

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

**Item 1 Cover Page**

**Van Eck Absolute Return Advisers Corporation**

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This brochure provides information about the qualifications and business practices of Van Eck Absolute Return Advisers Corporation (the “Adviser” or “VEARA”). If you have any questions about the contents of this brochure, please contact us at (212) 293-2000 or [info@vaneck.com](mailto:info@vaneck.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

VEARA is a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training.

Additional information about VEARA also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2 Material Changes**

The Adviser's most recent update to its brochure was made in March 2013. This brochure has been updated to reflect the following:

- Item 7 – the types of clients section of the brochure has been updated to add and update certain minimum asset criteria.
- Item 8 – the methods of analysis, investment strategies and risk of loss section has been updated to add an investment strategy and additional risks.

### Item 3 Table of Contents

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#### Item 4 Advisory Business

VEARA provides investment advisory services to private funds, investment accounts and registered investment companies. VEARA is registered as a commodity pool operator and a commodity trading advisor with the Commodity Futures Trading Commission (“CFTC”).

The Adviser is a wholly-owned subsidiary of Van Eck Associates Corporation (“Van Eck”) and was formed in 1995. Van Eck is an investment adviser registered with the SEC and has been an investment adviser since 1955. Van Eck acts as investment adviser or sub-adviser to mutual funds, exchange-traded funds, pension plans and other investment accounts. Van Eck was founded in 1955 by John van Eck to manage an international equity fund. In 1968, Van Eck began offering investments in gold shares and other hard assets. The principal owner of Van Eck is Jan van Eck.

VEARA provides investment advisory services to pooled investment vehicles (*e.g.*, private funds) and registered investment companies based on the investment objectives and restrictions as set forth in each private fund’s offering document or prospectus. In addition, the Adviser provides investment advisory services to institutional investors through investment accounts based on the individual investment objectives, client restrictions and guidelines of each client, as outlined by the client, and other factors deemed relevant by the client and disclosed to the Adviser. In some instances, clients have similar investment objectives but are charged different fees. The variation in fee structure charged to clients is generally reflective of the differing levels of service required to be provided to that client and the complexity of managing the client’s account. The Adviser will be paid a fee at a certain annual rate of assets under management within the ranges described below under “Fees and Compensation.”

The Adviser does not currently participate as a manager in wrap fee programs, though it may do so in the future.

As of December 31, 2013, VEARA managed approximately \$626,934,462 of client assets on a discretionary basis and no assets on a non-discretionary basis.

## Item 5 Fees and Compensation

The Adviser generally charges asset-based fees (typically between 0.75% and 2.0%) on assets under management, and may charge a performance-based fee (normally 20%) annually of the increase in value of the account.

With respect to its clients that are private funds, the Adviser generally will set fees within these limits or may set higher or lower fees for a private fund or certain investors in a private fund, depending upon the nature of the advisory or investment services required, the Adviser's overall relationship with the investor, the amount of an investor's assets under management with the Adviser or its affiliates, or other relevant factors.

For investment account clients, the Adviser will negotiate fees within these limits or may negotiate higher or lower fees based on the factors described above. It is not anticipated that fees will exceed industry norms, but will be designed to provide reasonable compensation to the Adviser for its services. As noted below, certain related persons of the Adviser may also charge performance-based fees.

The Adviser's advisory fees for its clients are determined prior to commencement of services and are generally billed and paid in arrears. Registered investment company fees accrue daily and are paid monthly or quarterly in arrears. It is not anticipated that the Adviser will require the payment of fees six months or more in advance. A client contract may be terminated at any time in accordance with the termination provision in the contract.

Investors in a fund managed by the Adviser generally will indirectly bear expenses associated with the private fund based on an investor's pro rata investment in the fund. These expenses may include legal, auditing, accounting expenses (including internal accounting), fees payable to a private fund's administrator and other professional expenses, administration expenses, research expenses and investment expenses such as commissions, markups or markdowns on securities, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees and any other expenses reasonably related to the purchase, sale or transmittal of fund assets as may be determined by the Adviser. A private fund that is a feeder fund will also pay its pro rata share of its related master fund's expenses, as applicable. The organizational expenses of a private fund (including expenses associated with the initial offering of the fund and sale of limited partnership interests) will be paid by the fund.

The investment accounts managed by the Adviser will bear custodial and administrative expenses and other expenses pursuant to agreements with service providers and according to requirements set out in the investment advisory agreements between each client and the Adviser. Registered investment companies managed by the Adviser generally will bear custodial, administrative, accounting and/or auditing, legal and certain other expenses pursuant to agreements with their service providers and as disclosed in their offering materials.

The funds and investment accounts will incur brokerage and other transaction costs, as discussed more fully under "Brokerage Practices" below.

At the time of termination of an investment advisory contract for a client who pays fees in advance, the client would be paid a pro rata refund for the portion of the quarter (or other period) for which fees were paid but for which services were not rendered.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

The Adviser, as well as its parent company, Van Eck, receives performance-based fees from certain of the private funds and investment accounts they manage. These performance-based fees, as noted above in “Fees and Compensation,” may range from 20% to 40% annually of the increase in value of the account in excess of a benchmark return. With respect to any performance-based fees, the Adviser will be in compliance with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”) and with applicable no-action positions taken by the SEC. Certain other related persons of the Adviser may also charge performance-based fees.

The Adviser faces a conflict of interest to the extent that it manages a client account (“Account”) for which it receives a performance-based fee at the same time as it manages one or more Accounts for which it does not receive a performance-based fee or receives a different level of performance-based fee. A performance-based fee arrangement generally entitles an investment adviser to additional compensation if the performance of an Account bearing the performance-based fee exceeds an established benchmark. The Adviser has the potential to receive higher compensation from an Account for which it is paid a performance-based fee than for an Account that is not charged a performance-based fee or is charged a lower performance-based fee. The Adviser may have an incentive to favor Accounts or take increased investment risk on behalf of Accounts for which it receives a performance-based fee or a larger performance-based fee because it could receive greater compensation from such Accounts. For example, the Adviser may have an incentive to trade in non-performance-fee-based Accounts to benefit performance-fee-based Accounts. The Adviser has put into place policies and procedures to address these conflicts of interest, including policies designed to ensure allocation of trades and securities to Accounts on a fair and equitable basis and brokerage commission policies and to monitor trading positions that are held in both performance and non-performance-based fee Accounts. These policies and procedures are described in more detail below under “Brokerage Practices.”

## Item 7 Types of Clients

Our types of clients include private funds (*e.g.*, hedge funds), mutual funds, and institutional investors, including pension plans, advised through investment accounts.

The Adviser shall determine from time to time the minimum dollar value of Accounts that shall be accepted for management, since below a certain dollar value the Adviser may be unable to make appropriate investments based on a client's investment needs. Also, Accounts below a certain asset value are not economical for the Adviser or the client. Currently, the Adviser imposes the following minimum asset criteria for managing certain Accounts, and may increase or decrease the minimum without notice:

Emerging Markets Equity	\$20,000,000
Emerging Market Debt/Fixed-Income Accounts	\$50,000,000
Hard Assets Accounts	\$50,000,000
Global Equities Accounts	\$50,000,000
Gold Accounts	\$50,000,000
Energy Related Accounts	\$50,000,000
Long/Short Equity	\$20,000,000

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

VEARA manages Accounts that generally seek to achieve capital appreciation over the long term by investing in certain asset classes in a particular market sector or sectors. These Accounts generally invest in asset classes falling into three general categories: global energy, hard assets, and emerging markets. Investment strategies employed by the Adviser with respect to each asset class are described below.

An Account employing any one of these three broad strategies may employ leverage to the extent permitted and as disclosed in its organizational documents, offering documents, investment management agreements, or investment restrictions and guidelines, as applicable. Certain Accounts specify a particular level of leverage that the Adviser must seek to maintain. Certain of the other Accounts may utilize a “multi-manager” strategy, under which the Adviser, in addition to investing money directly, allocates a portion of the Account’s assets among investment advisers that employ a variety of strategies. In advising the Accounts, the Adviser typically utilizes qualitative and quantitative methods of analysis including fundamental analysis and various types of technical analysis such as charting and cyclical analysis. Candidates for each Account’s portfolio are evaluated based on their absolute and relative desirability using a wide range of criteria and are regularly reviewed to ensure that they continue to offer absolute and relative desirability.

Other Accounts managed by the Adviser seek to replicate the price and yield performance of a particular index (the “Indexed Accounts”). The Indexed Accounts are managed not according to traditional methods of “active” investment management but rather through a “passive” indexing investment approach. Essentially, the indexing investment approach attempts to approximate the investment performance of an Indexed Account’s underlying index by investing in a portfolio of financial instruments or securities that the Adviser believes will track the performance of the underlying index. The indexing investment approach may involve either replication or representative sampling (when replication is impossible or impracticable) of the underlying index. The Adviser manages Indexed Accounts that seek to track underlying indexes in areas including, for example, commodity markets and long/short equity strategies.

An Indexed Account’s returns may not match the return of its underlying index for a number of reasons. Among other reasons, the Indexed Account may be subject to certain expenses, including operating expenses and the costs associated with buying and selling securities to reflect changes in the composition of the index or with respect to Indexed Accounts that are funds, when raising cash to meet redemptions or deploying cash in connection with newly issued shares, to which the Indexed Account’s underlying index will not be subject. In addition, an Indexed Account may not be able to invest in certain securities included in its underlying index due to legal or liquidity restrictions imposed by the governments or by exchanges on which the securities are listed. The Adviser does not “actively” manage the Indexed Accounts; therefore unless a specific security is removed from an Indexed Account’s underlying index, the Adviser would generally not sell a security because the security’s issuer was in financial trouble or the security was, or was expected to, underperform. Therefore, an Indexed Account’s performance could be lower than actively managed account that may actively shift their portfolio assets to take advantage of market opportunities or to lessen the impact of a market decline.

Certain of the Indexed Accounts that may be managed by the Adviser use a representative sampling approach. An Indexed Account’s use of a representative sampling approach will result in its holding a smaller number of securities than are in the Indexed Account’s underlying index. As a result, an adverse development respecting an issuer of securities held by such Indexed Account could result in a greater decline in net asset value than would be the case if the Indexed Account held all of the securities in its underlying index. To the extent the assets in such Indexed Account are smaller, these risks will be greater.

An Account may not be diversified and may be concentrated in individual countries, issuers, currencies or instruments. The Adviser may short securities or other investments for an Account, depending on the Account’s investment objective, investment strategies, and investment restrictions.

**Global Energy.** The Adviser, in managing an Account employing the Global Energy strategy, seeks capital appreciation of its capital over the long-term primarily through investments in publicly traded energy securities, non-public energy investments, energy commodities and energy-related financial instruments. A Global Energy



Account may invest in instruments that are income generating. The term “energy securities” includes securities of companies that are directly or indirectly engaged in the exploration, development, production, servicing, or distribution of gas, petroleum, petrochemicals or other hydrocarbons. “Non-public energy investments” include private equity and other interests in energy properties (such as royalty interests or working interests) that are not publicly traded. “Energy commodities” includes physical commodities and financial commodities related to the areas described above. “Energy” and “energy investments” includes all the above terms (publicly traded energy securities, non-public energy investments, and energy commodities and financial instruments).

The Adviser may use the following investment strategies and methods to implement the objectives of Global Energy Accounts.

**I. Long-Short Strategies.** A Global Energy Account attempts to capitalize on various mispricings of energy securities and energy commodities. Some of these trades are designed to succeed regardless of overall energy market conditions.

- **Equity/Equity Trade.** A Global Energy Account may be “long” one energy equity while being “short” another energy equity based on the Adviser’s view of the respective companies’ fundamentals (e.g., management, leverage to underlying commodities, reserve base, etc.).
- **Equity/Commodity Trade.** One feature of energy investing is that investors may purchase both the underlying commodity as well as a security (debt, equity or other security of a company or other interest in an energy project). A Global Energy Account may be long the underlying commodity while short the equity, long the equity while short the commodity, or some other combination of buying or selling options and other instruments while long or short the commodity or equity.
- **Commodity/Commodity Trade.** A Global Energy Account may be “long” one energy commodity while being “short” another energy commodity. A related “spread” strategy may be employed when the Adviser believes there is a specific advantage of being long and short the same commodity but with different maturity dates. A Global Energy Account would simultaneously purchase and sell futures contracts with different delivery dates in order to take advantage of a contracting or expanding price spread.

**II. Directional Strategies.** A Global Energy Account may take outright long and short positions in energy companies and energy commodities. Directional trades are driven by projected energy prices and company fundamentals. A Global Energy Account’s net directional exposure to various energy investments involves a fundamental analysis of commodity prices and a formulation of various energy price projections. Company-specific factors and political considerations are also a driver of directional investments.

**III. Other Strategies.** A Global Energy Account may engage in a variety of other investment strategies including volatility trading, income collection, energy-related investments and other strategies some of which may be non-energy related. A Global Energy Account may write or sell covered or uncovered call or put options or purchase call or put options. This strategy might complement or substitute for long or short equity and commodity positions.

Non-public and project-oriented investments are made on an opportunistic basis utilizing the portfolio manager’s extensive industry contacts to source and assess opportunities. Non-public investments will include private equity offerings (private investments in public equities or PIPEs) as well as direct, individually negotiated stakes in non-traded companies and investments in restricted securities. Project investments could include working interests, royalty interests, direct funding of exploration and/or development drilling programs, participation in seismic data acquisition programs, and/or partial funding of leasehold purchase activities. Significant emphasis will be placed on minimizing the time to monetization of non-public and project investments.

**Hard Assets.** For a Hard Assets Account, the Adviser will generally seek capital appreciation primarily through leveraged investments in hard asset securities and hard asset commodities. The term “hard asset securities” includes securities of companies that are directly or indirectly engaged in the exploration, development, production, servicing, or distribution of one or more of the following: (i) gas, petroleum, petrochemicals or other hydrocarbons,

(ii) ferrous and non-ferrous metals, (iii) precious metals, (iv) forest products, (v) real estate and (vi) other basic and agricultural commodities. “Hard asset commodities” or “commodities” include traded products and commodities in the above areas. “Hard assets” and “hard asset investments” include both hard asset securities and hard asset commodities.

The Adviser generally will use three strategies to capitalize on opportunities in the hard assets area: long-short strategies, directional strategies, and volatility strategies. The Adviser may “risk adjust” its use of these strategies based on strategies the Adviser believes have a higher statistical probability of success.

**I. Long-Short Strategies.** One of a Hard Assets Account’s primary investment strategies is to arbitrage various mispricings of hard asset securities and hard asset commodities regardless of overall conditions.

- **Equity/Equity Relative Value.** A Hard Assets Account may be long one hard asset equity while being short another hard asset equity in the same sector or another sector based on the Adviser’s view of the respective companies’ fundamentals (e.g., management, leverage to underlying commodities, reserve base, etc.). The Adviser may use company valuation strategies as part of this strategy
- **Equity/Commodity Relative Value.** A Hard Assets Account may be long the underlying commodity while short the equity, long the equity while short the commodity, or some other combination of buying or selling options and other instruments while long or short the commodity or equity.
- **Commodity/Commodity Relative Value.** A Hard Assets Account may be long one hard asset commodity **while** being short another hard asset commodity. A related “spread” strategy may be employed by the Adviser.

**II. Directional Strategies.** A Hard Assets Account may also invest based in the direction of hard asset commodities and hard asset equities prices. The investment process may involve fundamental analysis of commodity prices and a formulation of various commodity price projections, company-specific factors, and political considerations may affect hard asset securities as companies may operate in unstable countries.

**III. Volatility Strategies.** The Adviser may use volatility strategies in managing a Hard Assets Account. These strategies may involve an Account writing or selling covered or uncovered call or put options or purchasing call and put options.

**Emerging Markets.** In managing Emerging Markets Accounts, the Adviser will generally seek long-term capital appreciation through investments in multiple emerging market asset classes, including the hard-currency and local-currency debt and derivatives of an emerging market’s sovereign and corporate entities and in emerging market equity securities.

In managing an Emerging Markets Account, the Adviser’s valuation-based investment process employs a range of frameworks, valuation models and other tools to determine which asset class, country and asset price provide the best risk-return in the emerging markets. Certain of the Emerging Markets Accounts generally will have three primary investment styles: value, relative value and event-driven. A value-driven approach seeks to exploit absolute, idiosyncratic mispricings in asset prices while a relative value approach seeks to exploit mispricings between two asset-prices with similar risk characteristics. An event-driven approach seeks to exploit probable asset-price adjustment, triggered by a specific event. The Adviser regularly evaluates the overall investment climate for emerging market securities by assessing the global economic outlook, global monetary policy and valuation levels for a broad range of asset classes.

Certain other Emerging Markets Accounts may employ strategies in addition to those described above, including long-short strategies, directional strategies, and delta hedging strategies. These additional strategies may be implemented generally as follows:

**I. Long-Short Strategies.** This strategy involves holding a long position in emerging market securities of companies that offer secular growth in emerging markets. Short positions will principally be in securities viewed to have deteriorating business models and/or fundamentals.

**II. Directional Strategies.** An Account may be either long or short in emerging market securities of a more cyclical nature based on the direction of global economic and business cycles.

**III. Delta Hedging.** For risk management purposes, and in addition to securities used to hedge either a long or short position, an Account may also hedge by using with index futures, ETF securities, options and similar instruments to effectively implement risk management.

The investment strategies and methodologies employed by the Adviser subject an Account to various risks. An investment in an Account managed by the Adviser involves the risk that the Account will not achieve its investment objective. An Account's value may vary based on market fluctuations caused by such factors as economic and political developments, changes in interest rates, and perceived trends in security prices. The investment performance of an Account utilizing the particular methods of analysis employed by the Adviser, including various methods of technical or fundamental analysis, may result in an Account performing less well than an Account managed by utilizing other methods of analysis or in the Account not meeting its investment objective. Investment in an Account managed by the Adviser involves the risk of losing money. Investing in securities involves the risk of loss that clients should be prepared to bear.

#### **All Accounts.**

**Short Sales.** Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on an Account's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

**Leverage and Borrowing.** An Account may, depending on its investment objectives and guidelines, employ substantial leverage in its investment program. Such leverage may be achieved by purchasing securities on margin, borrowing funds from brokers, banks and other lenders and using options, futures, forward contracts, swaps, and other derivative instruments.

The use of margin and short-term borrowings creates additional risks. If the value of an Account's securities falls below the margin level required by a prime broker, additional margin deposits would be required. If the Account was unable to satisfy any margin call by a prime broker, such prime broker could liquidate the Account's position in some or all of the securities that are in that Account with the prime broker and possibly cause the Account to incur significant losses. The failure to satisfy a margin call, or the occurrence of other material defaults under margin or other financing agreements, could trigger cross-defaults under the Account's agreements with other brokers, lenders, clearing firms or other counterparties, multiplying the adverse impact to the Account. In addition, because the use of leverage will allow an Account to control positions worth significantly more than its investment in such positions, the amount that an Account may lose in the event of adverse price movements will be high in relation to the amount of its investment. In the event of a sudden decrease in the value of an Account's assets, the Account might not be able to liquidate assets quickly enough to satisfy its margin requirements. In that event, the Account may become subject to claims of financial intermediaries that extended "margin" loans. Such claims could exceed the value of the assets of the Account, resulting in forced liquidations of positions at disadvantageous prices.

The purchase of options, futures, forward contracts, equity swaps and other derivative products generally involves little or no margin deposit and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to an Account.

**Lack of Diversification.** An Account's portfolio may not generally be diversified among a wide range of issuers or areas. Accordingly, the investment portfolio of an Account may be subject to more rapid change in value than would be the case if an Account were required to maintain a wide diversification among investment areas, securities and types of securities and other instruments.

**Control Issues.** An Account may invest in private equity investments in accordance with its investment objective, investment strategy, and investment restrictions. Although the Adviser may seek protective provisions, including possible board representation, in connection with its private equity investments, to the

extent the Account takes minority positions in companies in which it invests, the Adviser may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect its position in such companies.

**Portfolio Illiquidity.** An Account may invest in non-public, restricted and illiquid securities which, in the sole judgment of the Adviser, are deemed to be as such. At various times, the markets for securities purchased or sold by an Account may be “thin” or illiquid, making purchase or sale of securities at desired prices or in desired quantities difficult or impossible. There may be no market for unlisted securities traded by an Account. In some cases, an Account may be contractually prohibited from disposing of such securities for a specified period of time. Further, the sale of any such investments may be possible only at substantial discounts and such investments may be extremely difficult to value. In addition, the Adviser’s (or any of its officers, employees or affiliates) active involvement in the companies in which it invests (such as serving as a member of a company’s Board of Directors) may restrict or limit an Account’s ability to trade securities of the subject company.

**Currency Risks.** An Account’s investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Depending on an Account’s investment objective and strategies, the Adviser may try to hedge these risks by investing in currencies, currency futures contracts and options thereon, forward currency exchange contracts, or any combination thereof, but there can be no assurance that such strategies will be effective.

**Emerging Markets.** Investing in the securities markets of emerging market countries involves certain risks not typically associated with investing in more established economies or securities markets. Such risks may include: (i) the nationalization or expropriation of assets or confiscatory taxation; (ii) social, economic and political instability; (iii) dependence on exports and the importance of international trade and commodities prices; (iv) less liquidity of securities markets; (v) volatile currency exchange rate fluctuations; (vi) potentially higher rates of inflation (including hyper-inflation); (vii) controls on foreign investment and limitations on repatriation of invested capital and an Account’s ability to exchange local currencies for U.S. dollars; (viii) government decisions to discontinue support for economic reform programs and imposition of centrally planned economies; (ix) differences in auditing and financial reporting standards which may result in the unavailability of material information about the country’s economy and issuers; (x) less extensive regulatory oversight of securities markets; (xi) longer settlement periods for securities transactions; (xii) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (xiii) certain consequences regarding the maintenance of Account portfolio securities and cash with sub-custodians and securities depositories in emerging market countries.

**Highly Leveraged Companies.** Investments in highly leveraged companies involve a high degree of risk. A company’s use of leverage may increase its exposure to adverse economic factors such as downturns in the economy or deterioration in the conditions of the company or their respective industry. In the event any such company cannot generate adequate cash flow to meet debt service, the Account may suffer a partial or total loss of capital invested in the company, which, depending on the size of the Account’s investments, could adversely affect the return on the capital of the Account.

**Risk of Early Stage Companies.** An Account may invest in private equity of companies at an early stage of development, which involves a high degree of business and financial risk. Early stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

## **Hard Assets and Global Energy Accounts.**

**Alternative Energy Investments.** Alternative energy refers to the generation of power through environmentally friendly, non-traditional sources. It includes power derived principally from bio-fuels (such as ethanol), bio-mass, wind, solar, hydro and geothermal sources and also includes the various technologies that support the production, use and storage of these sources. The alternative energy industry may be significantly affected by the competition from new and existing market entrants, obsolescence of technology, short product cycles, varying prices and profits, commodity price volatility, changes in exchange rates, imposition of import controls, depletion of resources, technological developments and general economic conditions, fluctuations in energy prices and supply and demand of alternative energy fuels, energy conservation, the success of exploration projects and tax and other government regulations. Shares of companies involved in the alternative energy industry have been more volatile than shares of companies operating in more established industries. Certain valuation methods currently used to value companies involved in the alternative energy industries have not been in widespread use for a significant period of time. As a result, the use of these valuation methods may serve to further increase the volatility of certain alternative and transitional energy company share prices. In addition, changes in U.S., European and other governments' policies towards alternative energy technology also may have an adverse effect on an Account's performance.

## **Hard Assets Accounts.**

**Precious Metals.** An Account may invest in precious metal bullion and coins (including gold, silver, platinum and palladium) which have no numismatic value. The value of such coins moves correspondingly with the price of bullion in that the value of the coins is based primarily on their precious metal content. Since such investments do not generate any investment income, the sole source of return from such investments would be from gains realized on sales of the coins or bullion, and a negative return would be realized to the extent such coins or bullion are sold at a loss. Precious metals incur storage costs which are higher than the custody fees paid on financial assets. Precious metals trading is a speculative activity. Prices of precious metals are affected by factors such as cyclical economic conditions, political events and monetary policies of various countries. Gold and other precious metals are also subject to governmental action for political reasons. Markets are, therefore, at times, volatile and there may be sharp fluctuations in prices even during periods of rising prices.

**Real Estate Investments.** An Account that invests in real estate or real estate-related instruments will be subject to special risks that are unique to investments made in the real estate sector. Investments in real estate related securities are subject to a number of risks, including but not limited to, adverse changes in national or international economic conditions, adverse local market conditions, the financial conditions of tenants, buyers and sellers of properties, environmental laws and regulations, zoning laws and other governmental rules, environmental claims arising with respect to real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, as well as acts of God, uninsurable losses and other factors which are beyond the control of the Adviser.

## **Emerging Markets Accounts.**

**Convergence Risk.** An Account may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying an Account's trading positions were to fail to converge toward, or were to diverge further from, the Adviser's expectations, an Account may incur a loss.

**Foreign Exchange Markets.** By trading in foreign exchange and investing in derivative instruments relating to international securities and such securities themselves, an Account will have exposure to fluctuations in currency exchange rates. Depending on an Account's investment objective and strategies, the Adviser may, in part, seek to offset the risks associated with such exposure or to increase returns through foreign exchange transactions. Such transactions involve a significant degree of risk and the markets in which foreign exchange transactions are affected are volatile, specialized and technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short

periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, maturity gaps, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment or particular transactions in foreign currency. The foreign exchange transactions can result in an Account's returns being substantially better or worse than what returns would have been had an Account not entered into the transactions.

**Hedging Transactions.** An Account may utilize a variety of financial instruments, such as short sales, swaps, caps and floors, and futures and forward contracts and similar derivatives, both for investment purposes and for risk management purposes. While the Account may enter into hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk (including unidentified or unanticipated risks), thereby incurring losses to the fund. In addition, such hedging transactions may result in a poorer overall performance for the Account than if it had not engaged in any such hedging transactions. Moreover, it should be noted that (1) the Adviser may determine not to hedge against, or may not anticipate, certain risks or market or issuer movements or events and (2) the Account's portfolio will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).

**Volatility Risk.** An Account's investment program may involve the purchase and sale of equity derivatives, which are frequently valued based on implied volatilities of such derivatives compared to the historical volatility of their underlying securities. Fluctuations or prolonged changes in the volatility of securities, therefore, can adversely affect the value of securities held by the Account.

**Position Limits.** "Position limits" imposed by various regulators may also limit an Account's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All positions owned or controlled by the same person or entity, even if in different Accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Account does not intend to exceed applicable position limits, it is possible that different Accounts managed by the Adviser or its affiliates may be aggregated. If at any time positions managed by the Adviser were to exceed applicable position limits, the Adviser would be required to liquidate positions, which might include positions of the Account, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Account might have to forego or modify certain of its contemplated trades.

**Limitations Due to Regulatory Restrictions.** An Account may seek to acquire a significant stake in certain securities. In the event such stake exceeds certain percentage or value limits, the Account may be required to file a notification with a governmental agency or comply with other regulatory requirements. Certain notice filings are subject to review that require a delay in the acquisition of the security. Compliance with such filing and other requirements may result in additional costs to the Account, and may delay the Account's ability to respond in a timely manner to changes in the markets with respect to such securities.

Certain Accounts managed by the Adviser, in particular Accounts that are registered investment companies, may lend their portfolio securities as permitted under the Investment Company Act of 1940 (the "1940 Act") and the particular Account's investment objectives, investment strategies, and investment restrictions. This may include an Account's participating in securities lending programs managed by broker-dealers or other institutions. Securities lending allows an Account to retain ownership of the securities loaned and, at the same time, earn additional income. The borrowings must be collateralized in full with cash, U.S. government securities, or high-quality letters of credit. An Account could experience delays and costs in recovering the securities loaned or in gaining access to the securities lending collateral. If an Account is not able to recover the securities loaned, an Account may sell the collateral and purchase a replacement investment in the market. The value of the collateral could decrease below the value of the replacement investment by the time the replacement investment is purchased. Cash received as collateral and that is invested on behalf of an Account is subject to market appreciation and depreciation, which would be born by the Account.

Certain Accounts managed by the Adviser, depending on each Accounts investment objectives, investment strategies, and investment restrictions, may take temporary defensive positions in anticipation of, or in an attempt to respond to, adverse market, economic, political or other conditions. Such a position could have the effect of reducing any benefit an Account may receive from a market increase.

The Adviser does not recommend any particular type of security to its clients; rather the Adviser recommends securities and other instruments to its clients based on the investment objectives and strategies of each client. All investments in securities and other instruments involve risk, including the risk that the investment will lose value or will perform less well than expected. Each of the Accounts managed by the Adviser is subject to risk associated with the investment strategy and methods of analysis of the Account. Risks associated with the Accounts that are registered investment companies are discussed in detail in the publicly available offering materials of each such Account. Risks associated with the Accounts that are private funds are discussed in detail in the relevant offering document, prospectus or operating agreement of each such Account.

#### **All Accounts.**

**Debt Securities in General.** Depending on an Account's investment objective and strategies, the Account may invest in debt securities and instruments. Certain of the debt instruments in which an Account invests may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. In addition, an economic downturn could severely disrupt the market for these securities and may have an adverse impact on the value of such instruments. It is also likely 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 for such securities. Debt securities also may face interest rate risk, which is the risk that an instrument's value will fall if interest rates increase. Debt securities generally fall in value when interest rates rise and rise in value when interest rates fall. Debt securities with longer periods before maturity are often more sensitive to interest rate changes.

**Equity-Related Instruments.** The Adviser may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

**Options.** There are risks associated with the sale and purchase of call options. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option, and that the securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option. There are risks associated with the sale and purchase of put options. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

**Non-U.S. Securities.** Investing in securities of non-U.S. governments and companies that are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States Government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

**Currency Forward Contracts.** An Account may enter into currency forward contracts (agreements to exchange one currency for another at a future date) to manage currency exchange rate risks, to protect against adverse changes in exchange rates, to facilitate transactions in non-U.S. securities or to enhance total return. Currency forward contracts involve a risk of loss if the Account fails to predict accurately the direction of currency exchange rates. For example, the Account may experience a loss if it increases its exposure to a non-U.S. currency and that currency's value in relation to the U.S. dollar subsequently falls. In addition, forward contracts are not guaranteed by an exchange or clearinghouse.

**Futures Contracts.** An Account may invest in commodities futures contracts and options thereon both for hedging purposes and to increase the total return on the fund's portfolio. Trading in futures contracts and options is a highly specialized activity which, while it may increase the total return on an Account's portfolio, may entail greater than ordinary investment risks. Specifically, investing in futures may result in increased leveraging of the Account's portfolio and increased volatility of the portfolio's returns. There is settlement risk associated with futures investing and the risk that the counterparty to a futures contract may default on its obligations. Additionally, an Account's position in a futures contract may be illiquid at certain times, such as when a futures exchange imposes price movement limits on the contract.

**Other Derivatives.** To the extent that an Account invests in swaps, derivative or synthetic instruments, repurchase agreements or other over-the-counter transactions or, in certain circumstances, non-U.S. securities, an Account may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of an Account, and hence an Account should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

**Repurchase and Reverse Repurchase Agreements.** A repurchase agreement exposes an Account to the risk that the party that sells the security may default on its obligation to repurchase it. The Account may lose money if it cannot sell the security at the agreed-upon time and price or the security loses value before it can be sold. A reverse repurchase agreement involves the risk that the market value of the securities an Account is obligated to repurchase under the agreement may decline below the repurchase price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, an Account's use of proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce an Account's obligation to repurchase the securities.

**Credit Default Swaps.** In addition to the risks applicable to derivatives generally, credit default swaps involve special risks because they are difficult to value, are highly susceptible to liquidity and counterparty risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation, as opposed to a credit downgrade or other indication of financial difficulty. If an Account were the seller of a credit default swap, it would need to pay the buyer the full amount of the underlying obligation if a default even occurs.

**Other Derivative Instruments.** An Account may enter into swaps and other derivative instruments. It may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Account and legally permissible. Special risks may apply to instruments that are invested in by the Account in the future that cannot be determined at this time or until such instruments are developed or invested in by the Account. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.



**Small and Medium Capitalization Stocks.** An Account may invest its assets in the stocks of companies with or small- to medium-sized market capitalizations. Investments in medium- and small-capitalization stocks involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, “blue-chip” companies. These companies tend to have smaller revenues, narrower product lines, less management depth and experience, smaller shares of their product or service markets, fewer financial resources and less competitive strength than larger companies. In addition, because of thin trading in some small-capitalization stocks, an investment in those stocks may be illiquid.

**Models and Data Risk:** Given the complexity of the investments and strategies of certain Accounts, with respect to such Accounts the Adviser relies heavily on proprietary quantitative models and information and data supplied by third parties (“Models and Data”). Models and Data are used to construct sets of transactions and investments, to provide risk management insights, and to assist in hedging the Account’s investments. When Models and Data prove to be incorrect or incomplete, any decisions made in reliance thereon expose the Account to potential risks. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. Some of the models used by the Adviser for such Accounts are predictive in nature. The use of predictive models has inherent risks. Because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data .

**Exchange Traded Products:** While the risks of owning shares of exchange traded products, including exchange traded funds and exchange traded notes (“Exchange Traded Products”) generally reflect the risks of owning the underlying investments of the Exchange Traded Product, lack of liquidity in the Exchange Traded Product can result in its value being more volatile than its underlying portfolio investments. An Exchange Traded Product can trade at prices higher or lower than the value of its underlying assets. In addition, trading in an Exchange Traded Product may be halted by the exchange on which it trades.

**Exchange Traded Products’ Underlying Investments:** Through its investment in an Exchange Traded Product, an Account is subject to the risks associated with the Exchange Traded Product’s underlying investments, including the possibility that the value of the securities or other assets held by the Exchange Traded Product could decrease. These risks include any combination of the risks described below, although an Account’s exposure to a particular risk will be proportionate to such Account’s overall allocation and an Exchange Traded Product’s asset allocation. Additionally, an Account will bear additional expenses based on its pro rata share of the Exchange Traded Product’s operating expenses. Consequently, an investment in such an Account entails more direct and indirect expenses than a direct investment in an Exchange Traded Product.

**Market:** Market risks refers to the risk that the market prices of securities that an Account or Exchange Traded Product holds will rise or fall, sometimes rapidly or unpredictably. In general, equity securities tend to have greater price volatility than debt securities. The Exchange Traded Products, including exchange traded funds and exchange traded notes, may trade at a premium or discount to their net asset values.

#### **Hard Assets and Emerging Markets Accounts.**

**Exchange Traded Funds.** An investment in an exchange traded fund (“ETF”) generally presents the same primary risks as an investment in a conventional fund (i.e., one that is not exchange- traded) that has the same investment objectives, strategies, and policies. The price of an ETF can fluctuate up or down, and an Account could lose money investing in an ETF. In addition, ETFs may be subject to the following risks that do not apply to conventional funds: (i) the market price of an ETF’s shares may trade above or below their net asset value; (ii) an active trading market for an ETF’s shares may not develop or be maintained; or (iii) trading of an ETF’s shares may be halted if the listing exchange’s officials deem such action appropriate,

the shares are delisted from the exchange, or the activation of market-wide “circuit breakers” (which are tied to large decreases in stock prices) halts stock trading generally. In addition, ETFs generally are subject to the same risks as the underlying securities held by the ETF to track as well as to the risks of the specific sector or industry on which the ETF relates.

**Investments in investment companies.** Although an Account may derive certain advantages from being able to invest in shares of investment companies (including ETFs), such as to be fully invested, there may be potential disadvantages. Investing in investment companies may result in higher fees and expenses for an Account (including the management fees of the ETFs). An Account may purchase shares of ETFs affiliated with an Account, subject to certain conditions.

#### **Hard Assets Accounts.**

**Hard Assets.** The production and marketing of hard assets may be affected by actions and changes in governments. In addition, hard assets and hard asset investments are cyclical in nature. During periods of economic or financial instability, hard asset securities and other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. In addition, hard asset companies may also be subject to the risks generally associated with extraction of natural resources, such as the risks of mining and oil drilling, the risk that the resources are not found in quantities that make their commercial exploitation feasible, and the risks of the hazards associated with natural resources, including but not limited to, fire, drought and increased regulatory and environmental costs. Hard asset securities and other instruments may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities or instruments may rise at a faster rate, and conversely, in time of falling hard asset prices, such securities may suffer a greater price decline.

#### **Global Energy Accounts.**

**General Risks of Energy Investments.** Energy assets and energy-related securities and instruments may be cyclical in nature. During periods of economic or financial instability, energy-related securities and instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various energy commodities. Energy-related securities and instruments may also experience greater price fluctuations than the relevant underlying commodity. In periods of rising energy asset prices, such securities may rise at a faster rate, and conversely, in time of falling energy asset prices, such securities may suffer a greater price decline. Energy investments are also subject to the following risks:

- **Natural Gas Sector Risk.** The Fund will invest in securities issued by, and/or have exposure to, companies primarily involved in the natural gas sector. The profitability of companies engaged in the exploration and production of natural gas may be adversely affected by changes in worldwide energy prices, exploration and production spending, government policies and regulation, economic conditions and world events. Natural gas companies also could be adversely affected by commodity price volatility, changes in exchange rates, interest rates, imposition of import controls, increased competition, depletion of resources, development of alternative energy sources, technological developments and labor relations and may have significant capital investments in, or engage in transactions involving, emerging market countries, which may heighten these risks. In addition, the natural gas companies must comply with a broad range of environmental laws and regulations. Additional or more stringent environmental laws and regulations may be enacted in the future and such changes could have a material adverse effect on natural gas companies’ profitability. Finally, natural gas companies compete with alternative fuel companies, such as coal and oil companies, which also may adversely affect the profitability of natural gas companies.

- **Commodity Pricing Risk.** The return on the Account's investments in energy companies will be dependent on the prices received by those companies or other energy companies for the exploration, development, production, gathering, transportation, processing, storing, refining, distribution, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal. These prices may fluctuate widely in response to a variety of factors including global and domestic economic conditions, weather conditions, the supply and price of imported energy commodities, the production and storage levels of energy commodities in certain regions or in the world, political stability, transportation facilities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices may also make it more difficult for energy companies to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices.
- **Supply and Demand Risk.** A decrease in the production of natural gas, natural gas liquids, crude oil, coal or other energy commodities, a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution, or a sustained decline in demand for such commodities, may adversely impact the financial performance of energy companies. Energy companies are subject to supply and demand fluctuations in the markets they serve which will be impacted by a wide range of factors, including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events, and economic conditions, among others.
- **Exploration Risk.** Energy exploration is highly speculative, and the Account may receive little or no return on its investments in exploration ventures. Energy reserves naturally deplete as they are produced over time. Many energy companies are either engaged in the production of natural gas, natural gas liquids, crude oil, refined petroleum products or coal, or are engaged in transporting, storing, distributing and processing these items on behalf of shippers. To maintain or grow their revenues, these companies or their customers need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources, through acquisitions, or through long-term contracts to acquire reserves. The financial performance of energy companies may be adversely affected if they, or the companies to whom they provide the service, are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline. If an energy company fails to add reserves by acquiring or developing them, its reserves and production will decline over time as they are produced. If an energy company is not able to raise capital on favorable terms, it may not be able to add to or maintain its reserves.
- **Acquisition Risk.** The ability of energy companies to grow and, where applicable, to increase distributions to their equity holders can be highly dependent on their ability to make acquisitions that result in an increase in adjusted operating surplus. In the event that such companies are unable to make such accretive acquisitions because they are unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts, because they are unable to raise financing for such acquisitions on economically acceptable terms, or because they are outbid by competitors, their future growth and ability to raise distributions will be limited and their ability to repay their debt holders may be weakened. Furthermore, even if these companies do consummate acquisitions that they believe will be accretive, the acquisitions may instead result in a decrease in adjusted operating surplus.
- **Interest Rate Risk.** Rising interest rates could cause the yield of an Account's investments to be less attractive to investors. Accordingly, the market price of an Account's investments may decline when interest rates rise. Rising interest rates could adversely impact the financial performance of energy companies by increasing their costs of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner. In addition, the costs associated with an Account's anticipated use of leverage are likely to increase when interest rates rise.

- **Regulatory Risk.** Energy companies are subject to significant government regulation in virtually every aspect of their operations, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services they provide. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of energy companies. In addition, the tax status of the Account's investments may be adversely impacted by government action in the U.S. or other countries.
- **Concentration Risk.** The Account's investments will be concentrated in the energy industry. Such concentration may present more risks than if the Account's investments were broadly diversified over numerous industries and sectors of the economy. A downturn in the energy industry should be expected to have a larger impact on the Account than on an Account that does not concentrate in such industry. At times, the performance of securities of companies in the energy industry will lag the performance of other industries or the broader market as a whole.
- **Affiliated Party Risk.** Energy companies and exploration ventures are often dependent on their parents or sponsors for a majority of their revenues. Any failure by an energy company's parents or sponsors to satisfy their payments or obligations would impact the energy company's revenues and cash flows and ability to make distributions.
- **Catastrophe Risk.** The operations of energy companies are subject to many hazards inherent in the transporting, processing, storing, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, coal, refined petroleum products or other hydrocarbons, or in the exploring, managing or producing of such commodities, including: damage to pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism; inadvertent damage from construction and farm equipment; leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons; and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. An energy company may not be fully insured against all risks inherent to its businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect the energy company's operations and financial condition.

#### **Emerging Markets Accounts.**

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

**Investments in Distressed Securities.** An Account may invest in "below investment grade" securities and obligations of U.S and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth or 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 also

may 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. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to an Account's investment in any instrument, and a significant portion of the obligations and preferred stock in which an Account may invest may be less than investment grade. Any one or all of the issuers of the securities in which an Account may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Adviser will correctly evaluate the value of the assets collateralizing a company's loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which an Account invests, the Account may lose its entire investment, may be required to accept cash or securities with a value less than the Account's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from an Account's investments may not compensate the investors adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Account of the security in respect to which such distribution was made.

**Item 9 Disciplinary Information**

Neither the Adviser nor its management persons have been subject to legal or disciplinary events that are material to its advisory business or that would be material to its existing or prospective clients' evaluation of its advisory business or the integrity of its management.

## Item 10 Other Financial Industry Activities and Affiliations

The Adviser is registered with the Commodities Futures Trading Commission as a Commodity Pool Operator and Commodity Trading Adviser, and is registered with the SEC as an investment adviser. VEARA serves as the investment manager or general partner to several private funds. VEARA also serves as investment adviser for certain clients through investment accounts and as investment adviser to registered investment companies.

VEARA receives performance-based fees for certain Accounts, including Accounts that it manages and private funds for which it serves as investment adviser. The Adviser's investment advisory services to each of these types of clients are material to its advisory business. For a discussion on conflicts of interests related to performance-based fees, see the discussion in "Performance-Based Fees and Side-By-Side Management" above.

Van Eck, the adviser's parent company, provides investment advisory services pursuant to investment advisory agreements to registered investment companies, consisting of series of the Van Eck Funds, the Van Eck VIP Trust, and Market Vectors ETF Trust, and several investment accounts.

Van Eck owns 100% of the common stock of Van Eck Securities Corporation, 335 Madison Avenue, New York, NY 10017. Van Eck Securities Corporation's principal business is acting as the principal underwriter of investment companies for which the Adviser serves as investment adviser.

Van Eck Securities Corporation does not intend to act as broker or effect a transaction for any Account managed by the Adviser. If Van Eck Securities Corporation were to so act or effect transactions, it would do so in accordance with procedures adopted pursuant to Rule 17e-1 adopted under the 1940 Act with respect to investment companies registered under the 1940 Act, and after disclosure to and consent from non-investment company Accounts. It is not currently engaged in any other business. Furthermore, Van Eck Securities Corporation is the exclusive marketer of the Market Vectors Currency ETNs.

Van Eck also indirectly majority owns Market Vectors Investments Limited ("Market Vectors Australia"), an entity providing investment advisory services to passively managed index funds listed on the Australian Securities Exchange. Market Vectors Australia is registered with the Australian Securities and Investments Commission. Market Vectors Australia is wholly owned by Market Vectors Australia Pty Ltd.

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

The Adviser has adopted a Code of Ethics (the “Code”) in accordance with Rule 17j-1 under the 1940 Act and 204A-1 under the Advisers Act. The Code is based on the Adviser’s fiduciary duty to its clients. The fundamental tenants of the Code include: (1) place the interests of clients first at all times; (2) conduct their personal securities transactions in a manner so as to be consistent with the Code and avoid any actual or potential conflict of interest or any abuse of an employee’s position of trust and responsibility; (3) refrain from taking inappropriate advantage of the relationship with the clients; (4) maintain the confidentiality of security holdings and financial circumstances of clients; and (5) maintain independence in the investment decision making process.

As a fiduciary, the Adviser and its employees owe an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients. Generally, the Code imposes the following five basic requirements on the Adviser and its employees: (1) they must comply with all applicable federal law; (2) they must avoid all conflicts of interest and disclose all material facts concerning any conflict that may arise with respect to any client; (3) their conduct must conform with the ethical standards set forth in the Code; (4) their personal securities transactions must comply with the Code; and (5) they must obtain prior approval for securities transactions as required under the Code.

In addition, at the commencement of employment and thereafter annually, access persons certify that they have received, read and understand all provisions of the Code and agree to be subject to the Code, and any amendments. Access persons are supervised persons who have access to non-public information regarding a client’s purchase or sale of securities or to non-public information regarding portfolio holdings, who are involved in making securities recommendations to clients, or who may have access to such recommendations that are non-public.

Generally, the Code requires access persons to obtain pre-clearance of all covered transactions in their own personal accounts, as well as accounts held by relatives that are members of their household. In addition, access persons must report all investment holdings in these accounts. The Code also requires that access persons report all transactions in securities, with limited exceptions, to the Chief Compliance Officer no later than 30 days after the end of the calendar quarter. The Code exempts non-interested board members from pre-clearance requirements on personal securities transactions and the reporting of transactions and holdings

In addition, the Code prohibits access persons from buying or selling any security for his or her account if he or she knows at the time of the transaction that the security is being purchased or sold, or is being considered for purchase or sale by an Adviser’s client or account.

The Code enables access persons to purchase securities in an IPO or a private placement, provided that he or she makes certain representations on a pre-clearance form and obtains approval for the purchase.

In addition, no access person may engage in short-term trading, as defined in the Code, of any covered security.

A copy of the Adviser’s Code of Ethics will be provided upon request.

From time to time, the Adviser, the accounts of which the Adviser is the general partner, of which an affiliate of the Adviser is the sole limited partner and in which the Adviser or affiliated or related persons may have a material economic interest, as well as the pooled investment vehicles advised by other related parties, may buy or sell securities which are recommended to other clients for purchase or sale. The Adviser recognizes that this practice may result in conflicts of interest. However, to minimize or eliminate such conflicts, certain procedures have been instituted, which provide that transactions in securities of limited availability, sequential transactions for different Accounts, and opposing transactions in the same security are reviewed by the Adviser’s compliance personnel for evidence of abusive practices. When securities of limited availability are purchased, the Adviser documents the reason for the allocation.

The Adviser may from time to time recommend to clients the purchase of securities of issuers to which it or an affiliate of the Adviser acts as adviser or broker-dealer, and for which it receives advisory or other fees. While this practice may create conflicts of interest, the Adviser has adopted procedures to minimize such conflicts, including to waive fees associated with those transactions.



While the Adviser does not expect to, for its own account, buy a security from, or sell a security to, the account of a client (*i.e.*, engage in principal transactions) in its normal course of business, the Adviser may act as principal in a securities transaction with a client. However, to minimize or eliminate such conflicts, the Adviser has instituted procedures that provide that the Adviser will not act as principal in a transaction without providing written disclosure to the client, as specified in Section 206(3) of the Advisers Act. The Adviser will act as principal only to the extent acting in such capacity is consistent with its duty to obtain best execution for the client.

The Adviser may, in carrying out its investment services, invest a client's assets in an investment company or private fund advised by the Adviser or an affiliate (if such an investment is considered appropriate for the client and at the client's discretion) and from which the Adviser or an affiliate earns fees based on the average net assets of the company or fund or based on the company or fund's performance. It is acknowledged that this may give rise to conflicts of interest. A client (or prospective client) has the right to determine whether he/she consents to such investment of his/her assets. Further, if the client or prospective client determines that assets are to be placed in such company or fund, the Adviser may, in recognition of the company's or fund's own advisory fees and to avoid two layers of advisory fees being imposed upon the client, appropriately adjust the advisory fee charged in proportion to the amount of the client's assets invested in such investment company pursuant to the advisory contract. With respect to shares of exchange-traded funds advised by an affiliate of the Adviser that are held by an Account managed by the Adviser, the Adviser will offset the management fees it charges to the Account by the amount the Adviser's affiliate collects as management fee from the ETF as a result of the Account's investment.

The Adviser, its affiliates and related persons may hold securities or other investments which are purchased or recommended for purchase by Accounts in the open market, as part of initial public or secondary offerings. If these holdings entitle the Adviser, its affiliates and related persons to participate in initial public or secondary offerings, these persons will, at their discretion, participate in such offerings on terms deemed by the Adviser equitable to other Accounts advised by the Adviser.

Generally, the Adviser, its officers, directors, employees, and related persons are prohibited from buying or selling any security for his or her account if he or she knows at the time of the transaction that the security is being purchased or sold, or is being considered for purchase or sale, for an Account. A security is "considered for purchase or sale" when a recommendation to purchase or sell a security is being made or has been made and communicated and is "recommended" when the person making the recommendation seriously considered making the recommendation. However, the Adviser or its affiliates or the Accounts (including funds) that it manages may buy, sell or recommend the purchase or sale of a security or other instruments if the Adviser or an employee, affiliate or related person owns an interest in the Account or receives a performance fee. The Adviser or its affiliates may buy or sell securities for their own account which are recommended to clients for purchase or sale. In order to minimize or eliminate potential conflicts, certain procedures have been instituted. In some circumstances, the Adviser, an affiliate, or an employee may be deemed to be a principal for those transactions because of that ownership interest. The Adviser seeks to fairly allocate opportunities and monitors the Accounts that it manages with respect to allocation. For more details on the Adviser, its affiliates, employees and related personal trading, see the discussion of the Code of Ethics above.

## Item 12 Brokerage Practices

Generally, the Adviser has discretionary authority to determine the amount of securities or other instruments to be bought and sold and the specific securities or other instruments to be bought and sold. Limitations on the ability of an Account to engage in transactions may include restrictions in the registration statement, offering material or contract agreement applicable to the Account and regulatory diversification, concentration or other limitations. In transactions on stock and commodity exchanges in the United States, brokerage commissions are negotiated and a particular broker-dealer may charge different commissions according to such factors as the difficulty and size of the transaction and the volume of business done with such broker-dealer, whereas on foreign stock and commodity exchanges, these commissions are generally fixed and are generally higher than brokerage commissions in the United States. In the case of securities traded on the over-the-counter markets, there are generally no stated commissions, but the price usually includes an undisclosed commission or markup. In underwritten offerings, the price often includes a disclosed fixed commission or discount retained by the underwriter or dealer.

In determining the broker-dealers through which to effectuate securities transactions for Accounts, it is the Adviser's policy to obtain quality execution at the most favorable prices. In selecting a broker-dealer, the Adviser may consider various relevant factors, although no one factor is determinative in the Adviser's decision-making process. These factors include one or more, but are not limited to, best price, current market conditions, time constraints, liquidity, volatility in the markets, volatility in the particular type of security or asset, size and type of transaction, the nature and character of the market for the security or asset in the transaction, confidentiality, execution efficiency, settlement capabilities, financial condition of the broker-dealer, full range and quality of the broker-dealer's services, the responsiveness, reputation, reliability and experience of the broker-dealer, the reasonableness of any commissions or spreads, difficulty of execution, ability and willingness to commit capital to the transaction, past effectiveness in executing illiquid or difficult types of securities or assets or difficult types of orders and the value of brokerage and research services provided.

Agency cross transactions (i.e., a transaction in which the Adviser or an affiliate of the Adviser acts as agent for the parties on both sides of the transaction) may be effected for an Account to the extent permitted by law. Client consent to agency cross transactions may be revoked at any time.

Agency cross transaction on behalf of clients that are employee benefit plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA") are effected only in accordance with the restrictions and conditions contained in ERISA and rules, regulations, and exemptions promulgated by the U.S. Department of Labor.

The Adviser may effect transactions through a broker-dealer who furnishes brokerage and/or research services that result in the payment of a commission in excess of the commission another broker-dealer would have received for executing the transaction. The use of client brokerage commissions to obtain research or other products or services benefits the Adviser because the Adviser does not have to produce or pay for the research, products or services received in exchange for the commissions. The Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution.

Any research service received through a broker-dealer may be used by the Adviser in connection with Accounts other than those Accounts that pay commissions to such broker-dealer. The research service received by the Adviser, through a soft dollar arrangement, may benefit an Account, regardless of whether such Account paid commissions to the broker-dealer through which such research service was received. The Adviser does not seek to allocate soft dollar benefits to Accounts proportionately to the soft dollar credits that the Accounts generate.

The payment of a commission to a broker-dealer for research services as described above will occur when the Adviser determines in good faith that such commission is reasonable in relation to the value of the brokerage and/or research services, as defined in Section 28(e) of the Securities Exchange Act of 1934, which have been or will be provided by the effectuating broker-dealer. In making any such determination, the Adviser will not attempt to place a specific dollar value on the brokerage and research services provided or to determine what portion of the commission should be related to such services. Such research services may include, but are not limited to, the following: computer analyses of securities portfolios, performance measurement services used in making investment decisions, stock price quotation services, computerized historical financial databases and equipment to retrieve such

data, brokerage analysts' earnings estimates, publications concerning performance of various investment portfolios, charts or statistical analysis of individual portfolio securities versus other securities in the same industry, including stock history, volatility and performance, software dedicated to research, conference calls and seminars (not including airfare and living expenses), political analyses, and specialized political or economic analyses. Such services may be provided by broker-dealers which execute portfolio transactions for the clients of the Adviser or by third parties with whom these broker-dealers have arrangements. All soft dollar arrangements providing nonproprietary research requires approval from the Compliance Department.

All other services obtained by the use of commissions arising from clients' investment transactions will be limited to services that would otherwise be an Account expense. The use of commissions to obtain such other services may be outside the parameters of Section 28(e).

Soft dollar arrangements may also include services which are subject to "mixed use" both for research purposes as well as for non-research purposes. In such cases, the Adviser will make a good faith determination of such allocation based upon its review of the usage of each product. The Adviser reimburses the soft dollar broker for the non-research portion of the product or service.

Generally, Section 28(e) of the Securities Exchange Act of 1934 is limited to agency transactions. If the Adviser executes a principal transaction or the transaction occurs in a market in which the dealer traditionally acts as a principal (e.g., OTC market-maker), there may be questions as to the ability to engage in soft dollar transactions. To the extent the Adviser engages in principal transactions, generally it will engage in only riskless principal transactions. The Adviser will only effectuate riskless principal transactions when the transaction (1) fully discloses the amount of the mark-up, markdown or commission equivalent and (2) the transaction is reported under conditions that provide independent and objective verification of the transaction price subject to self-regulatory organization oversight.

In accordance with Rule 12b-1(h)(1) of the 1940 Act, the Adviser prohibits the direction of brokerage as compensation to broker-dealers for the promotion and/or sale of shares of investment companies advised by the Adviser ("Mutual Fund Shares").

In addition, the Adviser prohibits indirectly compensating a broker-dealer through a step-out transaction, mark-up, mark-down, or other fee (or portion thereof) received or to be received through any other arrangement to share a commission from the portfolio transactions effected through any other broker-dealer. Nonetheless, in satisfying its fiduciary responsibility to seek best execution for its clients, the Adviser may select a broker-dealer that sells and/or promotes interests in private funds managed by the Adviser or Mutual Fund Shares or that refers investment account clients to the Adviser ("Selling Broker-Dealer"). Selection of a Selling Broker-Dealer to execute portfolio transactions will only occur under the following conditions: (1) when selecting an executing broker-dealer for portfolio transactions, the persons responsible for the selection ("Traders") shall not consider whether the executing broker-dealer promotes and/or sells interests in private funds managed by the Adviser or Mutual Fund Shares or refers clients to the Adviser; (2) under no circumstances will any person employed by the Adviser or an affiliate of the Adviser attempt to influence, directly or indirectly, the selection of the broker-dealer firms for the execution of portfolio transactions to compensate such firms for the promotion and/or sale of interests in private funds managed by the Adviser or Mutual Fund Shares or referrals of clients; and (3) neither the Adviser, funds managed by the Adviser, nor any affiliate of the Adviser enter into any agreement (whether written or oral) or other direct or indirect understanding or arrangement under which the Adviser directs (or is expected to direct) brokerage transactions (or revenue derived from such transactions), or any remuneration, including but not limited to any commission, mark-up or mark-down, or other fee (or portion thereof) received or to be received from portfolio transactions effected through any other broker-dealer firm, to a broker-dealer firm in consideration for the promotion or sale of interests in private funds managed by the Adviser or Mutual Fund Shares or for referral of clients to the Adviser.

Some separately managed accounts have negotiated commission recapture programs which we are encouraged to utilize subject to our obligation to achieve best execution.

The Adviser or its affiliates may receive certain other services from brokers that are beneficial to the Adviser or its affiliates, but not necessarily beneficial to the Accounts managed by the Adviser, including, without limitation, capital introduction services. Such services may present conflicts of interest for the Adviser, which is responsible for

negotiating with brokers for margin, brokerage, or other fees. To address potential conflicts of interest associated with capital introduction services, the Adviser's investment committee reviews all brokerage quarterly to ensure compliance with the Adviser's policies and procedures as discussed above.

When more than one of the Accounts or an account of an affiliate, including a fund, trades in the same security at the same time, to the extent permissible, the Adviser will aggregate the orders if the Adviser believes it is in the best interest of its clients. The Adviser and its affiliate will aggregate orders of mutual funds, hedge funds and investment accounts whether or not within the same family of funds or with the same client as long as no party is favored to the detriment of another party, and it does not breach the Adviser's fiduciary duties to its clients.

In general, all contemporaneous trades for Accounts managed using the same strategy would typically be bunched in a single order to the extent permitted by the particular market. Additionally, other trades may be bunched if the trader believes the bunched trade would provide each client an opportunity to achieve a more favorable execution or a potentially lower execution cost. The costs associated with a bunched order will be shared pro rata among the Accounts in the bunched order. Generally, if an order is filled at several different prices through multiple trades, all Accounts participating in the order will receive the average price except in the case of certain international markets where average pricing is not permitted.

Generally, aggregating of orders will occur only when the same investment decision is made for more than one Account. In this event the executed portion of combined transaction orders for two or more Accounts will be allocated, when possible, on a pro rata basis (to the nearest round lot), with each Account receiving a percentage of the executed portion of the order based upon each Account's percentage of the original order. This policy will apply to all Accounts participating in the execution under the same trading circumstances (price limits, time of entry, etc.). The allocation will be made at the average price except in the case of certain international markets where average pricing is not permitted. The trader will give the aggregated order to the executing broker that the trader has identified as being able to provide the best execution for the order. Orders for the purchase or sale of securities will be placed within a reasonable amount of time of the order receipt and aggregated orders will be kept aggregated only long enough to execute the order.

Generally, allocation of trades should be pro rata across similar Accounts. When allocating trades among clients, the Adviser will consider an Account's restrictions and liquidity. The Adviser will not allocate opportunities to favored Accounts (such as Accounts paying performance fees) or in order to level performance among multiple Accounts. Non-pro rata allocations are reviewed by the Adviser's investment committee on a quarterly basis.

Normally, new issues and secondary offerings (i.e., "limited opportunity securities") will be allocated pro rata across similar Accounts (see above). Any divergence from this rule (i.e., a non-pro rata allocation) must be explained. Non-pro rata allocations may be made for a variety of reasons such as issuer, sector, geographic diversification, risk management, etc. However, if the size of the combined order appears to be unobtainable, the Adviser's employees responsible for the allocation (traders & portfolio managers) will allocate the executed portion of the transaction in a fair and reasonable manner across all interested Accounts, which may include Accounts managed by affiliates. Generally, orders will be allocated on a pro rata basis, with consideration given to maintain round lots. The Adviser may decide, in its discretion, that de minimis allocations are not appropriate. Non pro rata post-execution allocations will be documented by the Adviser's employee responsible for the allocation with a brief notation as to the reason.

If an Account has provided information to VEARA or an affiliate that the Account is not permitted by FINRA Rules 5130 and 5131 to participate in a new issue, then VEARA will only make the security available when a reasonable period has passed after the offering in accordance with Rules 5130 and 5131 and related guidance.

The Adviser may from time to time allocate securities it holds to Accounts on a pro rata or other equitable basis in conformity with Section 206(3) of the Advisers Act and the applicable rules thereunder.

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

For investment management purposes, each Account is assigned to a portfolio manager or to a team of managers who has primary responsibility for the Account. The frequency of reviews varies and is dependent on various factors such as relevant market, economic, political, social, and monetary events. Generally, each Account is reviewed by the portfolio manager at least quarterly.

The overall portfolio strategy and implementation is the responsibility of the portfolio manager(s) assigned to the Account. Generally, when constructing portfolio strategy, the portfolio manager(s) works in conjunction with internal analysts, other VEARA portfolio managers and outside research sources. Daily investment meetings are held, which include portfolio managers, analysts and traders. Investment strategy and tactics are discussed at monthly meetings. Major changes in investment strategy are then communicated to Accounts.

Investors in the private funds receive written unaudited statements of capital accounts monthly, letters regarding performance at least quarterly and audited year-end financial statements annually. Non-investment company advisory clients receive written statements on a monthly, quarterly or semi-annual basis, listing investments in the Account, and showing cost, current market value, yield or income information as may be required or requested by a client. A discussion of investment strategy of an Account is also generally included in the reports to clients.

**Item 14 Client Referrals and Other Compensation**

The Adviser may have arrangements with companies and individuals who act as solicitors in obtaining new advisory business. The solicitors may be compensated by the Adviser under differing schedules. In addition to a possible monthly fee, the solicitor may receive a percentage of the investment management fee received by the Adviser with respect to such new business. In the event of a solicitor's termination, a solicitor may receive a continuing payment from the Adviser for one year thereafter. The advisory fees charged to a client or investor are not affected because of such payments to the solicitor.

**Item 15 Custody**

Certain clients of VEARA will receive account statements from broker-dealers, banks or other qualified custodian with respect to their assets managed by VEARA. Clients should carefully review the account statements they receive from qualified custodians. As these clients may also receive account statements from VEARA, they should compare those statements with the account statements they receive from the qualified custodian.

**Item 16 Investment Discretion**

VEARA has discretionary authority to manage securities accounts on behalf of its clients. VEARA's authority to take actions on behalf of each Account is described and agreed to by each client in the investment management agreement between VEARA and the client. The investment management agreement may include limited powers of attorney granted to VEARA in connection with its investment management services to the client.



## Item 17 Voting Client Securities

In accordance with Rule 206(4)-6 under the Advisers Act, the Adviser has adopted and implemented written policies and procedures for voting client proxies it receives. Generally, the Adviser, when granted proxy voting authority by a client, will fulfill its obligations by voting in a manner that is in the best interest of its client. The Adviser may abstain from voting, but only if the Adviser determines that it is in the client's best interest. The Adviser will vote proxies on behalf of clients, unless otherwise instructed by the client. The Adviser intends to vote all proxies in accordance with applicable rules and regulations, and in the best interests of clients without influence by real or apparent conflicts of interest. To assist in its responsibility for voting proxies and the overall voting process, the Adviser has engaged an independent third party proxy voting specialist, Glass Lewis & Co., LLC. The services provided by Glass Lewis include in-depth research, global issuer analysis, voting recommendations, and vote execution, reporting and recordkeeping.

The Adviser will maintain records for each matter relating to a portfolio security with respect to which a client was entitled to vote.

A copy of the Adviser's proxy voting policies and its voting record will be provided upon request.

While it is the Adviser's policy to generally follow the Guidelines, the Adviser retains the right, on any specific proxy, to vote differently from the Guidelines, if the Adviser believes it is in the best interests of its clients. Any such exceptions will be documented by the Adviser and reviewed by the Chief Compliance Officer.

**Item 18 Financial Information**

VEARA is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.