

**FORM ADV, PART 2A**

**FIRM BROCHURE**

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("FIMCO")**

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This brochure provides information about the qualifications and business practices of Fuller Investment Management Company ("FIMCO"). If you have any questions about the contents of this brochure, please contact us at (626) 765-8450 or [info@fullerinvesting.com](mailto:info@fullerinvesting.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

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

FIMCO is registered with the SEC as a Registered Investment Adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications we provide are for you to determine whether to hire or retain FIMCO as your adviser.

## **Item 2. Material Changes**

This brochure includes certain material changes as compared to our previously filed initial brochure dated November 15, 2013. The Investment Team has added the following individuals: Mark Wentzien – General Counsel and Dean Derrah – Director of Client Development. In addition, FIMCO has liquidated MBM Partners Trust III and consequently is no longer offering interests in this Fund.

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#### **Item 4. Advisory Business**

Fuller Investment Management Company (“FIMCO”) is a Delaware corporation that was established in 2013. FIMCO is a wholly-owned subsidiary of The Fuller Foundation (“TFF”), a California non-profit corporation established in 1988. The Fuller Foundation’s purpose is to facilitate charitable giving for Christian organizations, families and individuals, and provide resources to Fuller Theological Seminary. The Fuller Foundation offers the following services: investment management, trust administration, donor advised funds, and gift and estate design. The Fuller Foundation offers its investment management services through FIMCO.

FIMCO’s mission is to provide investment management services that deliver superior investment performance to Christian organizations, families and individuals.

FIMCO provides both Advisory and Wealth Management Services and also manages a group of private investment funds, both of which are described in more detail below.

##### Advisory and Wealth Management Services

FIMCO provides (i) investment advisory services to institutions, which include foundations, endowments and other charitable organizations, and (ii) wealth management services to families, individuals and their related entities, which includes family trusts and foundations, charitable trusts, and business entities. FIMCO seeks to provide investment management services that fulfill each client’s investment objectives. Services provided to advisory and wealth management clients include (i) identifying investment objectives and risk tolerance, (ii) developing and documenting asset allocation, investment policy and investment strategy, (iii) implementing the investment strategy, (iv) performing regular administration, monitoring and reporting of financial assets and (v) performing due diligence on investment managers. Investment advisory and wealth management services are based on an Investment Advisory Agreement (“IAA”) between the client and FIMCO. The IAA provides FIMCO with the authority to recommend and retain other investment advisers and invest in the Funds (defined below) and in other funds that are not affiliated with FIMCO for certain portions of a client’s assets.

##### Funds of Hedge Funds

FIMCO provides investment management services to privately-offered pooled investment funds (the “Funds”). The Funds include certain separate investment vehicles established by FIMCO with different investment focuses (the “Strategy Funds”), into which the other Funds principally invest. Our primary focus is to invest the assets of the Strategy Funds in hedge funds and managed accounts (“Portfolio Funds”) that are managed by unaffiliated third parties. These Portfolio Funds are hedge fund strategies that include, but are not limited to, Long/Short Equity, Credit, Global Macro and Event Driven. For a further description of the Funds, please see Items 7 and 8 below.

We provide investment management services to each Fund in a manner that is consistent with the investment objectives and strategies of each Fund, which are set forth in the applicable offering documents of each Fund.

For purposes of the brochure, “clients” generally refers to the investment advisory and wealth management clients of FIMCO and not the Funds themselves.

As of March 1, 2014, FIMCO’s assets under management were \$286,692,988, all of which was managed on a discretionary basis.

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

### **Advisory and Wealth Management Clients**

FIMCO charges an advisory fee (the “Fee”) to its clients based on a percentage of assets under management. This Fee is intended to compensate FIMCO for providing investment advisory and wealth management services to the client, including asset allocation, investment manager selection and monitoring, and performance reporting. FIMCO’s fee schedule is generally as follows:

<u>Assets Under Management</u>	<u>Annual Rate</u>
First \$2 million	1.25%
\$2 million to \$5 million	1.05%
\$5 million to \$10 million	.90%
\$10 million to \$25 million	.80%
Greater than \$25 million	.65%

The Fee is payable quarterly in advance on the first day of each calendar quarter based on the market value of assets under management on the last day of the preceding month, unless an alternate arrangement is mutually agreed upon. The Fee is debited from the client's custodial account by FIMCO, as authorized by the client, unless otherwise specified in the IAA. If an advisory or wealth management relationship is terminated prior to the end of a quarter, FIMCO’s compensation would be pro-rated to the date of termination and any unearned portion reimbursed. The client and FIMCO may each terminate the advisory relationship upon 30 days written notice to the other. The minimum Fee charged to a client is \$600.

A portion of the Fee is payable by FIMCO to Envestnet Asset Management for services it provides to FIMCO. FIMCO’s fees are exclusive of brokerage commissions, transactions fees and other related costs and expenses incurred by the clients (See Item 12 regarding Brokerage Practices). Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. Such charges, fees and commissions are exclusive of and in addition to FIMCO’s Fee, and FIMCO shall not receive any portion of these charges, fees and commissions.

To the extent an advisory or wealth management client invests in a Fund, the client may be charged both the Fee, and the management fee charged by the Fund.

### Funds of Hedge Funds

Management Fees: Management fees are charged to each Fund, either pursuant to an investment management agreement, partnership agreement or limited liability company agreement applicable to each particular Fund and to which FIMCO is a party. The management fees for each Fund are paid at the end of each calendar quarter and are calculated monthly based on the net asset value of each investor's investment in such Fund, as of the first day of each month during the quarter. If a Fund is not in existence for an entire quarter, the management fee for that quarter is prorated. If investments are made to a Fund on any day other than the first day of a quarter, the applicable management fee is prorated for the remaining portion of the quarter and charged at the time of such investment.

The management fee for each of the Funds into which investors directly invest are calculated based on the net asset value of the underlying capital account of each investor in the Fund. The applicable annual fee charged against each investor's capital account is 1.35%.

As noted above, certain of the Funds invest all or substantially all of their assets in the Strategy Funds. Investors in such Funds only pay management fees at one level. FIMCO may waive, reduce or modify management fees for certain investors in the Funds, particularly with respect to investments made in any Fund by certain other Funds managed by FIMCO, and for investors that are principals, employees or affiliates of FIMCO or The Fuller Foundation. Additional details regarding the calculation of management fees are disclosed in each Fund's respective offering documents.

FIMCO does not bill the investors in the Funds for management fees. Rather, management fees are deducted from the assets of the Funds on a monthly basis, and generally paid at the end of each calendar quarter, except to the extent that contributions are made to any Fund during a quarter or a Fund is formed at a time other than the beginning of a quarter, in which cases the applicable management fee is prorated and charged at the time of such contribution or formation. Each Fund charges its applicable management fees to the account(s) of each investor in such Fund accordingly.

The general partner has agreed to bear the direct expenses of the organization and operation of each Fund. Each Fund (and, indirectly, the investors therein) may incur extraordinary expenses incurred in connection with such Fund (including but not limited to the defense or initiation of lawsuits) as determined by the general partner thereof. Each Fund will also incur its pro rata share of fees and expenses charged by the Portfolio Funds in which a Fund invests. A Fund investing in a Strategy Fund is responsible for its *pro rata* portion of the costs and expenses borne by the underlying Strategy Fund(s) through which they invest.

The Funds generally will not incur brokerage or other transaction costs. However, the Funds, as investors in underlying Portfolio Funds, will bear their pro rata share of any brokerage or other transaction costs incurred by the Portfolio Funds.

FIMCO and its supervised persons do not accept any compensation for the sale of securities or other investment products, including any interests in the Funds.

A more detailed explanation of how expenses are treated is included in each Fund's applicable offering documents.

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

FIMCO does not receive performance-based fees as compensation.

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

As described in "Item 4 – Advisory Business" above, FIMCO provides (i) investment advisory services to institutions, which include foundations, endowment and other charitable organizations, and (ii) wealth management services to families, individuals and their related entities, which includes family trusts and foundations, charitable trusts, and business entities. The initial minimum account size for an advisory or wealth management client, which FIMCO can waive at any time for a prospective client, is \$25,000.

We also provide investment advice to the Funds listed below (although for certain Funds, the investment advice is provided only at the Strategy Fund level in which the Fund invests). The investors in the Funds include foundations, endowments, charitable organizations, trusts, business entities and/or high net worth individuals.

We provide investment advice to the following "Domestic Fund": MBM Partners Trust II, LP, a Delaware limited partnership. FIMCO serves as general partner to the Domestic Fund.

We provide investment advice to the following "Offshore Funds":

- ☐ Mission Core Fund I, LP, a Cayman Island limited partnership
- ☐ Fuller Multi-Strategy Fund CI, Ltd., a Cayman Island exempted company

FIMCO serves as general partner to Mission Core Fund I, LP.

Investors in the Domestic Fund and U.S. investors in the Offshore Funds must each be an "accredited investor" as defined in Regulation D under the U.S. Securities Act of 1933, as amended. Investors in the Domestic Fund must also be a "qualified purchaser" as that term is defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "1940 Act"). Investors in Mission Core Fund I, LP must also qualify under Section 3(c)(10) of the 1940 Act. For purposes of this brochure, the Domestic Fund and the Fuller Multi-Strategy Fund CI, Ltd, shall hereinafter be referred to as the "Feeder Funds."

The following Strategy Funds are not currently available to outside investors:

Fuller Long/Short Equity Fund, LP, a Delaware limited partnership  
Fuller Credit Fund, LP, a Delaware limited partnership  
Fuller Global Macro Fund, LP, a Delaware limited partnership

Fuller Event Driven, LP, a Delaware limited partnership  
Fuller Private Equity Fund, LP, a Delaware limited partnership

The Fuller Private Equity Fund is a collection of legacy private equity investments that are awaiting liquidity events to return capital to investors. FIMCO does not intend to make any further investments in any Portfolio Funds that employ a private equity strategy. As a result, The Fuller Private Equity Fund is no longer being utilized by the Feeder Funds as part of each of the Feeder Fund's investment strategy.

Fuller Multi-Strategy Fund CI, Ltd., a Cayman Island exempted company, is a Feeder Fund that invests all of its assets in the Strategy Funds, but it is not currently available to outside investors. The only investor in Fuller Multi Strategy Fund CI, Ltd. is Mission Core Fund I, LP.

The required minimum initial investment in each Fund for any prospective investor is \$100,000 for the Mission Core Fund I, LP and \$250,000 for MBM Partners Trust II, LP, which FIMCO (or the Board of Directors of the Offshore Funds) can waive at any time.

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

### **Advisory and Wealth Business**

In managing client assets, FIMCO takes into account certain factors with respect to each client's investment objectives that may include return expectations, risk tolerance, liquidity requirements, time horizon, tax considerations, unique needs and preference and any investment restrictions. FIMCO provides the following investment services to its clients as appropriate in their individual circumstances:

*Asset Allocation and Portfolio Design.* FIMCO offers model asset allocation strategies for each client that work in conjunction with a client's overall investment objectives. A key feature of a client's investment strategy is asset allocation, meaning the way in which assets are divided between different investments (*e.g.*, stocks, bonds, alternatives, and cash). Academic studies have shown asset allocation to be the most important determinant of investment return and risk. For exposure to these differing asset classes, FIMCO utilizes for each client portfolio one or more of the following: passively managed index funds, actively managed exchange traded funds and mutual funds, separately managed accounts, and FIMCO's Funds.

*Asset Manager Selection and Review.* FIMCO focuses on investment managers that have demonstrated a high degree of expertise at implementing a particular investment strategy or strategies. FIMCO utilizes unaffiliated third party investment managers (referred to herein as "external investment managers") that specialize in various market-recognized major asset classes, including cash management, fixed income, large, medium and small capitalization stocks, and international securities. To identify particular external investment managers to manage portions of its clients' assets either directly or through investments in public or private funds managed by the external investment managers, FIMCO evaluates several quantitative factors. These factors may include (i) historical performance, (ii) risk-return profile, (iii) consistency of returns, (iv) downside risk, (v) use of leverage, and (vi) market/peer group correlation. FIMCO also considers qualitative factors, which may include (i) the experience and integrity of the external investment manager's



management team, (ii) the soundness and capacity of the investment strategy employed by the external investment manager, (iii) the external investment manager's risk management strategies, and (iv) the quality of the external investment manager's infrastructure.

FIMCO typically enters into discretionary agreements with clients whereby FIMCO is granted limited power of attorney to select, engage and replace, if necessary, external investment managers and make investments in Funds on the clients' behalf to implement their investment objectives. FIMCO then monitors the selected managers and Funds on an ongoing basis to ensure that they continue to adhere to FIMCO's standards of quality, risk control and tax efficiency. Currently, FIMCO has selected and exclusively uses Envestnet Asset Management to manage the model portfolios.

*Portfolio Implementation.* FIMCO works to reduce the administrative burdens on its clients that come with implementing the various components of a client's overall investment strategy. FIMCO assists the client to complete necessary paperwork and oversee and monitor the implementation of a client's portfolio.

*Portfolio and Performance Monitoring.* FIMCO provides its clients with a consolidated report on a quarterly basis which provides total portfolio performance. Performance is compared to relevant benchmark indices. The report may also include FIMCO'S commentary on relevant markets and/or the portfolio's performance.

## **Funds of Hedge Funds**

The Feeder Funds will each seek to achieve its investment objectives by principally investing its assets in separate Strategy Funds established by FIMCO with different investment focuses that will in turn invest in Portfolio Funds that will employ different investment styles and strategies. FIMCO will have discretion to invest each Feeder Fund's assets in Portfolio Funds, via the Strategy Funds, in a manner that it considers will best achieve the objectives of such Feeder Fund, subject to the availability of Portfolio Funds in which to invest, cash flows and other factors. Furthermore, the Feeder Funds may invest directly in certain Portfolio Funds and not through a Strategy Fund. FIMCO may also invest a portion of a Fund's assets in cash and cash equivalents (i) for temporary defensive purposes, (ii) for the purpose of maintaining cash to pay withdrawal proceeds, or (iii) for other reasons determined by FIMCO.

Each Portfolio Manager makes the actual investment decisions with respect to the Portfolio Fund it manages. FIMCO selects the Portfolio Funds into which each Fund's assets is allocated and may reallocate such assets upon evaluating the performance and other aspects of the Portfolio Managers and the Portfolio Funds they manage. FIMCO's ability to make such reallocations may be constrained by the limited withdrawal rights of the Portfolio Funds.

## **Fund Investment Objectives**

The Feeder Funds invest substantially all of their assets in a combination of all of the Strategy Funds, except for Fuller Private Equity Fund. This multi-manager, multi-strategy portfolio seeks to achieve an attractive risk-adjusted rate of return over a complete market cycle with less volatility than most equity markets. FIMCO attempts to identify talented hedge fund managers in each

strategy and may further diversify across styles within each strategy in order to deliver exposure to each hedge fund strategy while not concentrating investments in individual Portfolio Managers. This diversification is intended to reduce overall risk and add to the consistency of returns. Although FIMCO expects that the Funds will be diversified in certain respects (which may include by investment strategies, industries and geography) there is no assurance that the Funds' portfolios will be adequately diversified in all market conditions.

The Portfolio Funds in which the Strategy Funds invest will generally focus on providing investors with superior rates of absolute return and may utilize a wide variety of investment strategies. The Strategy Funds will invest in Portfolio Funds with the following investment strategies:

Credit: This strategy category includes Portfolio Managers that generally utilize strategies related to credit instruments that could include long/short credit, fixed income relative value and distressed debt. The Portfolio Funds in this category may also seek opportunities in government issued fixed-income securities.

Long/Short Credit: This strategy focuses on fixed income securities where the majority of the return is derived from credit exposure and selection as opposed to the general term structure of interest rates. Strategies utilized by long/short credit include the purchase or short sale of stressed and distressed bonds, bank loans, high-yield debt and securities from recently reorganized firms (including equities). Long/short credit Portfolio Managers employ a wide variety of strategies to invest across the capital structure on a long and short basis. Typically, Portfolio Managers take positions as a result of bottom-up, fundamental credit analysis on the company and its capital structure. This strategy attempts to capitalize on inefficiencies in the marketplace while maintaining a lower degree of cyclicity and directionality than a typical distressed debt investment.

Distressed Debt: Portfolio Managers that focus on distressed debt strategies invest in the securities of companies that are experiencing financial or operational difficulties. Typically, based on Portfolio Manager style, a distressed debt hedge fund invests in bank debt, corporate debt, trade claims, common stock, or warrants. Distressed situations can include reorganizations, bankruptcies, distressed sales, and other corporate restructurings. The mispricing of these securities often occurs because traditional buyers often must sell the securities of troubled companies. When this happens, distressed debt Managers attempt to capture the pricing discount that results.

Fixed Income Relative Value: Portfolio Managers employing these strategies seek to capture profit by taking offsetting long and short positions in related fixed income securities and derivatives. The pricing difference between very closely related fixed income securities is often narrow. As a result, Portfolio Managers typically use leverage to magnify the small pricing discrepancies between the instruments. Generally, fixed income relative value Portfolio Managers are positioned with moderate risk and will be able to take advantage of volatility movements in interest rates and foreign exchange.

Event-Driven: This strategy category includes Portfolio Managers that generally invest in various asset classes and seek to profit from potential mispricing of securities related to a specific corporate or market event. Such events can include: mergers, bankruptcies, financial or

operational stress, restructurings, asset sales, recapitalizations, spin-offs, litigation, regulatory and legislative changes as well as other types of corporate events. Event-driven Portfolio Managers can invest in equities, fixed income instruments (investment grade, high yield, bank debt, convertible debt and distressed), options and various other derivatives. Many event-driven Portfolio Managers use a combination of strategies and adjust exposures based on the opportunity sets in each subsector.

**Global Macro:** This strategy category includes Portfolio Managers that generally use analysis of macroeconomic and financial conditions to develop views on country, regional or broader economic themes and then seek to capitalize on these views by allocating capital to relatively short-term trading opportunities in securities, commodities, interest rates, currencies and other instruments. They generally focus on identifying extreme price valuations and leverage is often applied on the anticipated price movements in equity, currency, interest rate and commodity markets. As noted, these Portfolio Managers typically employ a top-down global approach to concentrate on forecasting how political trends and global macroeconomic events affect the valuation of financial instruments. Profits can be made by correctly anticipating price movements in global markets and having the flexibility to use a broad investment mandate, with the ability to hold positions in practically any market with any instrument. These approaches may be systematic trend following models, or discretionary.

**Long/Short Equity:** Portfolio Funds that employ an equity focused strategy will seek to benefit from a Portfolio Manager's ability to select investments, frequently either long- or short-only, as well as combining long positions with short sales in an effort to offset systematic market risks. These strategies typically involve taking a long position in a stock while shorting an individual stock or broad based market instrument. Net and gross exposures are managed in order to take advantage of both current market conditions and the resulting investment opportunity set. Long/Short equity Portfolio Managers use short positions to hedge against a general stock market decline as well as to generate alpha. In such strategies market exposure can vary substantially, leading to a wide range of risk and return profiles.

Investment objectives and strategy of each of the Funds are disclosed in further detail in each Fund's applicable offering documents.

## **Material Risks/Risk of Loss**

### *General.*

Investing in securities involves risk of loss that investors should be prepared to bear. Investments selected directly by FIMCO, a Portfolio Manager, a Portfolio Fund or any external investment manager selected by FIMCO may decline in value for any number of reasons, including changes in the overall market for equity and/or debt securities, and factors pertaining to particular portfolio securities, such as management, the market for the issuer's products or services, sources of supply, technological changes within the issuer's industry, the availability of additional capital and labor, general economic conditions, political conditions and other similar conditions.

## *Hedge Funds and Other Alternative Assets*

Investments in alternative assets, such as hedge funds and other private investment funds often are: (i) highly speculative and involving investments in complex instruments and structures including derivatives and structured products; (ii) illiquid with limited withdrawal or redemption rights; (iii) leveraged; (iv) subject to significant volatility; (v) subject to long holding periods; (vi) less transparent than public investments; (vii) subject to significant restrictions on transfers; (viii) affected by complex tax considerations; and (ix) in the case of private equity funds, affected by capital call default risk. In addition to the above, investors in these strategies will be subject to significant fees and expenses which will reduce profits or increase losses.

### *Funds of Hedge Funds*

Investments in each Fund present potentially significant risks and are not intended as a complete investment program. The following material risks relate generally to the fund of funds structure, investment strategy and methods of analysis for each Fund. Not all of these risks will be equally relevant to each Fund that we manage at any time. Additional risks relating to certain specific strategies of certain Funds are described below.

*Nature of Securities Investments.* Each Fund, through the Portfolio Funds, will be investing substantially all of its assets in securities, some of which may be particularly sensitive to economic, market, industry, interest rate movements and other variable conditions. The markets in which each Fund and the Portfolio Funds expect to invest have periodically experienced significant losses and may continue to experience significant volatility. No assurance can be given as to when or whether adverse events might occur that could cause significant and immediate losses to the Funds.

*Risks of the Multi-Manager Strategy and Technique.* FIMCO will not have any control over the investments made by the Portfolio Managers, including the leverage used by the Portfolio Funds and the risks taken. FIMCO may, however, reallocate each Fund's investments among the Portfolio Funds, but FIMCO's ability to do so may be constrained by the withdrawal limitations imposed by the Portfolio Funds. Such withdrawal limitations will prevent each Fund from reacting rapidly to market changes should a Portfolio Manager fail to readjust their portfolio consistent with such market changes. Such withdrawal limitations will also restrict FIMCO's ability to terminate investments in Portfolio Funds that are poorly performing or have otherwise had adverse changes. In addition, at times when Portfolio Funds offer limited availability to investors, FIMCO may allocate such limited availability among and between multiple entities managed by it or its affiliates, resulting in a Fund portfolio which differs from the portfolio which might result if FIMCO only managed such Fund. Although FIMCO intends to use certain criteria in evaluating and monitoring Portfolio Funds, there is no assurance that FIMCO will use the same criteria for all Portfolio Funds. Although FIMCO employs a due diligence process to review each Portfolio Manager's back office and accounting systems and obtains certain third party verifications and background checks, one cannot guarantee that such efforts will detect fraud, malfeasance, inadequate back office systems or other flaws or problems with respect to the Portfolio Manager's operations and activities. It is possible that not all of the entities managed by FIMCO and its affiliates will invest, whether on a pro rata basis or otherwise, in all of the Portfolio Funds invested in by each Fund. The multi-manager approach may also limit FIMCO's access to information about each Fund's ultimate investments on a regular basis, if at all. Investors in the various

Portfolio Funds typically have no right to demand such information of the Portfolio Managers. Nevertheless, FIMCO will use its commercially reasonable efforts to periodically gather quantitative and qualitative information from the Portfolio Managers. There is no guarantee that the information will be accurate or timely. Moreover, the information may be proprietary and may not be provided.

The Portfolio Funds will trade wholly independently of each other and, at times, may hold economically offsetting positions. To the extent that the Portfolio Funds do, in fact, hold such positions, each Fund, considered as a whole, cannot achieve any gain or loss despite incurring expenses. Alternatively, two or more Portfolio Managers may employ similar strategies or invest in some of the same securities, resulting in less diversification to each Fund than may be desired.

*Risks of Portfolio Manager Strategies and Execution.* A Portfolio Manager may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to FIMCO. These strategies may involve risks under some market conditions that are not anticipated by the Portfolio Manager, FIMCO or a Fund. The Portfolio Managers may use investment strategies that differ from those typically employed by traditional managers of portfolios of stocks and bonds, or may diverge from the strategy disclosed to FIMCO. The strategies employed by the Portfolio Managers may involve significantly more risk and higher transaction costs than more traditional investment methods. In addition, Portfolio Managers may not execute their strategy efficiently or consistent with past practices or its disclosure, leading to underperformance or losses to a Fund. A Fund will seek to reduce these risks by spreading the exposures of the Fund among a variety of different Portfolio Managers. However, it is possible that the performance of the Portfolio Managers may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses to the Fund and its investors. In addition, FIMCO may concentrate a Fund's capital in a relatively small number of Portfolio Funds, each representing a relatively large portion of such Fund's capital, and may hold a large percentage of such Fund's capital in cash while awaiting better opportunities. Losses incurred in any of such positions could adversely affect the returns of the Fund.

In addition, many of the Portfolio Managers are dependent on the services of a small number of persons and the loss of any such person's services could have a materially adverse effect on a Fund's investment with such Portfolio Manager. Furthermore, many of the Portfolio Managers will generally manage a relatively small asset base when compared to traditional money managers of mutual funds and many private funds, who often manage billions of dollars. Accordingly, many of the Portfolio Managers may have limited resources in connection with the operation of their businesses and the investment management of their portfolios.

*Credit Facilities.* A Fund may enter into one or more liquidity facilities or similar arrangements pursuant to which the Fund will grant security over all or a portion of its assets in order to borrow or otherwise have access to funds, generally on a short term basis. Generally, such funds will be utilized to help manage cash flows relating to the Fund's investments and withdrawal requests. The Fund will bear all of the costs and expenses incurred in connection therewith, including any interest expense or fees relating to funds borrowed. There is no assurance that the Fund will be able to obtain such borrowed funds. If the Fund enters into a liquidity facility, it will be charged interest on borrowed funds and may be required to pledge all or a portion of its underlying assets as collateral. Not all such assets may be eligible collateral. The lender providing the borrowed funds

may require that the borrowed amounts be repaid, pursuant to an event of default or otherwise, at a time when the Fund has little or no liquidity and such lender will thereafter have certain rights with respect to the collateral.

*Fees and Expenses.* Investors in a Fund will pay, directly or indirectly, layers of fees and expenses. Each Fund will have its own expenses, including management fees. The Fund will also bear its proportionate share of each Portfolio Fund's expenses and will generally also incur a management fee and performance-based compensation with respect to the Portfolio Funds. A performance-based fee arrangement may create an incentive for riskier or more speculative investments than might be the case in the absence of such performance-based fee arrangement. Fees and expenses will be paid whether or not a Fund experiences gains. Furthermore, as each Portfolio Manager is generally compensated based on the performance of the Portfolio Fund it manages, the Fund could have periods when it pays performance compensation to one or more Portfolio Managers even though the Fund as a whole has a loss for the period. If the Fund terminates its investment in a Portfolio Fund at a time when there are unrecovered losses, the Fund would lose the benefit of any such loss carryforwards in connection with the future payment of performance based compensation.

#### *Portfolio Funds*

*Use of Leverage.* Many Portfolio Funds may use leverage as part of their investment strategy and a Fund will have no control over the amount of leverage used. A Portfolio Fund may obtain leverage in any manner deemed appropriate by the Portfolio Manager, including by borrowing to buy securities or by entering into repurchase agreements and derivative transactions that have the effect of leveraging the Portfolio Fund's investments. A high degree of leverage necessarily entails a high degree of risk. By using leverage, the Portfolio Fund is able to purchase a larger portfolio using a smaller amount of capital. Thus, a relatively small price movement in an investment may result in substantial losses to the Portfolio Fund and, in turn, the applicable Funds. Leverage may amplify the effect of gain or loss on the investment, and may result in greater volatility than experienced by investment pools that do not use leverage. Many of the Portfolio Funds will not impose absolute restrictions on the amount of leverage they may use. Reduced liquidity in the markets may result in the Portfolio Funds having more difficulty in obtaining financing. In order to obtain leverage, a Portfolio Fund will generally pledge some or all of its securities to leverage providers. The loss of access to leverage or a substantial change in the terms on which leverage is obtained could have a material adverse impact on the performance of a Portfolio Fund.

Portfolio Funds often use short-term margin borrowing in purchasing securities positions. Trading securities on margin will result in interest charges to the Portfolio Fund and, in turn, to the applicable Funds. Such borrowing may result in certain additional risks to the Portfolio Funds. For example, should the securities pledged to brokers to secure a Portfolio Fund's margin accounts decline in value, the Portfolio Fund could be subject to a "margin call," pursuant to which the Portfolio Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Portfolio Fund's assets, the Portfolio Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

*Lack of Liquidity; Limitations on Withdrawals from Portfolio Funds.* A Portfolio Fund affected by

adverse market conditions or for other reasons may seek to impose certain limitations on withdrawals from such Portfolio Fund for prolonged periods by, for example: (i) suspending the determination of the Portfolio Fund's net asset value, (ii) suspending withdrawals in whole or in part, (iii) imposing "gates" or restrictions on withdrawal amounts above a certain level, and/or (iv) extending the period for payment of withdrawal proceeds. In addition, such Portfolio Fund may seek to, among other things, (i) wind up the Portfolio Fund, including at times and under conditions where the disposition of its securities and other assets may not be at prices deemed favorable to the Funds and other investors therein, (ii) assign certain illiquid or similar assets held by the relevant Portfolio Fund to "special situation" or "side pocket" accounts, from which redemptions and withdrawals are prohibited, (iii) distribute certain securities or other assets held by the relevant Portfolio Fund into a liquidating trust or similar account or vehicle, in which case payment to the Funds and other investors in such Portfolio Fund of the portion of their withdrawals attributable to the securities or other assets held in such liquidating trust or similar account or vehicle may be delayed until such time as such securities and other assets are liquidated or become freely tradable, and/or (iv) distribute certain securities and other assets held by such Portfolio Fund in-kind to the Funds and other investors therein, in which case each Fund may not be able to liquidate such securities and other assets during certain periods and/or at prices deemed favorable to its investors, including the Funds. The occurrence of any one or more of the events described above may render each Fund's investment in a Portfolio Fund illiquid and/or may substantially impair the value of one or more investments of such Fund, including any investment in a Portfolio Fund.

Limitations on withdrawals imposed by the Portfolio Funds may, in turn, be applied to withdrawals and redemptions by investors in the Funds. In certain circumstances, withdrawals and redemptions by investors in the Funds may result in the remaining capital accounts or shares of remaining investors having a greater portion of illiquid investments than was the case prior to such withdrawal or redemption. A Fund may not be able to withdraw its capital from Portfolio Funds at such times as FIMCO would prefer, including potentially when required to fund withdrawals or redemptions to investors in the Funds.

*Investments in Bankrupt or Restructured Companies.* The Funds, through the Portfolio Funds, may invest in securities of companies that are experiencing significant financial or business difficulties or are in default of their obligations, including companies involved in bankruptcy or other reorganization proceedings. Although such investments may result in significant returns to the Funds, they involve a substantial degree of risk. Any one or all of such investments 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 Portfolio Managers will correctly evaluate the prospects for a successful reorganization. In any reorganization or liquidation proceeding, the Funds may be required to accept cash or securities with a value less than the Funds' investment.

*Separately Managed Accounts.* The Funds may invest a portion of their assets with Portfolio Managers via segregated investment accounts ("Fund Accounts"). A U.S. or an offshore limited liability entity will typically be formed by FIMCO or its affiliates for each Fund Account advised by a particular Portfolio Manager. Other investment funds managed by FIMCO and its affiliates may also invest assets in such limited liability entity. Many of the risks associated with Portfolio

Funds generally will also be applicable to these limited liability entities, including the inability of FIMCO to make investment decisions or liquidate assets. Although it is expected that each such limited liability entity will be a separate legal entity, there can be no assurance that creditors of the Funds, other investors in the limited liability entity or another such entity will not seek to enforce claims against the assets of such limited liability entity.

*Risks of Options.* Some Portfolio Funds may invest in options as a part of their investment strategy. Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price that may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Portfolio Funds may use in their investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the-counter market for options is relatively illiquid, particularly for relatively small transactions.

*Other Derivative Investments.* Some Portfolio Funds may invest in derivative instruments as a part of their investment strategy. Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement cannot only result in the loss of the entire investment, but may also expose the Portfolio Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Portfolio Manager from promptly liquidating unfavorable positions and subject



the Portfolio Fund to substantial losses. In addition, the Portfolio Manager may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Under the CEA, futures commission merchants are required to maintain customers' assets in a segregated account. To the extent that a Portfolio Fund engages in futures and options contract trading and the futures commission merchants with whom a Portfolio Fund maintains accounts fail to segregate such assets, the Portfolio Fund will be subject to a risk of loss in the event of the bankruptcy of one of these futures commission merchants.

*Short Sales.* A Portfolio Manager may engage in short sales as part of hedging transactions for a Portfolio Fund or when it believes securities are overvalued. Short sales are sales of securities the Portfolio Fund borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and a Portfolio Fund will be able to make a profit by purchasing the securities at a later date at the lower prices. A Portfolio Fund will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to market events in recent years, including the imposition of restrictions on short selling certain securities and reporting requirements. A Portfolio Fund's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Portfolio Fund. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may from time-to-time impose restrictions that adversely affect a Portfolio Fund's ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, a Portfolio Fund may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. A Portfolio Fund may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and a Portfolio Fund is subject to strict delivery requirements. The inability of a Portfolio Fund to deliver securities within the required time frame

may subject the Portfolio Fund to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Portfolio Fund to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact a Portfolio Fund's ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale affected by a third-party unrelated to the Portfolio Fund.

*Foreign Securities.* Some of the Portfolio Funds may invest in securities and instruments in global markets. Such investments involve substantial risks not typically associated with investing in U.S. securities. Investments in such foreign securities may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the United States and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. Dollar will affect the U.S. Dollar value of the Portfolio Fund's assets denominated in that currency and thereby impact upon the Portfolio Fund's total return on such assets.

Investments in securities and instruments of foreign issuers will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of a Portfolio Fund's assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. The occurrence of adverse events affecting one particular foreign country or region could have more widespread effect and adversely impact the global trading market.

The issuers of certain of the sovereign debt securities in which a Portfolio Fund may invest have in the past experienced substantial difficulties in servicing their external debt obligations, which have led to defaults on certain obligations and the restructuring of certain indebtedness. Countries such as those in which the Portfolio Funds may invest have historically experienced, and may continue to experience, high rates of inflation, high interest rates, exchange rate fluctuations and currency devaluation, large amounts of external debt, balance of payments and trade difficulties, political uncertainty and instability and extreme poverty and unemployment. Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile and this reduced liquidity may diminish the Portfolio Fund's ability to execute trades. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their U.S. counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher on foreign markets than in the U.S.

Taxation of dividends, interest and capital gains received by non-residents varies among foreign countries and, in some cases, is comparatively high. In addition, some countries have tax laws and procedures that may permit retroactive taxation so that the Portfolio Funds could in the future become subject to local tax liability that it had not reasonably anticipated in conducting its investment activities or valuing its assets.

*Emerging Markets.* Certain of a Portfolio Fund's investments in foreign securities may be in markets which are considered to be emerging markets. Such markets are generally less mature and developed than those in advanced countries. There are significant risks involved in investing in emerging markets (in addition to the risks of investing in foreign securities identified above), including liquidity risks, sometimes aggravated by rapid and large outflows of "hot money" and capital flight, currency risks, and political risks, including potential exchange control regulations and potential restriction on foreign investment and repatriation of capital. In many cases, such risks are significantly higher than those in developed markets. Emerging market countries have varying laws and regulations and, in some, foreign investment is controlled or restricted to varying degrees.

*Distressed Securities.* Some of the Portfolio Funds may take long and short positions 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, facing special competitive or product obsolescence problems or extraordinary liabilities, 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 investment 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.

*Investments in Fixed-Income Securities.* Some of the Portfolio Funds may invest a portion of their capital in bonds or other fixed income securities, including, without limitation, notes and debentures issued by corporations; debt securities issued or guaranteed by governments or agencies or instrumentalities thereof; commercial paper; and "higher yielding" (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity indexed to FX or inflation. These and other risks are particularly prevalent with fixed income securities of issuers in foreign markets. It is likely that a major economic recession or other event could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is 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.

*Concentration of Investments.* Although FIMCO will seek to maintain a diversified portfolio, there is no assurance that the Funds will be adequately diversified in all market conditions. A concentration of each Fund's assets could result in significant losses and could have a material adverse impact on such Fund's capital.

*Purchasing Securities of Initial Public Offerings.* From time to time, some of the Portfolio Funds may purchase securities that are part of initial public offerings (“new issues”). The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for Portfolio Funds to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. Rules 5130 and 5131 of the Financial Industry Regulatory Authority, Inc. restrict certain persons from participating in new issues and, therefore, certain investors may be restricted from participating in the profits and losses attributable to new issues.

*Counterparty Risk.* Some of the markets in which the Portfolio Funds may effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of “exchange-based” markets are subject. This exposes a Portfolio Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Portfolio Fund to suffer a loss. Such counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Portfolio Fund has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The ability of the Portfolio Funds to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

*Hedging.* The Portfolio Funds may utilize certain financial instruments for both investment and risk management purposes. These instruments could include writing or buying options and other derivatives, as well as shorting securities, funds, indices, or swaps, and combining long and short positions in securities and instruments to reduce overall risk. The success of a Portfolio Fund’s hedging strategy will depend on the Portfolio Manager’s ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. The change in the correlation may also result in the hedge increasing the overall risk of the portfolio. There is also a risk that such correlation will change over time rendering the hedge ineffective. Since the characteristics of many securities change as markets change or time passes, the success of a Portfolio Fund’s hedging strategy may also be subject to the Portfolio Manager’s ability to correctly readjust and execute hedges in an efficient and timely manner. In addition, the lack of futures and derivatives markets or high transaction costs in certain foreign markets may reduce or eliminate the Portfolio Fund’s ability to hedge certain exposures. Even when the underlying values may have the predicted correlation, pricing imperfections may become worse and thus the hedge could increase risk over the time period until the underlying values are realized. Many Portfolio Funds may not seek to hedge all or a portion of their assets.

*Small and Mid-Cap Risks.* A portion of some Portfolio Funds’ assets may be invested in securities of small-cap and mid-cap issuers. While the securities of a small or mid-cap issuer may offer the potential for greater capital appreciation than investments in securities of large-cap issuers,

securities of small and mid-cap issuers may also present greater risks. For example, (i) some small and mid-cap issuers often have limited product lines, markets, or financial resources, (ii) they may be dependent for management on one or a few key persons, and can be more susceptible to losses and risks of bankruptcy, and (iii) their securities may be thinly traded and may be more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large- cap issuers.

*Event Driven Transactions.* The Portfolio Funds may trade securities whose market value is expected to be meaningfully affected by future events. These outcomes may be uncertain and the trading decisions may be based on whether the Portfolio Manager believes the market price does not accurately reflect the probability of particular outcomes. The Portfolio Manager will need to forecast the likelihood of the events on which investment decisions are based and analyze the likely impact of the event if it occurs. If the proposed event does not occur or is delayed, the market price of the security may decline and result in losses to the Portfolio Fund if at the time, the Portfolio Fund is net long the security. In certain transactions, a Portfolio Fund may not be hedged against market fluctuations unrelated to the anticipated event but that may affect the value of the consideration to be received. This may result in losses even if the event occurred and the outcome of the anticipated event was beneficial to the position. It is also possible that the short run market reaction to a particular outcome may be unfavorable even if the long-run result is favorable.

*Broker Risks.* A Portfolio Fund's assets may be held in one or more accounts maintained for the Portfolio Fund by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions with respect to their insolvency. The practical effect of the laws protecting customers in the event of insolvency and their application to the Portfolio Funds' assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Portfolio Fund's assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a custodian, it is impossible further to generalize about the effect of the insolvency of any of them on the Portfolio Funds and consequently on the applicable Funds and their assets. The insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of a Portfolio Fund's assets or in a significant delay in the Portfolio Fund having access to its indirect interest in those assets.

*Other Types of Investments by Portfolio Funds.* The investment strategy of the Funds is to invest in a range of Portfolio Funds that engage in different investment strategies and use a variety of investment techniques. Each of these strategies and techniques may be non-traditional and involve substantial risks. Although several of these risks are discussed in other risk factors herein, it is impossible to identify all such risks, particularly since each Fund's investments in Portfolio Funds are continually changing, as are the markets invested in by the Funds and the Portfolio Funds.

*Transaction Costs and Portfolio Managers Use of "Soft Dollars."* In selecting brokers to effect portfolio transactions, Portfolio Managers may consider, among other things, such factors as price, the ability of the brokers to effect the transaction, their facilities, reliability and financial responsibility and any products or services provided by such brokers. Such products and services may be of benefit generally to the Portfolio Fund but may not directly relate to transactions on

behalf of the Portfolio Fund or any investment fund in which a Fund is invested. Accordingly, the Portfolio Manager may incur transaction costs greater than the amount that might be incurred if another broker was used. “Soft dollar” payments or rebates of amounts paid to brokers and dealers may arise from over-the-counter principal transactions, as well as exchange traded agency transactions. Many of the Portfolio Funds may emphasize active management of the Fund’s portfolio. Consequently, such Portfolio Fund’s portfolio turnover and brokerage commissions may exceed those of other investment entities of comparable size. FIMCO may not be provided with sufficient information from the Portfolio Managers to monitor best execution, transaction costs and soft dollars.

*Money Market Instruments.* FIMCO may keep a portion of a Fund’s assets in cash pending investment in certain Portfolio Funds or in connection with expected withdrawals or for other reasons. Such cash may be invested in fixed-income securities, money-market instruments, money-market mutual funds or other securities as FIMCO deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers’ acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

*Global-Macro Strategies.* Portfolio Managers employing a global-macro investment strategy generally employ large scale trading that focuses on numerous geographic areas across the globe. Such a strategy is typically based on forecasts and analysis about interest rates trends, the general flow of funds, political changes, government policies, inter-government relations, and other broad systemic factors. Such factors are difficult to predict and may develop in ways unanticipated by a Portfolio Manager and be affected by factors not previously considered important in a Portfolio Manager’s analysis. In addition, such strategies are further subject to risks related to foreign securities and foreign jurisdictions, as described herein.

*Economic and Regulatory Climate.* The success of the investments by the Portfolio Funds and, therefore, each Fund’s performance, will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund’s investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These and other factors may affect, among other things, the level and volatility of securities’ prices, the liquidity of the Portfolio Fund’s investments and the availability of certain securities and investments. Volatility or illiquidity could impair each Fund’s profitability or result in significant losses. The Portfolio Funds may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets—the larger the positions, the greater the potential for loss.

In recent years, global markets experienced unprecedented volatility and illiquidity. The effects thereof are continuing and there can be no assurance that the Funds will not be materially adversely affected. These conditions have led to extensive governmental interventions. Such interventions have in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition—as one would expect given the complexities of the

financial markets and the limited time frame within which governments have felt compelled to take action—these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty. It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on the FIMCO's strategies.

*Valuations.* Although each Fund's administrator is responsible for calculating the net asset value of the Fund, subject to the oversight of FIMCO, the Fund's assets that are invested in Portfolio Funds will generally be valued in accordance with the terms and conditions of the respective partnership agreement, investment advisory agreement or similar governing agreement as agreed to by the Fund with respect to such Portfolio Funds. These valuations are expected to generally be provided on a monthly basis by the Portfolio Funds and, as such, may be estimated and will be unaudited. The administrator might not be able to obtain timely or complete information about the values of assets invested with Portfolio Funds following the end of each accounting period and may be required to estimate such values. Except in circumstances considered by FIMCO, in its discretion, to require a different approach in order to conform to accounting standards, the requirements of ERISA, or other industry and regulatory standards, the administrator shall be entitled to (and will) rely without further inquiry upon such valuations provided by Portfolio Managers.

## **Item 9. Disciplinary Information**

There are no legal or disciplinary events to report that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

We provide investment advice to the Domestic Fund and Offshore Funds listed in Item 7 above (although for certain Feeder Funds, the investment advice is provided only at the Master Fund in which the Feeder Fund invests). We serve as the general partner to the Domestic Fund and Offshore Fund that is organized as a limited partnership.

FIMCO and its members, affiliates and employees may engage in other activities, including providing investment management and advisory services to other investment funds and accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to a Fund and its affairs. FIMCO and its affiliates are not restricted from forming managed accounts or other investment partnerships or funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Funds and/or may involve substantial time and resources of one or more of FIMCO or its affiliates.

Some or all of the Funds invest in many of the same Portfolio Funds. Certain of the Funds have different terms, fees and investment objectives and if one or more of the Funds desire to invest in a Portfolio Fund with limited capacity, certain Funds may not be able to invest the full amount that it desires to invest. As a result, FIMCO may have an incentive to allocate a substantial portion of such investments to the Funds that charge the highest fees, if in fact there is a fee differential.

FIMCO intends to allocate investment opportunities to the Funds in a fair and equitable manner based on such factors as it deems important from time to time, which may include, investment objectives, cash availability and the risk profile of each of the Funds. FIMCO may also give advice or take action with respect to certain Funds that differs from the advice given with respect to other Funds, including with respect to the same investment opportunities, and with respect to the Funds in which FIMCO may have a greater financial interest.

Although FIMCO expects to generally rely on the valuations provided by the Portfolio Funds, it has certain responsibilities with respect to the appropriateness of the methodologies used for valuing each Fund's assets. A conflict may arise with respect to this responsibility given that the management fees to be earned by FIMCO are based, in part, on the valuation of the Funds' assets. A Fund may engage in certain transactions with affiliates of FIMCO, provided the terms thereof are commercially reasonable, as determined by FIMCO and further provided that, during any period in which the assets of a Fund are treated as including "plan assets" under ERISA, such transactions are permitted by the prohibited transaction rules of ERISA and the Code or an applicable exemption thereto.

Thomas P. Harbolt, President of FIMCO, serves on the board of directors of Fuller-Multi Strategy Fund CI, Ltd. and is a member of FIMCO's Investment Team. Mr. Harbolt may have a conflict of interest (i) between his responsibilities to FIMCO and to the Fund on which he serves on the Board of Directors and (ii) among such Funds.

In addition, certain Funds that invest via the Strategy Funds that pursue the substantially same investment strategy may, from time to time, allocate their investments disproportionately in such Strategy Funds.

Portfolio Managers of Portfolio Funds also have actual and potential conflicts of interest, which may include their management of funds and accounts other than the Portfolio Funds in which the Funds invest.

The Fuller Foundation serves as trustee for most of its trust administration clients' charitable trusts. The Fuller Foundation may have a potential or actual conflict investing the assets of such client charitable trusts in Funds that are managed by FIMCO.

To the extent an advisory or wealth management client invests in a Fund, the client will be charged both an investment management fee for being an advisory or wealth management client, and the management fee charged by the Fund. Because FIMCO would receive both fees, advising an advisory or wealth management client to invest in a Fund may be a potential or actual conflict of interest.

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

We have adopted a written code of ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act"). Our code of ethics primarily governs the personal securities transactions of our employees. We have adopted policies and procedures governing personal trading by all of our employees, which are designed to avoid conflicts of interest and comply with



the Adviser's Act. FIMCO will provide a copy of our code of ethics to any client or prospective client upon request.

Our owner, officers, managers and employees and their family members may trade in securities and invest in Portfolio Funds for their own accounts, subject to restrictions and reporting requirements as may be required by law or otherwise determined from time to time by FIMCO. There are no restrictions on the ability of such persons to invest in a Fund (other than eligibility requirements under applicable law and as may be set forth in the applicable Fund's offering documents), and such persons may not be subject to the same management fee and withdrawal or redemption restrictions as are other investors in such Fund.

In addition, certain Funds managed by FIMCO invest their assets through different underlying Funds managed by FIMCO, in master-feeder structures. FIMCO serves as general partner for each of the Domestic Funds, and Strategy Funds also serve as such "master funds" in which other Funds invest.

## **Item 12. Brokerage Practices**

### **Advisory and Wealth Management**

Except to the extent a client directs otherwise, FIMCO will use its discretion in recommending a broker-dealer and therefore the commissions charged, and will generally seek "best execution". In selecting or recommending a broker-dealer, FIMCO will comply with its fiduciary duty to obtain best execution and with the Securities Exchange Act of 1934 and will take into account such relevant factors as (a) price (b) the broker-dealer's facilities, reliability and financial responsibility (c) the ability of the broker-dealer to effect the transactions, particularly with regard to such aspects as timing, order size and execution of order, (d) the research and related brokerage services provided by such broker-dealer to FIMCO, if any, notwithstanding that a client account may not be the direct or exclusive beneficiary of such services and (e) any other factors FIMCO considers to be relevant.

FIMCO generally recommends Pershing LLC, a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts.

FIMCO is independently owned and operated and not affiliated with Pershing. Pershing provides FIMCO with access to its institutional trading and custody services, which are not typically available to Pershing retail investors. Pershing's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Pershing may also make available to FIMCO other products and services that benefit FIMCO, but may not benefit its clients' accounts. Some of these other products and services may assist FIMCO in managing and administering clients' accounts. These could include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of FIMCO's fees from its clients' accounts; and assist with back-office functions, record keeping and

client reporting. Many of these services generally may be used to service all or a substantial number of FIMCO's accounts.

Pershing may also make available to FIMCO other services intended to help FIMCO manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Pershing may make available, arrange and/or pay for these types of services rendered to FIMCO by independent third parties.

While as a fiduciary, FIMCO endeavors to act in its clients' best interests, and FIMCO's recommendation that clients maintain their assets in accounts at Pershing may be based in part on the benefit to FIMCO of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Pershing, which may create a potential conflict of interest.

A client may instruct FIMCO to execute trades with a specific broker-dealer. However, the direction of brokerage transactions, will, in certain circumstances, prevent us from aggregating such clients' transactions with similar transactions of other clients. Although our objective will be to seek best price and execution for every transaction, there can be no assurance that the directing client will realize the same price or commission rate achieved for other clients.

### **Funds of Hedge Funds**

We invest almost all of the assets of the Funds in Portfolio Funds. Such investments will not be executed through broker-dealers. Accordingly, we do not generally select or recommend broker-dealers for client transactions. If we do execute client transactions through broker-dealers, it will be done primarily on the basis of obtaining best execution. We do not receive research or other products or services other than execution from a broker-dealer or a third party in connection with any client securities transactions. We do not consider whether we or a related person receives any client referrals from a broker or dealer. We do not aggregate the purchase or sale of securities for various Fund accounts. Each investment made by a Fund in a Portfolio Fund will be considered independently and each Fund will complete and execute separate subscription documents and agreements in connection with such investments

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

### **Advisory and Wealth Management**

FIMCO's Investment Team monitors and reviews performance of client accounts on a regular basis. The members of our Investment Team include: Thomas Harbolt-President, Martin Liu-Chief Financial Officer, Mark Wentzien-General Counsel, and Dean Derrah-Director of Client Development (the "Investment Team"). Performance reviews include comparing portfolio performance and clients' investment objectives. In addition to statements provided by Pershing, or other custodians, FIMCO provides clients with a quarterly written statement summarizing their account.

## **Funds of Hedge Funds**

Our Investment Team reviews each Fund's investments in Portfolio Funds, including performance attribution, at least monthly to determine, among other things, if each Portfolio Fund is performing in a manner that is consistent with its investment objectives and our expectations and if the Fund's portfolio as a whole is performing in a manner that is consistent with its investment objectives. We periodically monitor and perform due diligence on the Portfolio Funds in which the Funds invest and their managers, which include on-site meetings with each Portfolio Manager (typically at least annually, but more or less frequently depending on such factors as the size of the Portfolio Fund and risk) and senior administration personnel (typically at least annually), conference calls with each manager, review of written reports and correspondence received from each Portfolio Fund, annual review of each Portfolio Fund's audited financial statements and review of certain publicly available information with respect to each Portfolio Fund, including regulatory filings. On a quarterly basis, we review Portfolio Funds for concentration, liquidity and return attribution based upon the information that we receive from the Portfolio Funds and public filings. We perform additional reviews of Portfolio Funds on an as needed basis and prior to meeting with each Portfolio Fund. Investors in each Fund will generally receive a written statement from the administrator of the Fund following the end of each month setting forth the unaudited performance of the Fund and the unaudited value of its investment in the Fund. Each investor in a Fund will also receive year-end financial statements that are audited by a firm of independent certified public accountants selected by us or, if applicable, the Fund's Board of Directors. We anticipate that we may also provide additional reports and information to certain investors as well as to consultants and advisers to investors and prospective investors at our discretion, without notice to other investors.

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

No persons that are not investors in the Funds provide us with an economic benefit for providing investment advice or other advisory services to the Funds and investors in the Funds. We do not, directly or indirectly, currently compensate any person for client referrals, and neither we nor the Funds charge any fees or commissions to investors in connection with (i) the offering of interests or shares in the Funds, or (ii) the hiring of FIMCO as an advisor. The Funds and/or FIMCO may in the future enter into agreements with one or more third parties (including to persons who introduce investors to FIMCO or to one or more Funds) providing for, among other things, (i) payments to such third parties of a fully disclosed sales charge, which may be paid from the investments of certain investors that agree thereto, or (ii) payments by FIMCO to one or more of such third parties of a one-time or ongoing fee based upon the investments of certain investors. These third party firms may be subject to a conflict of interest as a result of the compensation payable for such investments.

### **Item 15. Custody**

FIMCO does not have custody of any assets of advisory or wealth management clients. All advisory and wealth management assets are held at Pershing or other custodians.

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified

custodian that holds and maintains client's investment assets. FIMCO urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Custody of each Fund's assets (typically investments in Portfolio Funds and cash) will generally be maintained with a custodian (currently UMB Bank). We do not use a qualified custodian to send quarterly account statements directly to the investors in the Funds. We urge investors to carefully review the audited financial statements of the Funds in which they are invested.

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

FIMCO typically receives discretionary authority from advisory and wealth management clients to provide investment management over their accounts. FIMCO has this authority granted pursuant to a limited power of attorney contained in an IAA. Such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

FIMCO has discretionary authority to manage the assets of each Fund either pursuant to an investment management agreement or a partnership agreement applicable to such Fund and to which we are a party. These agreements generally include an explicit grant of discretionary authority to manage the applicable Fund's assets. There are no specific limitations placed on this authority, provided that we will exercise our discretionary authority in accordance with the investment objectives and strategy set forth in applicable offering documents of each Fund.

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

Unless otherwise specifically directed by client in writing, FIMCO will vote proxies it receives in what it believes to be a client's best interests.

As part of the investment authority granted to us by the Funds, we will vote, on behalf of the applicable Funds, on matters proposed by the Portfolio Funds in which the Funds invest. Additionally, on rare occasions, a Fund may receive individual securities from a Portfolio Fund upon its withdrawal from such vehicle. We will vote proxy proposals, amendments, consents or resolutions (collectively, a "Proxy" or "Proxies") in a prudent and diligent manner intended to enhance the economic value of the assets of the particularly Fund.

Where a Proxy proposal raises a material conflict of interest between our interest and the Fund's or its investors, we will resolve such conflict in a manner that places the interests of the Fund ahead of our interests.

Neither the Funds nor the investors in the Funds direct how we will vote Proxies in a particular situation.

Clients and investors may obtain, free of charge, a copy of our proxy voting policies and procedures and information about how we voted Proxies by calling our Chief Compliance Officer as 626-765-8450.

**Item 18. Financial Information**

Not applicable.

**Item 19. Requirements for State-Registered Advisers**

Not applicable.