

# Mizuho Alternative Investments, LLC

## Part 2A of Form ADV

### The Firm Brochure

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Updated: Monday, November 10, 2014

*This brochure provides information about the qualifications and business practices of Mizuho Alternative Investments, LLC. If you have any questions about the contents of this brochure, please contact us at [mai.compliance@mizuho.com](mailto:mai.compliance@mizuho.com) or (212) 282-4739. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Mizuho Alternative Investments, LLC is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Mizuho Alternative Investments, LLC is registered with the United States Securities and Exchange Commission as an investment adviser. Registration does not imply a certain level of skill or training.*

## **Item 2. Material Changes**

This brochure contains information about Mizuho Alternative Investments, LLC (“MAI” or the “Company”), including material changes to the brochure since the most recent annual update in March 2014 as follows:

- MAI became a sub-adviser to a fund that is registered under the Investment Company Act of 1940, as amended. Corresponding changes have been made throughout this brochure to provide references to the registered fund in appropriate places (July 25, 2014).
- MAI amended its proxy voting policy and procedures, necessitating a corresponding amendment to this brochure (November 10, 2014).

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

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

As used herein, the word “may” and other similar words implying contingency should be understood to be a disclosure that MAI is permitted to engage in the practice described and could actually be doing so at the present time, or could have done so in the past, or may do so in the future, in connection with all or some client accounts and transactions.

## **Item 4. Advisory Business**

MAI was founded in 2007 and is owned by Mizuho Bank, Ltd. (“MHBK”), a bank headquartered in Tokyo, Japan, and Mizuho Securities Company, Ltd. (“MSC”), a broker-dealer headquartered in Tokyo, Japan. MHBK and MSC are wholly owned by Mizuho Financial Group Inc., a publicly traded company listed on the Tokyo Stock Exchange and New York Stock Exchange (American Depositary Receipts). MHBK, as majority shareholder of MAI, has the legal authority to exercise control over MAI’s operations. As of September 30, 2014, MAI had regulatory assets under management of approximately \$1,009.1 million on a discretionary basis and approximately \$1,585.9 million on a non-discretionary basis.

MAI is an investment adviser to institutional clients, and currently all of MAI's advisory clients are pooled investment vehicles. Private investment funds (each, a "Private Fund"), generally established in the Cayman Islands as unit investment trusts, private investment partnerships or investment companies, retain MAI as an investment adviser or sub-adviser. MAI also advises a Private Fund organized as a Delaware limited liability company, for which it serves as managing member. In addition, MAI acts as sub-adviser to an investment fund that is registered under the Investment Company Act of 1940, as amended (the "Registered Fund" and together with the Private Funds, the "Funds").

The Funds invest or participate in investments in futures, exchange-traded funds (ETFs), and other securities and financial instruments, including government bonds and cash and cash equivalents. In providing the above-referenced services to each Fund, MAI formulates investment objective(s), directs and manages the investment and reinvestment of Fund assets, and reports investment performance information to each Fund and to the investors of a Fund. MAI provides investment advice to each Fund directly, but not to the investors of a Fund individually. MAI manages the assets of each Fund in accordance with the terms of the governing documents that are applicable to each Fund. In addition, MAI provides non-discretionary investment advisory and/or portfolio monitoring services to its parent company with respect to a portfolio of assets maintained in a separate account by its parent company.

The offerings of units, shares or interests in the Private Funds are not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the Private Funds are not registered under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"). MAI is registered as a commodity pool operator under the U.S. Commodity Exchange Act ("Commodity Exchange Act") with respect to certain of the Private Funds it advises. However, MAI has submitted notice filings stating its intent to operate these Private Funds pursuant to an exemption available under Regulation 4.7 adopted by the U.S. Commodity Futures Trading Commission ("CFTC"). MAI is also registered as a commodity trading advisor under the Commodity Exchange Act. Further, MAI has submitted a notice filing stating its intent to advise the Funds as though it were exempt from certain obligations pursuant to CFTC Regulation 4.7. Accordingly, MAI offers and sells interests or shares in the Private Funds exclusively to investors satisfying the applicable eligibility and suitability requirements of the Securities Act, Investment Company Act, Commodity Exchange Act and CFTC Regulations, either via private transactions within the United States or in offshore transactions.

Each Fund is not a bank and is a separate legal entity from MAI and its bank affiliates. Investments in a Fund are not deposits or obligations of, or guaranteed or endorsed in any way by, MAI, MHBK (individually, or collectively with its affiliates and subsidiaries, as the context requires, "Mizuho"), any other Mizuho entity, or any other bank. None of MAI, MHBK or any other Mizuho entity, the U.S. Federal Deposit Insurance Company or any other bank or governmental agency, directly or indirectly, guarantees, assumes or otherwise insures the obligations or performance of the client accounts or Funds or any other fund in which the Funds or any subsidiary of the Funds invests. Any losses in the Funds are borne solely by investors in the Fund and not by MHBK, MAI, or any other Mizuho entity, whose losses will be limited to losses attributable to their ownership interests in the Funds held by them in their capacity as an investor in the Funds or as a beneficiary of a restricted profits interest held by them. Prospective investors in a Fund should read the relevant offering documents before investing.

Certain of the Funds have issued multiple classes of shares of which certain classes are subject to different investment terms, including those applicable to fees, transparency and liquidity. Details concerning applicable terms are set forth in the respective Funds' governing documents.

## Side Letters

MAI may enter into letter agreements (often referred to in the industry as “side letters”) with certain investors in the Private Funds which may grant terms which differ from those outlined in the Private Funds’ governing documents. These terms may include (i) different subscription notice periods or minimum investment amounts, (ii) the waiver or reduction of management fees and/or incentive fees or incentive profit allocations, (iii) differing redemption or withdrawal terms, in terms of either the required notice to be given or the amount that may be redeemed or withdrawn, (iv) commitments to permit future investments in the Private Fund by certain investors when the Private Fund is otherwise closed to new or additional investments, (v) waiver of confidentiality undertakings, (vi) consent to transfer of interests in the Private Funds, and (vii) undertakings designed to protect an investor from violating an applicable statute or administrative regulation. The Private Fund may also agree to provide certain investors with supplemental information, reports and due diligence that may not be made available to all investors. The supplemental information or reports provided for in a side letter may affect the decision of the recipient to request a redemption or withdrawal from a Private Fund.

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

Compensation received by MAI from the Funds for discretionary investment advice is generally comprised of fees based on a percentage of assets under management (for all Funds) and performance-based amounts (for some Private Funds). MAI also provides non-discretionary investment advisory services and/or portfolio monitoring to its parent company for which it receives asset-based fees.

In general, MAI’s asset-based fee for discretionary investment advice ranges from 0.95% to 2.75% (per annum) of the aggregate fair market value of the net assets of a Fund. These fees have been and, in the future, may be negotiated with advisory clients or Private Fund investors on a case-by-case basis. With respect to certain Private Funds, MAI’s asset-based fee (also called a management fee) includes special allocations to a seed capital provider. With respect to certain Private Funds, MAI’s asset-based fee includes sub-advisory fee allocations to a sub-adviser, which amounts may be paid directly by the Private Fund. Generally, asset-based fees for the Funds are billed monthly or quarterly in arrears as of the close of the calendar month or quarter during which MAI performs the services to which the fees relate. The asset-based fee shall be prorated for any billing period during which MAI does not serve as the investment adviser for the entire billing period. If fees are paid in advance, upon termination of the investment advisory services, any unearned portion of fees will be refunded to the Fund on a prorated basis. This does not apply to asset-based fees allocated to the individual investors of a Fund. In addition, the asset-based fee may be reduced periodically by an amount equal to placement or distribution fees, if any, paid by a Fund, with the amount owed to the placement agent being paid directly by the Private Fund. MAI, at its discretion, may waive all or a portion of the asset-based compensation amount.

In general, performance-based compensation paid by the Private Funds ranges from 0% to 20% of net realized and unrealized profits in total for each year. Generally this amount is payable as of the end of each Private Fund’s fiscal year. However, performance-based compensation amounts are payable more frequently with respect to certain classes of units for one of the Private Funds. Such performance-based compensation is generally subject to net loss carry-forward provisions or “high water marks,” as described in applicable governing documents. MAI, at its discretion, may waive all or a portion of the performance-based compensation amount. Performance-based fees may create an incentive for MAI to make investments that are riskier or more speculative than would be the case in the absence of a performance-based compensation. With respect to certain Private Funds, MAI’s performance-based compensation includes special allocations to a seed capital provider. With a performance-based fee arrangement, MAI receives compensation based on a share of the capital gains or capital appreciation of

the Private Funds or any portion of the funds of the investor. Since the performance allocation will be determined on both realized and unrealized gains, MAI may receive a performance allocation at the end of a performance-based compensation period reflecting gains that are not subsequently recognized by the Private Funds.

MAI will value, or arrange to have valued, the securities held by the Private Funds using readily available market quotations and other commonly used and recognized methods. Generally, MAI will be responsible for determining asset valuations for all purposes including the calculation of the asset-based and performance-based fee amounts, and MAI and/or the Private Funds may engage independent or affiliated fund administrators to assist in such determinations. Generally, all asset-based and performance-based fees are deducted directly from the Private Funds.

Additionally, the governing documents of a Private Fund or the investment sub-advisory agreement with a Registered Fund manager generally provide that MAI will not be liable and will be indemnified for certain losses, damages or liabilities arising out of or in connection with the performance of its duties to the applicable client account.

Each Fund generally bears all expenses concerning the operation of the Fund, which may include, but may not be limited to, the following expenses incurred by, or allocable to each Fund, and which may vary from Fund to Fund:

- (i) organizational and offering expenses incurred in connection with the offerings of shares, units or interests of the Fund;
- (ii) expenses incurred in connection with the investments made by the Fund (including research expenses and costs, travel related costs and brokerage commissions);
- (iii) expenses incurred in connection with the Fund's ongoing operations (including legal, administrative and reporting expenses including, but not limited to, middle and back office expenses) whether such functions are performed by the Investment Adviser or a third party provider;
- (iv) accounting, tax, audit and insurance expenses of the Investment Adviser or its affiliates to the extent allocable to the Fund;
- (v) custodial fees;
- (vi) interest;
- (vii) expenses incurred in respect of research, statistical, market data, third party experts and portfolio management services and software;
- (viii) expenses incurred in respect of obtaining and maintaining one or more insurance policies;
- (ix) certain extraordinary expenses, such as litigation expenses;
- (x) expenses related to an advisory committee and/or an independent client representative; and
- (xi) costs and expenses incurred with respect to market information systems and publications, research publications and materials, and settlement, clearing and custodial fees.

In addition, each Fund will generally pay all expenses reasonably incurred in the formation and organization of, and sales of shares or interests in, the Fund, including external legal and accounting expenses, printing costs, travel, and out-of-pocket expenses, if any. MAI may incur and pay in the name and on the behalf of a Fund any organization or operating expenses that it deems necessary or advisable. The Fund will reimburse MAI for advances MAI makes to pay for Fund expenses.

Please see each Private Fund's applicable confidential offering memorandum or the Registered Fund's prospectus and statement of additional information for additional detail on expenses for the Fund in question. Additionally, see the "Brokerage Practices" section below for additional information regarding brokerage commissions and expenses. Investors in the Funds should review all fees charged by MAI and

its affiliates, custodians and brokers, and others to fully understand the total amount of fees and expenses to be paid

Separate account clients would generally bear their own operating expenses, including, but not limited to, fees and expenses associated with their investment program (e.g., for all costs, fees and expenses incurred in connection with the purchase, sale or carrying of any security or investment, including, but not limited to, transaction costs, and margin interest expense).

Except as may be otherwise negotiated in particular cases, investors are able to withdraw from the Funds pursuant to the terms of a Fund's organizational documents. In general, the expenses, asset-based fee, and performance-based fee are charged to the investor through the date of termination. The investment management agreement with each Fund is terminable, without penalty, generally upon advance notice to either party. Termination periods, if applicable, are negotiable and are set forth in the respective governing documents.

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

As stated in the Fees and Compensation section above, MAI charges performance-based fees that are based on a share of capital gains on or capital appreciation of a Private Fund's assets. As discussed previously, the fact that MAI is compensated based on such profits may create an incentive for MAI to make investments on behalf of the Private Funds that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fee received by MAI is based primarily on realized and unrealized gains and losses. As a result, the performance-based fee earned could be based on unrealized gains that Private Funds may never realize. MAI currently also has Funds or clients that *do not* pay performance-based fees. MAI faces a conflict of interest by managing performance fee paying and non-performance fee paying accounts at the same time. Specifically, this may create an incentive for MAI to favor accounts for which it receives a performance-based fee. MAI has adopted policies and procedures it believes are reasonably designed to allocate investment opportunities on a fair and equitable basis over time and in a manner consistent with each account's investment objectives and related restrictions. To that end, MAI may bunch or aggregate orders for one Fund with orders for other Funds. In addition, MAI analyzes each trading program periodically to ensure that customers in the same trading program achieve similar allocation results over time.

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

As stated previously, MAI currently provides discretionary investment advice to the Private Funds and the Registered Fund. In addition, MAI provides non-discretionary investment advice and/or portfolio monitoring services to its parent company.

Details concerning applicable investor suitability criteria, including investment minimums and whether such minimums are negotiable, are set forth in each respective Private Fund's offering documents and subscription application materials and in the Registered Fund's prospectus and statement of additional information. Each Private Fund investor is required to meet certain suitability qualifications, such as being a "qualified purchaser" as defined in the Investment Company Act or being a "non-U.S. person" as defined in Regulation S under the Securities Act. In addition, each U.S. investor in a U.S. Private Fund must also satisfy the suitability requirements under Rule 205-3 under the Investment Advisers Act of 1940, which prescribes certain requirements that must be satisfied in connection with MAI's receipt of performance-based compensation.

In the future, MAI may also serve as investment adviser for certain separately managed accounts, such as accounts in the name of public and private pension funds, university endowments, banks, or collective investment vehicles sponsored and/or managed by third-party investment firms. These separately managed accounts may have fee, redemption and other terms that vary materially from those of the Funds.

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

MAI employs two different teams of employees within MAI to provide investment advice relying on varying methods of analysis and sources of information, as described below.

### **Quantitative Strategies Team**

MAI's Quantitative Strategies Team ("QST") is responsible for implementation of two major groups of quantitative investment strategies with respect to the Funds managed by MAI. The QST consists of a single portfolio management and trading team dedicated to MAI's quantitative strategies. The QST primarily focuses on futures and ETFs, but may include investments in securities, options, over-the-counter (OTC) derivatives, government bonds, and cash and cash equivalents.

First, MAI advises Funds the investment objective of which is to seek capital appreciation through implementation of a proprietary trading system investing in a diversified portfolio consisting primarily of futures contracts traded on futures exchanges worldwide and OTC derivatives. The QST utilizes a proprietary trading system that is designed to capture market trends, capture market trends, fundamentally driven market inefficiencies, and shorter-term investment opportunities. The proprietary trading system provides signals concerning prospective end of trading day positions. Daily, the QST attempts to execute only the trades necessary to implement these recommendations. The QST's trading strategy is quantitative in nature and was developed through quantitative analysis and back-testing of certain trading rules applied against historical market data, including price, volume and open interest, as well as certain fundamental data.

Second, MAI advises Funds the investment objective of which is to seek capital appreciation through alternative beta strategies employing futures, ETFs and derivatives. To implement the alternative beta strategies, the QST utilizes proprietary investment processes, which may involve inputs, including the receipt of trade signals, from one or more sub-advisers (each, a "Sub-Adviser"). The alternative beta strategies are quantitative in nature and attempt to capture the earning potential represented by the selected alternative risk premia. These risk premia represent returns that may be earned from assuming certain market risks. At any given time, MAI may not fully invest the capital committed to a strategy, given MAI's discretionary assessment of the minimum capital needed to pursue the strategy and the attractiveness of the opportunity set. This may result in investor capital remaining in cash or cash equivalents for significant periods of time. Quantitative risk management methodologies are integrated into the investment process.

There is no assurance that the QST will provide an acceptable return to investors or not incur substantial losses. Past performance is not necessarily indicative of future results. The investment programs employed by the QST for the Funds are speculative and involve a high degree of risk. There is no assurance that technical and risk management techniques utilized by the QST, as well as the investment decisions made by the QST, will not expose the Funds to risk of significant losses. In addition, the analytical techniques used by the QST cannot provide any assurance that Funds will not be exposed to the risk of significant trading losses if the underlying patterns of market behavior studied by the QST, and which provide the basis for its statistical models, change in ways not anticipated by the QST. In addition,

if any strategic investor were to redeem all of its investment, it could cause a material adverse effect on the Funds, investors, and clients.

Where MAI has engaged a Sub-Adviser, the QST will be dependent upon the judgment and ability of the Sub-Adviser, and in particular, the Sub-Adviser's investment process. Subjective decisions made by the Sub-Adviser with respect to the Sub-Adviser's investment process and/or trade signals may cause the Funds to incur losses or to miss profit opportunities on which they would have otherwise capitalized. In addition, the relationship between MAI and the Sub-Adviser may be terminated by the Sub-Adviser for any reason. Such termination could adversely impact the nature and/or transparency of the investment information and/or trade signals provided by the Sub-Adviser to the QST, which could in turn adversely impact the Funds.

The investment processes used by the QST and the Sub-Advisers are dependent in part upon various computer and telecommunications technologies. The successful deployment of the investment processes, the implementation and operation of the investment processes, and various other critical activities of MAI and the Sub-Advisers could be severely compromised by telecommunications failures, power loss, software-related "system crashes," fire or water damage, or various other events or circumstances.

The instruments the QST will trade are inherently leveraged and MAI may borrow money, engage in repurchase transactions or invest in securities on margin. Leverage exaggerates the effects of market movements, which may result in the Funds and clients experiencing greater losses or gains than would be experienced by an unlevered portfolio following a similar strategy. Decisions made by the QST in connection with its trading methodology for certain Funds are based chiefly on technical analysis generated by its trading program technology. The profitability of technical analysis depends upon the accurate forecasting of price movements over applicable time horizons. No assurance can be given of the accuracy of the forecasts used or made by the QST. The QST will invest primarily in futures and ETFs. Futures prices are highly volatile, and are influenced by many external economic, governmental, and world events. The low margin deposits normally required in futures trading permits an extremely high degree of leverage which can result in a substantial gain or loss to the Funds and clients from a relatively small price movement. In addition, frequent trading and portfolio turnover may increase brokerage and other transaction costs and reduce investment performance.

Investors in a Fund advised by the QST should consider an investment in such Fund as involving a high degree of financial risk and should therefore carefully consider all risk factors set forth in the relevant Fund's offering and/or operational documents. Each prospective investor should carefully review offering and/or operational documents, as applicable, before deciding to make an investment in a Fund.

#### Structured Credit Investment Team

The Structured Credit Investment Team (the "SCIT") provides non-discretionary investment advisory services, as well as portfolio monitoring and related services, to MAI's parent company concerning a portfolio mainly consisting of collateralized debt obligations (CDOs) (which are securities backed by high-yield bond or loan instruments in so-called "cash" or synthetic form), collateralized loan obligations (CLOs) and asset-backed securities (ABSs). As necessary, the SCIT will perform an investment analysis for each potential investment opportunity, which is then submitted to the client for approval. The client will then execute the trade (if any) on its own behalf. All analyses of proposed investments are made in accordance with the standards established by MAI's parent.



## **Item 9. Disciplinary Information**

MAI and its employees have not been involved in any legal or disciplinary events in the past ten years that would be material to a client's or investor's evaluation of the company or its personnel.

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

### **Commodity Pool Operator and Commodity Trading Advisor**

MAI is registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator ("CPO") and a commodity trading advisor ("CTA") and generally functions as both the CPO and CTA for the Funds, which are exempt from registration with the CFTC as "commodity pools."

### **Affiliated Firms**

MAI is affiliated with four investment advisers via common ownership: 1) DIAM U.S.A., Inc., which is registered as an investment adviser with the SEC (SEC File No. 801-54930); 2) DIAM Co., Ltd., which is registered as an investment adviser with the SEC (SEC File No. 801-55047); 3) Mizuho Asset Management Co., Ltd., which operates in Japan; and 4) Mizuho Global Alternative Investments, Ltd., which also operates in Japan. MAI is also affiliated with a broker-dealer via common ownership: Mizuho Securities USA Inc. (SEC File No. 8-37710).

In addition, as discussed previously, MAI is owned by MHBK, a bank headquartered in Tokyo, Japan, and MSC, a broker-dealer headquartered in Tokyo, Japan. MHBK serves major corporations, financial institutions and their group companies, public sector entities, and overseas corporations including subsidiaries of Japanese corporations. MHBK's business activities include accepting deposits, lending, investment banking, and custodial services, among others. MSC's business activities include sales, trading, settlement, and foreign exchange services, among others. MHBK and MSC are wholly owned by Mizuho Financial Group Inc., a publicly traded company listed on the Tokyo Stock Exchange and New York Stock Exchange (American Depositary Receipts). MHBK, as majority shareholder of MAI, has the legal authority to exercise control over MAI's operations.

MAI has entered into various servicing agreements with MHBK whereby MHBK provides MAI with administrative, IT system, disaster recovery, compliance and legal support. Such services are provided by MHBK for a fee that MAI believes is equivalent to fees that would be charged by service providers who are not affiliated with MAI in an arm's length transaction.

MAI utilizes the services of Mizuho Trust & Banking Co. (USA) ("MHTB"), which is a part of the Mizuho Financial Group, as a custodian and fund administrator for certain Funds it advises. Due to MAI's relationship with MHTB, a conflict of interest may exist. However, MAI believes that fees paid to MHTB are in line with fees that would be charged by custodians and fund administrators who are not affiliated with MAI. It is MAI's policy to obtain a SSAE 16 (Level II) report from MHTB annually regarding its control activities and processes.

### **Private Investment Funds**

MAI serves as managing member of a Delaware limited liability company (the "Onshore Fund") designed for investment by U.S. taxable investors. The Onshore Fund is also advised by MAI and intends to invest substantially all of its investable assets in an MAI-advised private offshore master fund that pursues the

same investment objective. MAI as managing member is vested with complete control of the management and conduct of the business of the Onshore Fund. The non-managing members have no responsibility for the management of the Onshore Fund and have no authority or right to act on behalf of the Onshore Fund or to bind the Onshore Fund in connection with any matter.

### The Sub-Advisers

In addition to serving as Sub-Advisers to one or more of the Private Funds, the Sub-Advisers may act without limitation as investment manager, investment adviser, sponsor, manager, general partner or managing member for other clients, funds, accounts and collective investment vehicles (“Other Sub-Adviser Accounts”) and give advice, and take action, with respect to any of those Other Sub-Adviser Accounts that may differ from the advice given, or the timing or nature of action taken, with respect to the Private Funds. The Sub-Advisers may engage in transactions or investments or cause or advise Other Sub-Adviser Accounts to engage in transactions or investments that may differ from or be identical to the transactions or investments engaged in by the Sub-Advisers for the Private Funds’ accounts. In addition, the Sub-Advisers and their affiliates may advise Other Sub-Adviser Accounts that trade in identical or similar underlying investments, or similar strategies, as the Private Funds and that are generally classified as the same type of fund product, even though such activities may be in competition with the Private Funds and/or may involve substantial time and resources of the Sub-Advisers or its affiliates. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of the Sub-Advisers and their officers and employees will not be devoted exclusively to the business of the Private Funds, but will be allocated between the business of the Private Funds and the management of the Other Sub-Adviser Accounts. Moreover, in contrast to the Private Funds, such Other Sub-Adviser Accounts may pay the Sub-Advisers performance fees, which could create an incentive for the Sub-Advisers to allocate more profitable trade signals or instructions to such Other Sub-Adviser Accounts instead of to the Private Funds. The Sub-Advisers shall not have any obligation to engage in any transaction or investment for the Private Funds’ account or to recommend any transaction to the Private Funds that the Sub-Advisers or their affiliates may engage in for their own accounts or any Other Sub-Adviser Accounts, except as otherwise required by applicable law.

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

### Code of Ethics and Personal Trading

MAI’s personnel are permitted to trade for their own accounts, and from time to time may buy or sell securities or futures that MAI trades for the Funds, including purchases or sales occurring at or about the same time as trades for a Fund. To avoid any potential conflicts of interest involving personal trades, and to avoid the misuse of material, non-public information MAI has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act, which includes personal trade pre-clearance, reporting and review policies and procedures, and anti-insider trading policies and procedures. MAI’s Code of Ethics requires, among other things, that employees:

- Act with integrity, dignity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, third-party service providers, and fellow employees;
- Place the integrity of the investment profession, the interests of clients, and the interests of MAI above one’s own personal interests;
- Adhere to the fundamental principle that one should not take inappropriate advantage of one’s position;

- Avoid any actual or potential material conflict of interest prior to consulting with senior management;
- Disclose all material conflicts of interest to clients;
- Conduct all personal securities transactions in a manner consistent with the Code of Ethics;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner, such as will reflect favorably on the employee and the profession;
- Promote the integrity of and uphold the rules governing the capital markets;
- Maintain and improve professional competence and strive to maintain and improve that of other investment professionals; and
- Comply with all applicable provisions of the federal securities laws.

MAI's Code of Ethics also requires employees to: 1) pre-clear certain personal securities transactions; 2) report personal securities transactions on at least a quarterly basis; and 3) provide MAI with a detailed summary of certain holdings and securities accounts (both upon commencement of employment and annually thereafter) in which such employees have a direct or indirect beneficial interest. MAI may provide employees with exceptions or waivers from the Code of Ethics from time to time. A copy of MAI's Code of Ethics is available to any client, investor, prospective client, or prospective investor upon request.

#### Principal Investment

MAI is the investment adviser or sub-adviser to the Funds and, as such, receives management and incentive fees from the Funds. Because certain of MAI's clients are Funds of which MAI or an affiliate is the managing member, investment adviser, and/or significant owner, MAI may be considered to participate indirectly in the transactions effected for such Funds. The foregoing relationships, fees and any other actual or potential conflicts of interest are disclosed in the offering documents and governing documents for each Fund. The size of the investment held by MAI or a related entity may vary substantially among the Funds, and this may create an incentive for MAI to favor one Fund over another, depending on the relative size of the investment or the management and incentive fees received from the Fund.

### **Item 12. Brokerage Practices**

#### Selection of Brokers

In making its decisions regarding the allocation of brokerage transactions for the Funds and other clients, MAI seeks to obtain best execution, taking into account the following factors: (i) the broker's ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness and frequency of available research services considered to be of value to MAI and its clients; (v) the value of brokerage services over and above trade execution provided to MAI and its clients; and (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying MAI's other selection criteria. Although MAI generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents

than would be the case for more routine services. In certain instances MAI may execute over-the-counter securities transactions on an agency basis, which may result in the Funds or other clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market maker's mark-up or mark-down.

MAI does not intend to seek lower brokerage commissions to the extent that doing so may detract from receiving valuable brokerage and research services. The commissions or equivalents charged by any one broker-dealer may be greater than the amount another firm would charge for executing the same transactions if MAI determines in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. Selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. These brokerage and research services are used to service all accounts advised by MAI.

#### "Soft Dollar" Commission Arrangements

MAI is authorized to use "soft dollars" to pay for brokerage and research services, although it does not currently have any formal soft dollar arrangements and did not acquire any products or services with "soft dollars" within the last fiscal year. Generally speaking, "soft dollar" arrangements are understood to be ones where products or services other than the execution of securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of client brokerage transactions to the broker-dealer. "Soft dollars" would be that portion of the brokerage commission that exceeds the lowest rate available from other broker-dealers for basic execution services. Payment of this excess amount is frequently referred to as "paying up." Using client brokerage commissions (or markups or markdowns) to obtain research or other products or services would result in a benefit to MAI, because MAI would not have to produce or pay for the research, products or services acquired with brokerage commissions. In such a case, MAI may have an incentive to select a broker-dealer based on its interest in receiving research or other products and services, rather than on its clients' interests in receiving the most favorable execution.

Although MAI has not entered into any formal "soft dollar" arrangements to date, it may do so in the future. When applicable, the Adviser intends to comply with the "safe harbor" provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, which permits the use of soft dollars from commissions to obtain "brokerage and research" services that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities. Under Section 28(e), research obtained with soft dollars generated by one client may be used by the investment adviser to service accounts other than the account responsible for generating the soft dollars.

#### Proprietary Research and Brokerage Services

MAI executes futures and securities transactions with multiple executing brokers, many of whom provide MAI with access to proprietary research and brokerage services (*e.g.*, standard investment, securities and economic research and credit reports, and securities price and market data), which may be used to service certain accounts at MAI. To the best of MAI's knowledge, these services are generally made available to all institutional investors doing business with these broker-dealers. These bundled services are made available to MAI on an unsolicited basis and without regard to the rates of commissions charged or paid by MAI's clients or the volume of business MAI directs to these broker-dealers. Since these products and services are merely made available by broker-dealers as part of a bundled business package to MAI, who may or may not use them, it is MAI's understanding that broker-dealers do not set discrete prices for these products and services. Accordingly, MAI does not separately compensate these broker-dealers for

the provision of these services and does not believe that it “pays-up” for the broker-dealers’ services, due to the difficulty associated with the broker-dealers not breaking out the costs for the services in question.

### Capital Introduction

The broker-dealers that have entered into prime brokerage and/or futures clearing arrangements with MAI may occasionally provide MAI “capital introduction” services as part of the overall prime brokerage and/or futures clearing service offering. Capital introduction is a service provided by prime brokers/futures clearing merchants (“FCMs”) and is designed to “introduce” private fund managers to potential investors, typically through individual meetings or in a conference format. These bundled services are made available to MAI on an unsolicited basis and without regard to the rates of commissions charged or paid by MAI’s clients or the volume of business MAI directs to these broker-dealers.

Although capital introduction is customarily offered as a “free” service, various conflicts of interest are presented by such arrangements. While MAI does not compensate these broker-dealers based on capital introductions, MAI may be incentivized to use the services of a specific prime broker/FCM due to the prime broker’s/FCM’s ability to raise capital for MAI-advised Funds. In addition, MAI benefits from arrangements where investors are referred to MAI because its asset-based fees are generally based upon a percentage of assets managed and its performance-based fees are generally based upon a percentage of net profits on such assets. Thus, the more assets MAI has under management, the higher its asset-based fee income and, potentially, its performance-based fee income. In addition, there may be a conflict between the prime brokers’/FCMs’ desire to increase their revenues by raising capital through their prime brokerage and/or futures clearing services and the interests of investors. The prime broker/FCM and/or its affiliates generally receive fees/commissions as a result of MAI’s decision to utilize its services as follows: custodian of client accounts managed by MAI; securities transactions executed on behalf of MAI’s clients; and lending funds and/or securities to MAI-advised Funds as part of MAI’s investment strategy, i.e. margin/short sale and/or securities lending programs. While the relationship may present the appearance of a conflict of interest, the availability of the foregoing products and services to MAI is not contingent upon MAI committing to the prime brokers/FCMs any specific amount of business (assets in custody or trading commissions). In the last fiscal year, MAI’s recommendation to select or maintain prime brokers/FCMs for client accounts was not based primarily on the prime brokers’/FCMs’ provision of these capital introduction services and this was at most an incidental consideration.

### Allocation of Trading Opportunities; Aggregation of Client Orders

MAI may act as investment adviser to a number of client accounts, including client accounts pursuing similar or varied investment strategies. MAI will allocate trading opportunities among its clients in a manner that is fair and equitable. However, MAI may give advice, and take action, with respect to any of those client accounts that may differ from or be identical to the advice given, or the timing or nature of action taken, with respect to other client accounts.

In some instances, MAI bunches or aggregates an order for a client account with orders for other accounts. For example, clients whose accounts are being traded pursuant to the same trading strategy will normally have orders placed for their accounts at or about the same time. However, in some cases, MAI elects not to bunch or aggregate an order for a client account with orders for other accounts. The effect of such bunching, aggregation or lack thereof may operate to the disadvantage of the client. For example, transactions for a client that are not bunched for execution with transactions in the same securities for other clients may result in higher commissions, greater spreads, less favorable net prices, and inferior overall execution than would be the case if MAI were to have bunched or aggregated the order prior to execution. Transactions resulting from aggregate orders are generally allocated fill-by-fill algorithmically in a manner that effectively allocates as close to the target average price of the entire order as possible. In

the event an aggregate order is only partially filled, allocations of contracts or shares to clients are generally made on a pro rata basis. The Registered Fund may impose restrictions prohibiting the use of specified brokers, which may cause MAI to execute certain orders for the Registered Fund separately than orders for the same instrument executed for other client accounts that pursue a similar strategy. Restrictions imposed by the Registered Fund may operate to the disadvantage of the Registered Fund in terms of less favorable execution prices and higher transaction costs.

#### Standard of Care; Trade Errors

Under the terms of the constituent documents for the Funds and the investment advisory agreements between each Fund and MAI, neither MAI nor its officers and employees will be liable in damages or otherwise to the Fund or to any investor in the Fund for any act or omission in connection with MAI providing investment advice to the Fund, except for any liability that results from a breach of the applicable standard of care with respect to the Fund (typically, gross negligence, willful misconduct or fraud). As a result, MAI will only be liable for trade errors where MAI acted in breach of the applicable standard of care with respect to the Fund (such as gross negligence, willful misconduct or fraud). Examples of common trade errors include errors in the investment decision-making process (e.g., a transaction was effected in violation of the Fund's investment guidelines) or in the trade process (e.g., a buy order was entered instead of a sell order, or the wrong security was purchased or sold, or a security was purchased or sold in an amount or at a price other than the correct amount or price). In addition, MAI is not liable for any act or omission of any broker or dealer selected by MAI with reasonable care. Although a broker-dealer may choose to assume responsibility for a trade error loss caused by MAI, MAI may not obtain the broker-dealer's agreement to do so in exchange for MAI's "soft dollar" credits from the broker-dealer, or for MAI's promise to direct future commissions to the broker-dealer. MAI does not reimburse "opportunity costs" or other soft costs, only direct losses from a trade error, such as commissions, mark-ups and market price movements. If the client is owed a reimbursement, it will be paid promptly and without interest. The standard of care and handling of trade errors may differ among client accounts, however, which may result in a trade error impacting one client account differently than another client account.

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

Ongoing portfolio management is the responsibility of the Chief Investment Officer ("CIO") of the QST and the Senior Vice President ("SVP") of the SCIT, subject to the oversight of MAI's Chief Executive Officer ("CEO"). Both the CIO of the QST and the CEO attend a monthly Investment Strategy Committee meeting for the QST. In the case of the SCIT, formal meetings between the SVP and the CEO occur on an as-needed basis.

The CIO of the QST determines specific strategies for client accounts managed by the QST, performs portfolio analysis, monitors overall risk, and reviews allocations. The traders execute trades, while analysts perform qualitative and quantitative research and propose new investment ideas to the CIO. Market fluctuations, proposed changes in investment strategy, or economic developments may be factors which could trigger a review by the CIO.

With respect to the Funds for which MAI serves as investment adviser, investors receive regular written reports (such as monthly letters and quarterly account statements) as specified in each Fund's constituent documents (such as the offering memorandum or limited partnership agreement for Private Funds or the Registered Fund's prospectus and statement of additional information).

Each investor in a Private Fund receives written audited financial statements for the Fund no later than 120 days after the Fund's fiscal year end (and normally within 90 days of the Fund's fiscal year end),

including audited schedules of investments, balance sheets, income statements and cash flow statements. For Private Funds with U.S. resident partners, each investor receives a written statement of the investor's share of the Fund's taxable income or loss for the given year. MAI provides the adviser to the Registered Fund and the members of the Board of Trustees of the Registered Fund the reports agreed between such parties and MAI.

In addition to the foregoing reports and statements, for Private Funds, MAI may also provide, in its discretion, individual investors or clients or groups of investors or clients with more frequent written disclosure, greater transparency or provide additional information not contained in the above mentioned reports and statements, either due to legal/regulatory constraints that must be followed by some of the Funds' investors and/or the specific needs of and requests made by certain investors.

In the past, regular reporting for managed accounts has been similar to the foregoing. However, in the future, MAI may provide customized reporting for managed accounts that may differ from the reporting provided to investors in the Funds.

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

MAI may, from time to time, compensate affiliated and unaffiliated persons for client referrals in accordance with Rule 206(4)-3 under the Advisers Act. The compensation to be paid will generally consist of a cash payment computed as a percentage of the assets under management referred, although other methods may be used. Currently, such an arrangement is in place with respect to one MAI employee.

#### **Item 15. Custody**

Each advisory client's funds and securities are maintained in a separate account by a qualified custodian, which may be either a U.S. bank, broker-dealer or futures commission merchant or a foreign financial institution that customarily holds financial assets for its customers. With respect to certain of the Private Funds, MAI may be deemed to have constructive "custody" of its clients' assets in accordance with Rule 206(4)-2 under the Advisers Act by virtue of having the authority to obtain possession of client funds or assets, since it serves as managing member and/or is able to directly debit from such assets certain amounts for payment of advisory fees and other fees and expenses. In addition, MAI utilizes the services of MHTB, which is a part of the Mizuho Financial Group, as a custodian and fund administrator for certain Private Funds it advises. With respect to the Registered Fund, MAI does not have possession of client funds or securities or the ability to directly deduct fees and, therefore, it is not deemed to have "custody" for the purposes of Rule 206(4)-2.

Where MAI is deemed to have "custody" for the purposes of Rule 206(4)-2, the Private Funds' investors generally will not receive quarterly statements directly from the Private Funds' custodians. Instead, the Private Funds are subject to an annual audit by an independent public account and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed no later than 120 days after a Private Fund's fiscal year end (normally within 90 days of a Private Fund's fiscal year end).

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

MAI is authorized to make the following determinations in accordance with each Fund's investment objectives and restrictions without obtaining prior consent from the Fund or any of its investors: (1)

which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions. MAI may be authorized to make the aforementioned determinations for other clients as well in accordance with discretionary investment management agreements executed with each such client.

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

Due to the nature of the investment strategies pursued by MAI, the outcome of any particular proxy vote would have minimal (if any) impact on MAI's investment decision making. In addition, MAI has determined that the administrative costs and burdens associated with voting proxies in client accounts outweigh any advantages to clients obtained through the voting process. Therefore, it is MAI's policy not to vote proxies for client accounts. In lieu of MAI doing so, the management of the Funds and the beneficial owners of managed accounts may elect to receive proxy materials and vote proxies directly. MAI's proxy voting policy and procedures are memorialized in writing and are available for review. A copy of MAI's proxy voting policy and procedures will be provided to clients upon request.

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

MAI does not believe that its current financial condition is reasonably likely to impair its ability to meet its contractual commitments to its clients. MAI was not the subject of a bankruptcy petition at any time during the past ten years.