes in the regulations applicable to the Investment Funds, the markets in which they trade and invest or the counterparties with which they do

business will have, or what further changes may be instituted. Any such regulation could have a material adverse impact on the profit potential of the Investment Funds and, therefore, the PAAMCO Funds.

The securities and derivatives markets are subject to comprehensive statutes, regulations and margin requirements. In addition, the SEC, the CFTC, and the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of securities and derivatives both inside and outside the United States is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Investment Funds is impossible to predict, but could be substantial and adverse.

Item 9. Disciplinary Information

PAAMCO is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of PAAMCO or the integrity of PAAMCO's management. PAAMCO has no information applicable to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Neither PAAMCO nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

PAAMCO US is currently registered as a commodity pool operator and as a commodity trading advisor with the Commodity Futures Trading Commission ("CFTC"). As required by the CFTC rules, certain management persons of PAAMCO are registered as "associated persons" of PAAMCO US. PAAMCO US is also a registered cross-border discretionary investment management and investment advisory company with the Financial Services Commission in Korea.

PAAMCO Europe is located in England and PAAMCO Asia is located in Singapore. PAAMCO Europe is authorized and regulated by the U.K. Financial Conduct Authority. PAAMCO Asia holds a capital markets services license (to conduct fund management) issued by the Monetary Authority of Singapore and is an Exempt Financial Adviser under the Singapore Financial Advisers Act.

Entities that may or may not be wholly-owned by PAAMCO and/or its employees and affiliates have been or may be established to act as the general partner of a PAAMCO Fund established as a limited partnership or as the managing member of a PAAMCO Fund established as a limited liability company (each, a "PAAMCO LP/LLC Fund"). Further, at the insistence of the investor in a PAAMCO LP/LLC Fund, PAAMCO (and/or its employees and affiliates) may also invest in such PAAMCO LP/LLC Fund. Additional general partner/managing member entities may be formed and used in the future as well. PAAMCO US is the investment manager of each PAAMCO LP/LLC Fund and, in that capacity, PAAMCO US has full investment responsibility with regard to the management of the assets of each PAAMCO LP/LLC Fund. Accordingly, PAAMCO may be viewed as having an incentive to favor the PAAMCO LP/LLC Funds over its other clients. As described in the response to Item 6, however, PAAMCO has adopted controls, such as its allocation policy, that are intended to ensure that no Clients are favored over others.

In certain cases, PAAMCO Clients may invest in an Investment Fund that is created by that Investment Fund's Manager solely for investment by PAAMCO Clients (each, a "Customized Investment Fund").

As described in more detail in the response to Item 8 above, PAAMCO US invests the assets of the PAAMCO Funds in Investment Funds managed by other investment advisers. PAAMCO does not receive compensation from the other investment advisers in connection with such investments.

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

Under the Code of Ethics adopted by PAAMCO US and the PAAMCO Affiliates, PAAMCO employees are not permitted to trade in most securities without the prior approval of the PAAMCO Compliance Department. In addition, PAAMCO employees and their family members are not permitted to acquire interests in any limited offering (including any PAAMCO Fund or other private investment fund) or initial public offering without the prior approval of the Chief Compliance Officer. It is also PAAMCO's general policy not to permit employees to invest in Investment Funds held by PAAMCO Clients. Finally, PAAMCO's Code of Ethics also contains additional restrictions with regard to PAAMCO employee investments in (i) the Commingled Funds and (ii) investments held by the Segregated Portfolios.

PAAMCO is committed to complying with applicable laws and regulations and to maintaining the highest ethical standards in connection with the management of PAAMCO. PAAMCO's Code of Ethics reflects PAAMCO's view on dishonesty, self-dealing, conflicts of interest and trading on material, non-public information, which will not be tolerated. PAAMCO's Code of Ethics also requires employees to provide initial and annual securities holdings reports as well as quarterly securities transaction reports. PAAMCO will provide any client or prospective client with a copy of PAAMCO's Code of Ethics upon request.

Subject to the pre-approval requirements noted above, selected PAAMCO employees, officers, members and/or managers may invest in certain Commingled Funds and in underlying securities in which Clients also invest indirectly through the Investment Funds. The investments of PAAMCO employees, officers, members and/or managers, as well as a PAAMCO-affiliated general partner/managing member/member, in various PAAMCO Funds may be viewed as creating a conflict of interest because PAAMCO and its principals may have an incentive to act in its or their own self-interest as opposed to that of the applicable PAAMCO Fund. However, PAAMCO has adopted a Code of Ethics, as described above and, as described in the response to Item 6, PAAMCO has adopted controls, such as its allocation policy, that are intended to ensure that no Clients are favored over others.

Pursuant to its discretionary authority with respect to the PAAMCO Funds, PAAMCO may direct PAAMCO Funds to invest in certain Segregated Portfolios. However, neither the PAAMCO Funds nor the Segregated Portfolios pay a fee to PAAMCO for their investment in those Segregated Portfolios.

Certain principals of PAAMCO serve as directors of Customized Investment Funds, the SFP Funds and the PAAMCO Funds. These PAAMCO principals do not receive compensation for their service as directors.

Upon obtaining proper direction and subject to its fiduciary duties and compliance with applicable law, PAAMCO may effect a transfer of interests in or shares of an Investment Fund between PAAMCO Funds.

In addition to managing conflicts of interest with respect to trading and preventing self-dealing, PAAMCO has adopted and implemented various policies and procedures regarding employees' non-PAAMCO activities, political contributions, giving and receipt of gifts and entertainment, and affiliations with third party service providers. The intent of these policies and procedures is to minimize the opportunities for conflicts of interest to arise.

PAAMCO employees may benefit from educational events sponsored by industry service providers such as prime brokers, administrators, law firms, audit firms, and other such professional service firms.

In order to minimize the potential conflicts of interest that may arise as a result of an investor/client's use of Client-Directed MAP Services with respect to a subadviser that is otherwise the subadviser, adviser or manager to PAAMCO's discretionary clients, or vice versa, PAAMCO will maintain policies and procedures reasonably designed to prevent the sharing of information regarding the negotiated terms of a specific SP's subadvisory agreement (including, the business terms and the SP's investment objectives and restrictions) and its underlying positions, beyond those at PAAMCO who need this information to provide services to the SP and/or Compliance personnel. Additionally, in order to avoid conflicts arising from limited capacity available for investment with a manager that is identified by both an investor/client utilizing PAAMCO's Client-Directed MAP Services and PAAMCO with respect to its other Clients, PAAMCO will not permit SPs engaging PAAMCO's Client-Directed MAP Services and PAAMCO with respect to its other Clients to be actively engaged in the due diligence and/or onboarding process with respect to such manager simultaneously.

Item 12. Brokerage Practices

As a general matter, PAAMCO US does not direct brokerage or have any soft dollar arrangements. PAAMCO US does not invest Client assets in negotiable public securities that are available for purchase or sale through a broker-dealer. Other than completing subscription agreements on behalf of its Clients for their respective investments in Investment Funds, PAAMCO US does not execute trades on behalf of its Clients (except to the extent PAAMCO US manages a Client's cash or cash equivalents or engages in currency hedges and spot currency purchases and sales). Rather, PAAMCO US invests Client assets through private placements in Investment Funds at the prevailing monthly net asset value. Interests in Investment Funds are not generally available for purchase or sale through a broker-dealer. As part of the due diligence process, PAAMCO US reviews the brokerage practices and soft dollar arrangements of the Investment Funds.

Subject to its fiduciary duties and compliance with applicable law, PAAMCO US may purchase interests in or shares of an Investment Fund for one PAAMCO Fund at the same time it is redeeming interests in or shares of such Investment Fund for another PAAMCO Fund.

On rare occasions, a PAAMCO Fund may receive in-kind redemptions from Investment Funds (which could include a Segregated Portfolio) or PAAMCO may need to liquidate the assets of a Segregated Portfolio upon termination of that Segregated Portfolio's Subadviser if the

Subadviser does not liquidate the Segregated Portfolio by the effective date of termination. In those cases, the Director of FoF Operations or the Director of Operations for the SFP (the "Director of SFP Operations"), as applicable, will oversee PAAMCO US's hiring of a third party to manage or liquidate the investments.

The Subadvisers (which for the purpose of this section includes the subadvisers to the SPs) do engage in brokerage activities for Segregated Portfolios (or SPs as applicable). As part of the initial due diligence process and on an ongoing basis, PAAMCO US reviews the brokerage practices and soft dollar arrangements of the Subadvisers. The prime brokers and swap counterparties of each Segregated Portfolio are selected by PAAMCO US and the Board of Directors of the applicable SFP Fund in consultation with such Segregated Portfolio's Subadviser based on factors such as the prime broker's or counterparty's overall performance, pricing, and operational capabilities.

Under the terms of each Subadvisory Agreement, each Subadviser is responsible for arranging for the execution of all orders for the purchase and sale of securities and other investments with respect to the applicable Segregated Portfolio. The Subadviser is required to seek best execution for that Segregated Portfolio. The Subadviser, to the extent permitted by applicable laws and regulations, may aggregate the investments to be purchased or sold on behalf of its clients to attempt to obtain a more favorable price, lower brokerage commissions or efficient execution.

Pursuant to each Subadvisory Agreement, PAAMCO US directs a Subadviser to select one or more preapproved prime brokers with respect to the applicable Segregated Portfolio. These prime brokers are preapproved for use as they have been previously approved by the Board of Directors of the applicable SFP Fund. PAAMCO US negotiates the terms of the fees and commissions each Segregated Portfolio will pay to each applicable prime broker.

Under the terms of each Subadvisory Agreement, if a Subadviser generates "soft dollars" with respect to the trades of the applicable Segregated Portfolio, the Subadviser must comply with the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended, with respect to such trades.

Item 13. Review of Accounts

Each PAAMCO Client account is reviewed by a PAAMCO portfolio/account manager. The portfolio/account manager's review process may include constructing the Client portfolio and monitoring adherence to the Client's investment objectives and guidelines as well as reporting. In addition, PAAMCO has various sector specialists assigned to particular Investment Fund investment categories (as described in Item 8 above). These sector specialists and their designees monitor the investment strategies, performance, and other activities of the Investment Funds within the applicable sector, including personal visits to the Managers' offices, electronic communications, and telephone conversations with the Manager and staff.

The account/portfolio managers are accountable for their respective Client portfolios and are responsible for issuing an Investment Guidelines Report on each Client portfolio to PAAMCO's Compliance Department on a monthly basis. The Compliance Department reviews and logs any variation from a Client's guidelines and requires the applicable account/portfolio manager to address any variation with an explanation and a follow-up to ensure that a Client notification is sent, if required, and any necessary changes to the guidelines are considered, if

applicable. PAAMCO's Chief Compliance Officer then reviews a final, consolidated Investment Guidelines Report.

Each Advisory Client and each investor in a PAAMCO Fund receives monthly, quarterly or other periodic reports that may include investment commentary and a review of performance. Each investor in a PAAMCO Fund receives audited financial statements with respect to that PAAMCO Fund after the end of such fund's fiscal year. Each investor in a Segregated Portfolio receives audited financial statements after the end of such Segregated Portfolio's fiscal year. PAAMCO and its Clients may also agree that PAAMCO will provide certain other reports.

Item 14. Client Referrals and Other Compensation

PAAMCO does not receive an economic benefit from any person who is not a Client for providing investment adviser or other advisory services to PAAMCO's Clients.

PAAMCO does not have any solicitation agreements with third party solicitors that are currently effective. However, PAAMCO compensates certain third party solicitors for referrals made by these solicitors pursuant to solicitation agreements that have now been terminated. If PAAMCO enters into new solicitation agreements in the future, PAAMCO will disclose the applicable compensation arrangements in writing to the affected client. In addition, PAAMCO Europe receives a percentage of management fees, performance fees and/or other fees paid to PAAMCO US by any PAAMCO US client referred by PAAMCO Europe.

From time to time, PAAMCO may engage one or more consultants to provide PAAMCO with market research and consulting services relating to possible prospective clients.

Item 15. Custody

PAAMCO US is deemed to have custody of the assets of each PAAMCO Fund and each Segregated Portfolio.

To comply with the requirements of the Investment Advisers Act of 1940, each PAAMCO Fund and each Segregated Portfolio is audited each year by an independent public accountant and these audited financial statements are provided to investors within 180 days (in the case of the PAAMCO Funds) or 120 days (in the case of the Segregated Portfolios) of fiscal year end.

Item 16. Investment Discretion

For those Clients where PAAMCO has investment discretion, PAAMCO typically receives discretionary authority, including a power of attorney, through a limited liability company agreement, subscription agreement, investment management or similar agreement between PAAMCO and the applicable Client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account. For example, PAAMCO generally has discretion to make and terminate investments for PAAMCO Funds without obtaining any consent or approval from the Clients in the PAAMCO Funds; however, certain Separate Accounts have investment guidelines that may specify, for example, the number of Investment Funds that the PAAMCO Fund may invest in or the maximum percentage of assets of the PAAMCO Fund that may be invested in any one Investment Fund.

Item 17. Voting Client Securities

PAAMCO has adopted a policy governing the voting of proxies that is designed to ensure that PAAMCO will vote proxy proposals, amendments, consents or resolutions (collectively, proxies) relating to interests in Investment Funds in a prudent and diligent manner intended to enhance the economic value of the assets of the funds. PAAMCO US has the authority to vote proxies in all PAAMCO Funds but generally does not vote proxies for Advisory Clients. In the case of the SFP, the Subadviser of each Segregated Portfolio is generally required to vote proxies with regard to that Segregated Portfolio pursuant to the applicable Subadvisory Agreement.

Where PAAMCO US has proxy voting authority, PAAMCO US considers each proxy proposal on its own merits, and makes an independent determination whether to support or oppose management's position. Any actual or apparent conflict of interest between the interests of PAAMCO and its Clients is resolved in a manner that is consistent with the best interests of PAAMCO's Clients and in a manner not affected by such actual or apparent conflict of interest.

A Client may obtain a copy of these proxy voting policies as well as information about how PAAMCO has voted a PAAMCO Fund's proxies by calling (949) 261-4900.

Item 18. Financial Information

PAAMCO does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, accordingly, is not required to provide a balance sheet. In addition, PAAMCO has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.