

**ITEM 1**

**COVER PAGE**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

**AHL Partners LLP**

March 31, 2014

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This brochure (this "Brochure") provides information about the qualifications and business practices of AHL Partners LLP. If you have any questions about the contents of this Brochure, please contact us at 44 20 7144 7245 and/or [MILDNCompliance@maninvestments.com](mailto:MILDNCompliance@maninvestments.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.

*AHL Partners LLP is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

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

**ITEM 2**  
**MATERIAL CHANGES**

This is AHL Partners LLP's first Brochure.

## ITEM 3

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## ITEM 4

### ADVISORY BUSINESS

#### A. General Description of Advisory Firm

AHL Partners LLP is a limited liability partnership established in England and authorized and regulated by the Financial Conduct Authority in the United Kingdom, and primarily provides investment advisory or sub advisory services to pooled investment vehicles, commodity pools and separately managed accounts on a discretionary basis. AHL Partners LLP provides discretionary investment advice and/or management services according to the stated investment objectives, restrictions and policies of each client. AHL Partners LLP is ultimately owned by Man Group plc, which is listed on the London Stock Exchange and is a component of the FTSE 250 Index. Man Group plc, through its investment management subsidiaries (collectively, "Man"), is a global alternative investment management business and provides a range of fund products and investment management services for institutional and private investors globally. As of December, 31 2013, Man had approximately \$52.5 billion of funds under management.

AHL Partners LLP has full discretionary advisory investment management authority with respect to investment decisions for U.S. and non-U.S. pooled investment vehicles, including private funds and commodity pools (the "Funds") and managed accounts. The Funds primarily invest in managed futures trading programs, but may also invest in securities and other financial instruments. AHL Partners LLP's advice with respect to the Funds and managed accounts is made in accordance with the investment objectives and guidelines as set forth in the applicable AHL Partners LLP Fund's offering memorandum or the managed account's investment management agreement. AHL Partners LLP may trade a Fund's assets through separately managed portfolios or through investments in other pooled investment vehicles, which may include pooled investment vehicles managed by AHL Partners LLP. AHL Partners LLP or an affiliate may act as general partner or managing member of such Funds. Proprietary assets of AHL Partners LLP or affiliates of AHL Partners LLP also may be directly or indirectly invested in the Funds.

As used herein, the term "client" generally refers to each Fund and each beneficial owner of a managed account.

AHL Partners LLP may utilize investment management, research and trading services of certain of its affiliates in providing services to its clients. In addition, AHL Partners LLP's affiliates may utilize its investment management, research and trading services in providing services to their clients.

#### B. Description of Advisory Services

Please see Item 8 herein.

*This Brochure generally includes information about AHL Partners LLP and its relationships with its clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.*

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. In the U.S., shares in the Funds are generally offered on a private placement basis to U.S. persons, and outside the U.S., in accordance with Regulation S of the Securities Act with respect to non-U.S. persons, and subject to certain other conditions, which are fully set forth in the offering documents for the Funds. The interests in the Funds are generally offered in the U.S. on a private placement basis, pursuant to Section 3(c)(7) of the Company Act, to persons who are "accredited investors" as defined under the Securities Act and "qualified purchasers" as defined under the Company Act, and subject to certain other conditions, which are set forth in the offering documents for the Funds. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

**C. Availability of Customized Services for Individual Clients**

AHL Partners LLP's investment decisions and advice with respect to each Fund are subject to the Fund's investment objectives and guidelines, as set forth in its offering documents. Similarly, AHL Partners LLP's investment decisions and advice with respect to each managed account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement, as well as any written instructions provided by the beneficial owner to AHL Partners LLP.

A Fund may issue other classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) of shares or interests, as applicable, in the future (or enter into "side letter" agreements with certain investor(s) that alter, modify or change the terms of the shares or interests, as applicable, held by the investor(s)), which may differ and may be more favorable from the shares or interests, as applicable, currently offered by the Fund in terms of, among other things, the performance compensation, the management fee, redemption rights (including redemption dates and notice periods), currency denomination, minimum and additional subscription amounts, informational rights and other rights. New classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) of shares or interests, as applicable, may be issued (or "side letter" agreements may be entered into) by a Fund's board of directors, in its sole discretion, on behalf of the Fund, in consultation with AHL Partners LLP, without providing prior notice to, or receiving consent from, existing investors. The terms of such classes, sub-classes, tranches, sub-tranches and/or series (or sub-series) or "side letter" agreements will be

determined by the board of directors, in its sole discretion, in consultation with AHL Partners LLP. In general, a Fund will not be required to notify investors of any such "side letter" agreements or any of the rights and/or terms or provisions thereof, nor will a Fund be required to offer such additional and/or different rights and/or terms to any or all of the other investors.

**D. Wrap Fee Programs**

AHL Partners LLP does not participate in wrap fee programs.

**E. Assets Under Management**

AHL Partners LLP manages approximately \$7.822 billion in regulatory assets under management on a discretionary basis as of December 31, 2013.



## ITEM 5

### FEES AND COMPENSATION

AHL Partners LLP does not maintain a basic fee schedule. Fees for each client are determined on a case-by-case basis. In general, the following is a description of the types of fees AHL Partners LLP charges its clients:

#### A. Advisory Fees and Compensation

AHL Partners LLP does not have a standardized fee schedule. AHL Partners LLP generally receives an annual management fee of up to 2% of a Fund's assets under management, payable monthly or quarterly in arrears. With respect to one Fund for which an affiliate acts as general partner, such affiliate, may receive a monthly general partner administrative fee that is equal to  $1/12^{\text{th}}$  of 1% of the month-end net asset value of the limited partnership (approximately 1% annually), whether or not the Fund is profitable. AHL Partners LLP may receive incentive or performance-based compensation of up to 20% of net profits, realized and unrealized, generally payable monthly or annually in arrears. As applicable, AHL Partners LLP's performance-based compensation complies with SEC Rule 205-3 under the Investment Advisers Act of 1940. AHL Partners LLP's fees and compensation may be shared with its affiliates providing services to the Fund.

Certain of the Funds also charge their investors a services management fee on a monthly basis which generally ranges from .06% to .15% per annum of the Fund's assets under management with a minimum charge of USD 20,000 per annum which is paid to an affiliate for their services with regards to the selection and appointment of service providers to the Funds.

The Funds have different share classes which may have a different fee schedules. Fees may be negotiable or waivable depending upon a variety of factors, including, among other things, type and extent of advisory services offered, amount of assets under management, the overall relationship with the investor and other services offered to the Fund or investor.

AHL Partners LLP or its affiliates may also invest Fund assets in investments that charge additional fees or are subject to additional allocations (including other Funds advised by AHL Partners LLP or their affiliates ("Affiliated Funds")). Investors may therefore indirectly bear (i) advisory fees including management, performance, administrative, or other fees or a performance allocation to AHL Partners LLP or its affiliates and (ii) fees charged by the underlying investment. Investments that charge additional fees may include, but are not limited to, money market funds, short-term investment vehicles, exchange traded funds, pooled investment vehicles, special purpose investment vehicles and alternative investment vehicles.

**B. Payment of Fees**

Fees and compensation paid to AHL Partners LLP or its affiliates by the Funds are generally paid by the Fund from its assets. Management fees are generally paid on a monthly or quarterly basis in arrears; general partner administrative fees, services management fees and placement agent fees are generally paid on a monthly basis in arrears, and the performance compensation is generally deducted on a monthly or annual basis, or at the time of a redemption or withdrawal, as applicable. Management fees and performance-based compensation may be pro-rated for partial periods.

**C. Additional Fees and Expenses**

Not all of AHL Partners LLP's Fund investors bear all of the expenses set forth below and in some cases may even bear additional expenses not included herein. The following sets forth the expenses that AHL Partners LLP's Fund investors may generally bear: To the extent permitted under the applicable documents, each client bears its own operating and other expenses and its *pro rata* portion of master fund expenses, if applicable, including, but not limited to, fees paid to administrators; fees paid to custodians; investment-related expenses (*e.g.*, brokerage commissions (see Item 12 for more information on brokerage expenses) and transaction costs, clearing and settlement charges, interest expense, consulting, investment banking and any other professional fees or compensation relating to particular investments or contemplated investments and research-related expenses, including, without limitation, news and quotation equipment and services (including fees for data and software providers)); expenses relating to third-party valuation services; expenses relating to reports provided to members; external legal and compliance expenses (which include, without limitation, responding to formal and informal inquiries, subpoenas, investigations and other regulatory matters, indemnification expenses and expenses associated with regulatory filings relating to the Fund and/or master fund and the master fund's investments, if applicable); external accounting, audit and tax preparation expenses; directors fees; organizational expenses; expenses relating to the offer and sale of interests and/or shares; entity-level taxes; expenses related to the maintenance of the Fund's registered office; and corporate licensing expenses.

A Fund may also pay certain other costs and expenses incurred in its operation, including without limitation, withholding taxes that may arise on securities, registration fees and other expenses due to regulatory, supervisory or fiscal authorities in various jurisdictions, insurance, promotional and marketing expenses and all professional and other fees and expenses in connection therewith and the cost of publication of the net asset value of the Fund's shares, if applicable.

AHL Partners LLP's employees may invest in the Funds or one or more Affiliated Funds. AHL Partners LLP's employees may or may not be subject to a management fee and performance based compensation by these Funds or Affiliated Funds. AHL Partners LLP reserves the right to charge a discounted fee or allocation in its sole discretion.

Each managed account may bear certain of the fees and expenses described above. The expenses borne by a managed account are set forth in the managed account's investment management agreement.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

AHL Partners LLP accepts performance-based fees for some, but not all clients it provides investment advisory services, as described above. AHL Partners LLP may face a conflict of interest by managing accounts that are subject to a performance-based fee or allocation and accounts that are not subject to a performance-based fee or allocation, including that AHL Partners LLP may have an incentive to favor accounts for which it receives performance-based fees or allocations. AHL Partners LLP also may have an incentive to favor accounts from which AHL Partners LLP will receive a performance fee calculated at a higher rate over accounts from which AHL Partners LLP will receive a performance fee or allocation calculated at a lower rate. Generally, AHL Partners LLP addresses this conflict of interest by utilizing an investment allocation policy designed to treat all accounts fairly and equitably. Please see Item 11.B.2 below.

**ITEM 7**  
**TYPES OF CLIENTS**

AHL Partners LLP provides advisory or sub advisory services primarily to the Funds and managed accounts on a discretionary basis. The securities of these Funds are not registered under the Securities Act. In addition, the Funds are not registered under the Company Act, and may or may not be continuously offered.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies

*The descriptions set forth in this Brochure of specific advisory services that AHL Partners LLP offers to clients, and investment strategies pursued and investments made by AHL Partners LLP on behalf of its clients, should not be understood to limit in any way AHL Partners LLP's investment activities. AHL Partners LLP may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that AHL Partners LLP considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies AHL Partners LLP pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

AHL Partners LLP may invest a Fund's assets directly or indirectly, in interests in pooled investment vehicles such as partnerships, limited liability companies, and foreign entities, which pooled investment vehicles may invest in a wide range of investment products, including commodities and futures contracts, futures and forward contracts on foreign currency, derivatives, equity and debt securities, options on securities and commodities, interests in other pooled investment vehicles, U.S. and foreign government securities and other instruments. AHL Partners LLP also may invest a Fund's assets directly in the foregoing commodities and futures contracts, derivatives, securities, and other instruments. AHL Partners LLP considers a variety of factors, and utilizes a variety of proprietary and third-party informational sources (including from affiliates) in conducting its advisory activities and monitoring a Fund's underlying investments. Such factors include, among others, past performance of an investment strategy, fees, overall integrity and reputation, degree of market exposure, diversification and allocation characteristics, risk management, use of leverage, as well as organizational and operational criteria. AHL Partners LLP or an affiliate also conducts quantitative evaluations of a Fund's investments.

The various investment strategies used to implement investment advice given to the Funds are employed through AHL Partners LLP's proprietary trading methodologies (the "Programs"). AHL Partners LLP generally trades pursuant to technical analysis utilizing model-driven systematic approaches. The Funds may make allocations to other investment vehicles or Programs managed by AHL Partners LLP or an affiliate, which may employ a different proprietary trading methodology than the Fund itself.

AHL Partners LLP generally manages a number of different investment strategies all of which employ sophisticated computerised processes to identify trading opportunities across a wide range of markets around the world. In some cases the strategy focuses on identifying inefficiencies in such markets.

The investment process is quantitative and systematic in nature, and is underpinned by risk control, ongoing research, diversification and the constant quest for efficiency. Investment decisions are driven by mathematical models which are based on a number of factors including market trends, price trends and other historical relationships. In addition, trading algorithms may be used many of which function by sampling prices in real time and measuring price momentum and breakouts.

Trading takes place around the clock and real-time price and non-price information is used to adjust positions across a diverse range of global markets. The Funds invest in a diversified portfolio of instruments which may include futures, options and forward contracts, equities, swaps, CFDs and other financial derivatives both on and off exchange. These markets may be accessed directly or indirectly and span a variety of asset classes which include, without limitation, stocks, stock indices, debt, bonds, currencies, interest rates, energies, metals, credit and agriculturals.

A cornerstone of AHL Partners LLP's investment philosophy is that financial markets experience persistent inefficiencies that can be captured using a disciplined quantitative investment approach. AHL Partners LLP's investment strategies consist of continuing research and development of investment techniques, strategies and markets. As such, AHL may change the number and diversity of markets and instruments traded directly or indirectly by its Funds and deploy new strategies or trading systems where appropriate.

In line with the principle of diversification, the approach to portfolio construction and asset allocation is premised on the importance of deploying investment capital across the full range of asset classes and markets. Particular attention is paid to correlation of markets and asset classes, expected returns, market access costs and market liquidity. Portfolios are regularly reviewed and, when necessary, adjusted to reflect changes in these factors. AHL Partners LLP's investment strategy includes a systematic process for adjusting market risk exposure in real time to reflect changes in the volatility of individual markets. As a result of the ongoing investment in research and technology, the number and diversity of markets and strategies traded directly or indirectly by the Funds may change over time.

Important information regarding each Fund, including investment objectives, strategy, and other material information, is contained in such Fund's offering memorandum.

AHL Partners LLP may also engage in specific trading strategies such as algorithm trades, short term trading and others. AHL Partners LLP may engage in other investment and trading strategies that may be deemed appropriate from time to time. Investment strategies utilized in the management of the Funds are described in greater detail in the offering document for each Fund managed by AHL Partners LLP.

AHL Partners LLP's investment Programs are speculative and entail investment and market-related risks. There can be no assurance that client's investment objectives will be

achieved. The client's activities could result in substantial losses under certain circumstances. Investing in securities involves risk of loss that clients should be prepared to bear.

**B. Material, Significant or Unusual Risks Relating to Investment Strategies**

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Fund or managed account managed by AHL Partners LLP.

*The following risk factors may not be applicable to all clients. Investments in a Fund are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment in a Fund. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully described in the applicable Fund's offering documents. These risk factors include only those risks AHL Partners LLP believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by AHL Partners LLP and do not purport to be a complete list or explanation of the risks involved in an investment in a Fund or to clients advised by AHL Partners LLP.*

**Non-U.S. Securities.** AHL Partners LLP may cause the Funds to invest in the securities of foreign companies. Investments in foreign securities face specific risks in addition to the risks intrinsic to the particular types of instruments.

These specific risks include: unfavorable changes in currency rates and exchange control regulations; restrictions on, and costs associated with, the exchange of currencies and the repatriation of capital invested abroad; reduced access to market information regarding foreign companies; accounting, auditing and financial standards that are different from, and reporting standards and requirements that may be less stringent than, standards and requirements applicable to U.S. companies; reduced liquidity as a result of inadequate trading volume and government-imposed trading restrictions; the difficulty in obtaining or enforcing a judgment abroad; increased market risk due to regional economic and political instability; increased brokerage commissions and custody fees; securities markets which potentially are subject to a lesser degree of supervision and regulation by competent authorities; foreign withholding taxes; the threat of nationalization and expropriation; and an increased potential for corrupt business practices in certain foreign countries.

**Trading on Foreign Exchanges Presents Greater Risk Than Trading on U.S. Exchanges.** AHL Partners LLP may trade on non-U.S. markets for the Funds and will use non-U.S. futures commission merchants and forward contract dealers. AHL Partners LLP may cause the Funds to trade on commodity exchanges outside the United States. Trading on foreign exchanges is not regulated by any United States governmental agency and may involve certain risks that do not arise when trading on United States exchanges. For example, an adverse change in the exchange rate between the United States dollar and the currency in which



a non-US futures contract is denominated would reduce the profit or increase the loss on a trade in that contract.

Trading on foreign exchanges also presents risks of loss due to: (i) the possible imposition of exchange controls, which could make it difficult or impossible for the Funds to repatriate some or all of its assets held by non-U.S. counterparties; (ii) possible government confiscation of assets; (iii) taxation; (iv) possible government disruptions, which could result in market closures and thus an inability to exit positions and repatriate the Fund's assets for sustained periods of time, or even permanently; and (v) limited rights in the event of the bankruptcy or insolvency of a foreign broker or exchange resulting in a different and possibly less favorable distribution of the bankrupt's assets than would occur in the United States.

Many foreign regulatory systems do not assure all market participants equal access to transactions to the same extent as the U.S. regulations, and a Fund — as a non-local speculative trading vehicle — may be denied opportunities to which, in the United States, it would have access as a matter of right.

**Investing in Emerging Markets and Frontier Markets.** AHL Partners LLP may cause a Fund to invest in investments in various markets, some of which may be considered as “emerging markets” or “frontier markets”. Many emerging markets or frontier markets are developing both economically and politically and may have relatively unstable governments and economies based on only a few commodities or industries. Many emerging market or frontier markets countries do not have firmly established product markets and companies may lack depth of management or may be vulnerable to political or economic developments such as nationalisation of key industries. Investments in companies and other entities in emerging markets or frontier markets and investments in emerging market or frontier market sovereign debt may involve a high degree of risk and may be speculative. AHL Partners LLP considers that frontier markets are similar to emerging markets. However, they have smaller and fewer companies, fewer investors and less trading than emerging markets. There is also less regulation, information on companies and transparency in frontier markets. It is generally expected that frontier markets will be the next generation of emerging markets.

Risks may include: (i) greater risk of expropriation, confiscatory taxation, nationalisation, social and political instability (including the risk of changes of government following elections or otherwise) and economic instability; (ii) the relatively small current size of some of the markets for securities and other investments in emerging markets issuers and the current relatively low volume of trading, resulting in lack of liquidity and in price volatility; (iii) certain national policies which may restrict a Fund's investment opportunities including restrictions on investing in issuers or industries deemed sensitive to relevant national interests; (iv) the absence of developed legal structures governing private or foreign investment and private property; (v) the potential for higher rates of inflation or hyper-inflation; (vi) currency risk and the imposition, extension or continuation of foreign exchange controls; (vii) interest rate risk; (viii) credit risk; (ix) lower levels of democratic accountability; (x) differences in accounting standards and auditing practices which may result in unreliable financial

information; (xi) different corporate governance frameworks; (xii) lack of quality, timing and reliability of official data published by governments or government agencies; and (xiii) political instability due to government or military intervention in decision making, terrorism, civil unrest, extremism, hostilities between neighbouring countries and anti-western views.

The emerging markets or frontier markets risks described above increase counterparty risks for those Portfolios invested in these markets. In addition, investor risk aversion to emerging markets or frontier markets can have a significant adverse effect on the value and/or liquidity of investments made in or exposed to such markets and can accentuate any downward movement in the actual or anticipated value of such investments which is caused by any of the factors described above.

Emerging markets or frontier markets are characterised by a number of market imperfections, analysis of which requires long experience in the market and a range of complementary specialist skills. These inefficiencies include: (i) the effect of politics on sovereign risk and asset price dynamics; (ii) institutional imperfections in emerging markets, such as deficiencies in formal bureaucracies and historical or cultural norms of behaviour at the level of individual economic factors; (iii) the fact that asset classes in emerging markets are still developing and the information driving markets is a small proportion of the available information, and underlying development and sovereign risk fundamentals may take days, months and sometimes years to impact asset prices; (iv) liquidity imperfections and the unpredictability of market concentration; and (v) information asymmetries, most typically the result of experience and local knowledge and the fact that some market participants have access to relevant market information that others do not. AHL Partners LLP will seek to take advantage of these market imperfections to achieve the investment objectives of the relevant Funds. It is not, however, guaranteed that it will be able to do so at any time.

In the recent past, the tax systems of some emerging markets or frontier markets countries have been marked by rapid change, which has sometimes occurred without warning and has been applied with retroactive effect. In these countries, a large national budget deficit often gives rise to an acute government need for tax revenues, while the condition of the economy has reduced the ability of potential taxpayers to meet their tax obligations. In some cases, there is widespread non-compliance with tax laws, insufficient personnel to deal with the problem and inconsistent enforcement of the laws by the inexperienced tax inspectors.

In addition, the market practices in relation to settlement of securities transactions and custody of assets may not be as developed as in developed countries, increasing the risk of conducting transactions in those countries.

**Legal Risk Relating to Investments in Emerging Markets.** Many of the laws that govern private and foreign investment, securities transactions, creditors' rights and other contractual relationships in emerging markets are new and largely untested. As a result, the Funds may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of

regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations. Regulatory controls and corporate governance of companies in developing countries may confer little protection on investors. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty is also limited when compared to such concepts in developed countries. In certain instances, management may take significant actions without the consent of investors. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on a Fund and its operations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of emerging market countries in which securities are invested.

**Risk of Errors and Omissions in Information Relating to Emerging Markets.**

Companies in emerging countries are generally subject to less stringent and less uniform accounting, auditing and financial reporting standards, practices and disclosure requirements than those applicable to companies in developed countries. In particular, valuation of assets, depreciation, exchange differences, deferred taxation, contingent liabilities and consolidation may be treated differently from accounting standards in more developed countries. Consequently, there is less publicly available information about an emerging country company than about a company in a developed market. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the statistics being reported.

**No Attempt at Complete Hedging.** While AHL Partners LLP may employ 'market neutral' or 'relative value' hedging or arbitrage strategies on behalf of certain Funds, this does not imply that exposure to the Funds is without risk. Substantial losses may be recognized on 'hedge' or 'arbitrage' positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every market neutral or relative value strategy involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar maturity and coupon government bonds or the price spread between different classes of stock of the same issuer. Further, many 'market neutral' Funds employ limited directional strategies which expose the Funds to certain market risk.

**Markets May Be Illiquid.** At times, it may not be possible for AHL Partners LLP on behalf of the Funds to obtain execution of a buy or sell order at the desired price or to liquidate an open position, either due to market conditions on exchanges or due to the operation of 'daily price fluctuation limits' or 'circuit breakers.' For example, most U.S. commodity exchanges limit fluctuations in most futures contract prices during a single day by regulations referred to as 'daily price fluctuation limits' or 'daily limits.' During a single trading day, no trades may be executed at prices beyond the daily limit. Futures contract prices occasionally have moved to the daily limit for several consecutive days with little or no trading.

Even when futures prices have not moved to the daily limit, AHL Partners LLP might not be able to obtain execution of trades at favorable prices if little trading in the contracts which AHL Partners LLP wishes to trade is taking place. Also, an exchange or governmental authority may suspend or restrict trading on an exchange (or in particular futures traded on an exchange) or order the immediate settlement of a particular instrument.

Options trading may be restricted in the event that trading in the underlying instrument becomes restricted. Options trading also may be illiquid at times regardless of the condition of the market in the underlying instrument. In either event, it will be difficult for AHL Partners LLP to realize gain or limit losses on option positions by offsetting them or to change positions in the market. Trading in over-the-counter ("OTC") derivative instruments is conducted with individual counterparties rather than on organized exchanges. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and asked price.

**Illiquid Securities.** AHL Partners LLP may invest on behalf of certain Funds in thinly traded or illiquid securities. Securities may be illiquid because of contractual restrictions, because no significant trading market has developed for them because they are interests in private investment vehicles for which no trading market exists or because they are investments in privately held companies in which no trading market exists. AHL Partners LLP may find it difficult to dispose of or to obtain accurate price quotations for thinly traded or illiquid securities and it may take longer to liquidate positions in such securities than would be the case for more actively traded or liquid securities. In addition, inactive or low volume trading markets typically experience more volatility than higher volume markets. The prices realized on the resale of illiquid securities could be less than those originally paid by a client and lower than the price at which similar securities which are not subject to restrictions on resale may sell.

**Financing Arrangements.** As a general matter, the banks and dealers that provide financing to the Funds can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of such policies may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that any Fund will be able to secure or maintain adequate financing.

**Currencies.** AHL Partners LLP may cause the Funds to trade in currencies on a speculative basis. Currency trading involves positioning in anticipation of movements in exchange rates among countries. Exchange rates can change dramatically over short periods of time, particularly during times of political or economic unrest or as a result of actions taken by central banks, which may be intended directly to affect prevailing exchange rates.

**AHL Partners LLP Analyzes Primarily Technical Market Data, Not Any Economic Factors External to Market Prices.** The strategies used by AHL Partners LLP on behalf of certain Funds focus almost exclusively on statistical analysis of market prices. Consequently, any factor external to the market itself which dominates prices is likely to cause

major losses. For example, a pending political or economic event may be very likely to cause a major price movement, but AHL Partners LLP would not adjust its positions until its program indicated that it should do so as a result of market price movements.

**Certain Discretionary Aspects of AHL Partners LLP's Strategies.** Although AHL Partners LLP applies highly systematic strategies, these strategies may retain certain discretionary aspects. Decisions, for example, to adjust the size of positions indicated by the systematic strategies, which futures contracts to trade and method of order entry, require judgmental input from AHL Partners LLP's principals. Discretionary decision-making may result in AHL Partners LLP making unprofitable trades in situations when a more wholly systematic approach would not have done so.

**Increased Competition Among Trend-Following Traders Could Reduce the Funds Profitability.** AHL Partners LLP believes that there has been, over time, a substantial increase in interest in technical trading systems, particularly trend-following systems. As the assets under the management of trading systems based on the same general principles increase, an increasing number of traders may attempt to initiate or liquidate substantial positions at or about the same time as AHL Partners LLP, or otherwise alter historical trading patterns or affect the execution of trades, to the significant detriment of the Funds.

**Decisions Based on Trends and Technical Analysis.** The trading decisions of AHL Partners LLP will be based in part on trading strategies which utilize mathematical analyses of technical factors relating to past market performance. The buy and sell signals generated by a technical, trend-following trading strategy are based upon a study of actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest in the markets. The profitability of any technical, trend-following trading strategy depends upon the occurrence in the future of significant, sustained price moves in some of the markets traded. The Funds may incur substantial trading losses: during periods when markets are dominated by fundamental factors that are not reflected in the technical data analyzed by the program; during prolonged periods without sustained moves in one or more of the markets traded; or during 'whip-saw' markets, in which potential price trends start to develop but reverse before actual trends are realized.

In the past there have been prolonged periods without sustained price moves in various markets. Presumably, such periods will recur. A series of volatile reverses in price trends may generate repeated entry and exit signals in trend-following systems, resulting in unprofitable transactions and increased brokerage commission expenses. Technical, trend-following trading systems are used by many other traders. At times, the use of such systems may: result in traders attempting to initiate or liquidate substantial positions in a market at or about the same time; alter historical trading patterns; obscure developing price trends; or affect the execution of trades.

**Technical Strategies.** The trading strategies utilized by AHL Partners LLP on behalf of certain Funds may be primarily technical. Technical Strategies rely on the analysis of

historical and current market data, positing that market prices represent the collective input of millions of market participants. Technical strategies are subject to the risk that unexpected fundamental or other factors may dominate the market during certain periods. Furthermore, a frequent premise of technical strategies is that past market conditions are indicative of future market prices. The influx of different market participants, structural changes in the markets (for example, the introduction of new financial products and other developments) could materially adversely affect the profitability of technical strategies.

**Trading System Risk.** AHL Partners LLP's strategies on behalf of certain Funds require the use of its quantitative analytical systems. As market dynamics (for example, due to changed market conditions and participants) shift over time, a previously highly successful system often becomes outdated or inaccurate, perhaps without AHL Partners LLP recognizing that fact before substantial losses are incurred. There can be no assurance that AHL Partners LLP will be successful in developing and maintaining effective systems, and the necessity of continuously updating these systems demonstrates that past results may not be representative of the Funds' future performance.

**Model and Data Risk.** For certain investments, AHL Partners LLP relies heavily on quantitative models (both proprietary models developed by AHL Partners LLP, and those supplied by third parties) and information and data supplied by third parties ("Models and Data") rather than granting trade-by-trade discretion to AHL Partners LLP's investment professionals. Models and Data are used to construct sets of transactions and investments, to value investments or potential investments, to provide risk management insights and to assist in hedging the Fund investments.

When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Funds to potential risks. For example, by relying on Models and Data, AHL Partners LLP may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favourable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. Furthermore, when determining the Net Asset Value of the Company, any valuations of the Fund's investments that are based on valuation models may prove to be incorrect.

Some of the models used by AHL Partners LLP are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behaviour, leading to potential losses on a cash flow and/or a mark-to-market basis. In addition, in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind), such models may produce unexpected results, which can result in losses for the Funds. Furthermore, because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data.

All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting valuations will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative securities.

**Obsolescence Risk.** AHL Partners LLP is unlikely to be successful in its quantitative trading strategies unless the assumptions underlying the models are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and AHL Partners LLP does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. AHL Partners LLP will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. Any modification of the models or strategies will not be subject to any requirement that shareholders receive notice of the change or that they consent to it. There can be no assurance as to the effects (positive or negative) of any modification on the Funds' performance.

**Crowding/Convergence.** There is significant competition among quantitatively-focused managers and the ability of AHL Partners LLP to deliver returns to certain Funds that have a low correlation with global aggregate equity markets and other hedge funds is dependent on its ability to employ models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that AHL Partners LLP is not able to develop sufficiently differentiated models, a Fund's investment objectives may not be met, irrespective of whether the models are profitable in an absolute sense. In addition, to the extent that AHL Partners LLP's model comes to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect the Funds is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace.

**Risk of Programming and Modeling Errors.** The research and modeling processes engaged in by AHL Partners LLP on behalf of certain Funds is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although AHL Partners LLP seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raise the chances that the finished model may contain an error; one or more of such errors could adversely affect the Funds' investment performance and likely would not constitute a trade error under AHL Partners LLP's policies.

**Involuntary Disclosure Risk.** The ability of AHL Partners LLP to achieve its investment goals for certain Funds is dependent in large part on its ability to develop and protect its models and proprietary research. The models and proprietary research and the

Models and Data are largely protected by AHL Partners LLP through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer AHL Partners LLP's models, and thereby impair the relative or absolute performance of the Funds' investments.

**Strategy Risk.** The Funds are subject to strategy risk. Strategy risk is associated with the failure or deterioration of an entire strategy. Strategy specific losses can result from excessive concentration in the same investment or broad market events that adversely affect particular strategies (e.g., illiquidity within a given market). The strategies employed by AHL Partners LLP are speculative and involve substantial risk of loss.

In addition, trend-following futures and forward trading systems generally anticipate that most of their positions will be unprofitable; they are dependent on major gains in a limited number of positions for overall success. Accordingly, AHL Partners LLP cannot trade profitably unless there are major price trends in at least some of the markets it trades. Market conditions may result in which prices move rapidly in one direction, then reverse and then reverse again. In such cases AHL Partners LLP, on behalf of the Funds, may establish positions on the basis of incorrectly identifying the rapid movement or reversal as a trend, resulting in substantial losses. In trendless markets, there is less chance that the Funds will be profitable. The trading decisions are based on technical systems and not on an analysis of economic factors and therefore may be less responsive to continuously changing markets. The success of the Funds may be substantially dependent on general market conditions, not necessarily the same market conditions which would already affect the stock and bond markets but, for example, trendless periods in the futures markets over which AHL Partners LLP has no control. There also has been an increase in interest in technical trading systems, particularly trend-following systems. As the assets under the management of trading systems based on the same general principles increase, an increasing number of traders may attempt to initiate or liquidate substantial positions at or about the same time as AHL Partners LLP causes the Funds to do so, or otherwise alter historical trading patterns or affect the execution of trades, to the detriment of the Funds. In 2007, a number of trend-following programs incurred material losses.

**Current Market Conditions and Governmental Actions.** Beginning in the fourth quarter of 2008, world financial markets experienced extraordinary market conditions, including, among other things, extreme losses and volatility in the commodities and securities markets and the failure of credit markets to function. These events have largely been attributed to the combination of a real estate bubble in the United States and the securitization and deregulation of real estate mortgages in a way that made the risks of mortgage-backed securities difficult to assess. In reaction to these events, regulators in the U.S. and several other countries undertook unprecedented regulatory actions. Today, such regulators continue to consider and implement additional measures to stabilize and encourage growth in U.S. and



global financial markets. Nevertheless, it is uncertain whether the regulatory actions taken by regulators or any other regulatory actions will be able to prevent further losses and volatility in commodities and securities markets, or stimulate the credit markets.

The Funds may be materially and adversely affected by the foregoing events, or by similar or other events in the future. In the long term, there may be significant new regulations that could limit AHL Partners LLP's activities and investment opportunities on behalf of the Funds or change the functioning of capital markets, and there is the possibility the severe worldwide economic downturn could continue for a period of years. Consequently, AHL Partners LLP may not be capable of, or successful at, preserving the value of the Funds, generating positive investment returns or effectively managing the Funds' risks.

**Business and Regulatory Risks of Hedge Funds.** Legal, tax and regulatory changes are likely to occur during the term of the Funds and some of these changes may adversely affect the Funds, perhaps materially. The financial services industry generally, and the activities of hedge funds and their managers, in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Funds' exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on AHL Partners LLP and affiliates, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may direct AHL Partners LLP's and affiliates' attention and resources from portfolio management activities.

In addition, futures and securities markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions.

In July 2010, the U.S. President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which aims to reform various aspects of the U.S. financial markets. The Dodd-Frank Act covers a broad range of market participants including banks, non-banks, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders, broker-dealers and investment advisers. The Dodd-Frank Act directly affects AHL Partners LLP and affiliates by mandating additional new reporting requirements, including, but not limited to, position information, use of leverage and counterparty and credit risk exposure. The new reporting requirements will impose additional burdens on AHL Partners LLP's and affiliates' time, attention and resources. The Dodd-Frank Act may also affect the Funds in a number of other ways. The Dodd-Frank Act creates the Financial Stability Oversight Council (the "Council") that is charged with monitoring and mitigating systemic risk. As part of this responsibility, the Council would have the authority to subject banks and other financial firms to regulation by the Federal Reserve Board, which could limit the amount of risk-taking engaged in by the Funds.

It is impossible to predict what, if any, changes in regulation applicable to the Funds, AHL Partners LLP or affiliates, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. The effect of any future regulatory change on the Funds could be substantial and adverse.

Investors should understand that the Funds' business is dynamic and is expected to change over time. Therefore, the Funds may be subject to new or additional regulatory constraints in the future. This document cannot address or anticipate every possible current or future regulation that may affect AHL Partners LLP, affiliates, the Funds or their respective businesses. Such regulations may have a significant impact on the investors or the operations of the Funds, including, without limitation, restricting the types of investments the Funds may make, preventing the Funds from exercising its voting rights with regard to certain financial instruments, requiring the Funds to disclose the identity of their investors, its positions or otherwise. AHL Partners LLP or affiliates may cause the Funds to be subject to such regulations if it believes that an investment or business activity is in the Funds' interest, even if such regulations may have a detrimental effect on one or more investors.

**Regulatory Oversight – Financial Services Industry.** Banking institutions in which AHL Partners LLP may cause the Funds to invest may be subject to extensive regulation, supervision and examination by regulators. Regulatory authorities in certain jurisdictions have extensive discretion in connection with supervision and enforcement activities applicable to banks. In many instances, an extensive regulatory regime governs all aspects of a financial institution's activities and, thus, may have an adverse effect on its business, financial position or results of operation.

The results of operations of banking institutions also may be materially affected by general economic conditions, changes in the level of interest rates, national and local cycles in real estate, and the monetary and fiscal policies of applicable authorities. Although in recent years certain banking institutions have derived an increased portion of their income from the receipt of fees, the results of operations generally continue to depend to a large extent on the level of their net interest income.

**Enhanced regulation of the OTC derivatives markets.** The European Market Infrastructure Regulation ("EMIR") seeks comprehensively to regulate the OTC derivatives market in Europe for the first time including, in particular, imposing mandatory central clearing, trade reporting and, for non-centrally cleared trades, risk management obligations on counterparties. Similarly, the Dodd-Frank Act includes provisions that comprehensively regulate the OTC derivatives markets for the first time. The Dodd-Frank Act will require that a substantial portion of OTC derivatives must be executed in regulated markets and submitted for clearing to regulated clearinghouses. Although the Dodd-Frank Act includes limited exemptions from the clearing and margin requirements for so-called "end-users", the Funds may not be able to rely on such exemptions. In addition, the OTC derivative dealers with which AHL Partners LLP, on behalf of the Funds, executes the majority of its OTC derivatives will not be able to rely on the end-user exemptions under the Dodd-Frank Act and therefore

such dealers will be subject to clearing and margin requirements notwithstanding whether the Company is subject to such requirements. Taken together, these regulatory developments will increase the OTC derivative dealers' costs, and these increased costs are expected to be passed through to other market participants in the form of higher upfront and mark-to-market margin, less favourable trade pricing, and possible new or increased fees.

The SEC or the CFTC may also require a substantial portion of derivatives transactions that are currently executed on a bi-lateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Similarly, under EMIR, European regulators may require a substantial proportion of such derivatives transactions to be brought on exchange and/or centrally cleared. Such requirements may make it more difficult and costly for investment funds, including the Funds, to enter into highly tailored or customised transactions. They may also render certain strategies in which AHL Partners LLP might otherwise engage on behalf of the Funds impossible or so costly that they will no longer be economical to implement. They may also increase the overall costs for OTC derivative dealers, which are likely to be passed along, at least partially, to market participants in the form of higher fees or less advantageous dealer marks. The overall impact of EMIR and the Dodd-Frank Act on the Funds is highly uncertain and it is unclear how the OTC derivatives markets will adapt to these new regulatory regimes.

**Enhanced regulation of short sales and credit default swaps.** Since November 2012, short sales and credit default swaps have been subject to the provisions of the EU Regulation on Short Selling and certain aspects of Credit Default Swaps (the "Short Selling Regulation"), which was published in the Official Journal of the European Union on 24 March 2012. The Short Selling Regulation introduces restrictions and disclosure requirements for persons taking short positions in EU shares and sovereign bonds, and prohibits entering into uncovered credit default swaps in relation to EU sovereign debt (i.e., where the investor does not have an exposure that it is seeking to hedge either to the sovereign debt itself or to assets or liabilities whose value is correlated to the sovereign debt). In addition, the Short Selling Regulation permits the competent authorities of EU Member States to prohibit or restrict short sales, limit sovereign credit default swaps and impose emergency disclosure requirements, among other things, during times of stressed markets. Competent authorities may also restrict short sales of individual financial instruments which have suffered a significant fall in price in a single day.

Provisions of the Dodd-Frank Act and new rules promulgated by the SEC may increase the costs of short selling, make interactions with the issuers of securities being sold short more difficult and alter the prices or timing of short sales. The Dodd-Frank Act requires broker-dealers to provide notices to their customers that inform them of their right to opt out of allowing broker-dealers to use their fully paid securities for short sales. In the event that many broker-dealer customers opt out of allowing their fully paid shares to be used in short selling, locating shares for pre-borrowing may become more expensive, especially after the adoption of the SEC's 2008 short selling rules, which were targeted at preventing "naked short selling". Moreover, the SEC's "Circuit Breaker Uptick Rule", will limit the Company's ability to sell

securities short during the day a stock has declined 10% on its listing market and the following day, except for transactions that are at a price that are above the last national best bid.

The provisions of the SEC rules and the Short Selling Regulation may prevent AHL Partners LLP from causing the Funds to take positions that it considers favourable. They may also result in overvaluations of certain financial instruments due to restrictions on market efficiency. In addition, the SEC's "Circuit Breaker Uptick Rule" and the emergency powers granted under the Short Selling Regulation to competent authorities during times of stressed markets and with respect to individual financial instruments, may adversely affect the Funds by preventing AHL Partners LLP from taking hedging positions or other positions that it considers to be in the Funds' best interests. The imposition of emergency measures under the Short Selling Regulation could, therefore, result in substantial losses to the Funds.

**Systemic Risk.** Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which AHL Partners LLP, on behalf of the Funds, interacts on a daily basis.

**The Danger to the Funds of "Whipsaw" Markets.** The most unprofitable markets for the Funds are likely to be those in which prices "whipsaw," moving quickly upward, then reversing, then moving upward again, then reversing again. In such conditions, AHL Partners LLP, on behalf of the Funds, is likely to establish a series of losing positions based on incorrectly identifying both the brief upward or downward price movements as trends.

**Execution, Market and Liquidity Risks.** AHL Partners LLP, on behalf of the Funds, may make investments or hold trading positions in markets that are volatile and which may become illiquid. Timely divestiture or sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which it may be a party, and changes in industry and government regulations. It may be impossible or costly for AHL Partners LLP to liquidate positions rapidly in order to meet margin calls, redemption requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. Furthermore, if a Fund incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, the counterparties of a Fund could incur losses of their own, thereby weakening their financial condition and increasing the Funds' credit risk to them. Trading orders for the Funds may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, trading volume surges or systems failures attributable to the Funds, AHL Partners LLP, the counterparties of a Fund, brokers, dealers, agents or other service providers. In such event, AHL Partners LLP might only be able to acquire or dispose of some, but not all,

of the components of such position, or if the overall position were to need adjustment, AHL Partners LLP might not be able to make such adjustment. As a result, a Fund would not be able to achieve the market position selected by AHL Partners LLP, which may result in a loss.

**Concentration.** There are no limits on AHL Partners LLP's investment discretion with respect to the Funds. At any given time, it is therefore possible that a Fund's portfolio could become significantly concentrated in any one issuer, industry, sector, strategy, country or geographic region, and such concentration of risk may increase the losses suffered by the Fund. In addition, it is possible that AHL Partners LLP may select investments that are concentrated in a limited number or type of financial instruments. This limited diversity could expose a Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

**Leverage; Interest Rates; Margin.** AHL Partners LLP may use leverage on behalf of the Funds by trading on margin and/or through other direct and indirect borrowings, which at times may be substantial. The use of leverage has attendant risks and can substantially increase the adverse impact to which a client's investment portfolio may be subject. In addition, the leverage used by AHL Partners LLP will be subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, AHL Partners LLP's use of short-term margin borrowings may result in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call," pursuant to which the portfolio must 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 the value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to pay off its margin debt. When AHL Partners LLP purchases an option in the U.S., there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

AHL Partners LLP may leverage the Funds' investment positions by borrowing funds from securities broker-dealers, banks or others, including pursuant to repurchase arrangements and/or deferred purchase agreements. Leverage may also take the form of, without limitation, any of the securities described herein, including derivative instruments which are inherently leveraged and trading in products with embedded leverage such as options, short sales, swaps and forwards. Such leverage increases both the possibilities for profit and the risk of loss. Borrowings will typically be secured by the securities and other assets held by the Funds. Under certain circumstances, such a lender may demand an increase in the collateral that secures a Fund's obligations and if AHL Partners LLP were unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy a Fund's obligations. Liquidation in that manner could have extremely adverse consequences. In addition, interest

rates will typically be affected by economic factors including, without limitation, inflation, lending rates established by central banks or similar governmental agencies, availability of credit, liquidity in the markets, and the pace of economic growth. The amount of AHL Partners LLP's borrowings and the interest rates on those borrowings, which will fluctuate, may have a significant effect on a Fund's profitability.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage. A relatively small movement in the price of a futures contract may result in immediate and substantial loss or gain to a trader holding a position in such contract. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Consequently, like other leveraged investments, a futures trade may result in losses in excess of the amount invested. Forward contracts involve similar leverage and also may require deposits of margin as collateral. Swaps and OTC derivative instruments are also highly leveraged transactions.

**Risks of Clearing Houses, Counterparties or Exchange Insolvency.** The liquidity of a secondary market in derivatives is subject to the risk of trading halts, suspensions, exchange or clearing house equipment failures, government intervention, insolvency of a brokerage firm, clearing house or exchange or other disruptions of normal trading activity, including prime brokers refusing to clear or settle any trade.

AHL Partners LLP may cause the assets of the Funds to be held in one or more accounts maintained for the Funds by counterparties, including, without limitation, its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of the counterparties accounts is likely to impair the operational capabilities or the assets of AHL Partners LLP's clients. If one or more of the counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of the Funds' securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. In addition, AHL Partners LLP may use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to an Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Fund and its assets. Insolvency of any of the counterparties would result in a loss to the applicable Funds, which could be material.

**Reliance on the Integrity of Financial and Economic Reporting.** The trading strategies employed by AHL Partners LLP on behalf of the Funds rely on the financial,

economic and economic policy data made available by companies, governmental agencies, rating agencies, exchanges, professional services firms and central banks. Data on past market prices can have a material effect on the investment positions which AHL Partners LLP will take on behalf of the Funds. However, AHL Partners LLP generally has no ability independently to verify such financial, economic and/or economic policy data. AHL Partners LLP will be dependent upon the integrity of both the individuals and the processes by which such data is generated. The Funds could incur material losses as a result of the misconduct or incompetence of such individuals and/or a failure of or substantial inaccuracy in the generation of such information.

**Competition; Potential Strategy Saturation.** Certain markets in which AHL Partners LLP may cause the Funds to invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that AHL Partners LLP will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make such investments, which may result in increased competition to AHL Partners LLP in obtaining suitable investments. The amount of capital committed to futures trading strategies can be expected to increase dramatically in the near term due to the relative out performance of futures, as opposed to securities-based, strategies during 2008. The profit potential of the Funds may be materially reduced as a result of the "saturation" of this alternative investment field.

**Changing Market Conditions.** Certain changes in general market conditions — for example, persistent price stagnation with material and recurring price trends — could materially reduce the Funds' profit potential.

**Markets or Positions May Be Correlated.** Different markets traded or individual positions held by the Funds may be highly correlated to one another at times. Accordingly, a significant change in one such market or position may affect other such markets or positions. AHL Partners LLP cannot always predict correlation. Correlation may expose the Funds both to significant risk of loss and significant potential for profit.

**Volatility.** Commodity interest contracts are highly volatile and are subject to occasional rapid and substantial fluctuations. The profitability of a Fund may depend on the ability of AHL Partners LLP to predict these fluctuations accurately. Price movements for commodity interests are influenced by, among other things: (i) changes in interest rates; (ii) governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies; (iii) weather and climate conditions; (iv) changing supply and demand relationships; (v) changes in balances of payments and trade; (vi) rates of inflation; (vii) currency devaluations and revaluations; (viii) political and economic events; and (ix) changes in philosophies and emotions of market participants. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The

effects of governmental intervention may be particularly significant at certain times in certain markets, and this intervention may cause these markets to move rapidly.

In 2008, world commodity markets experienced extraordinary market conditions, including, among other things, extreme volatility. Prices and trading volumes for certain commodities have experienced significant volatility in recent months as dislocations in the equity and credit markets have caused inflows of capital and the entrance of new market participants into the commodity markets. Fundamental demand for commodities in developing countries, such as China and India, has also contributed to increased volatility in prices of certain commodities.

While volatility can create profit opportunities for the Funds, it can also create the specific risk, in the case of the Funds, that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur material losses. On the other hand, the lack of volatility can also result in losses for certain of AHL Partners LLP's strategies that profit from price movements.

**Ramp-Up Periods.** There may be a limited amount of suitable investment opportunities for the Funds, especially during a “ramp-up period,” with regard to each investment strategy pursued by AHL Partners LLP on behalf of the Funds. The duration of the “ramp-up period” is expected to vary with respect to each investment strategy employed by the Funds. This could cause the Funds to hold significant cash, which may be invested in a variety of financial instruments, including, without limitation, money market funds, U.S. treasury securities or any other instruments deemed appropriate by AHL Partners LLP. Long “ramp-up periods” and/or holding excess cash and investments in cash equivalent financial instruments may reduce the overall performance of the Funds.

**Interpositioning.** AHL Partners LLP may cause a Fund to execute over-the-counter bond trades on an agency basis rather than on a principal basis. In these situations, the broker used by AHL Partners LLP may acquire or dispose of a financial instrument through a market-maker (a practice known as “interpositioning”). The transaction may thus be subject to both a commission and a mark-up or mark-down. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain areas, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

**Stagnant Markets.** Although volatility is one indication of market risk in periods of trendless, stagnant markets and/or deflation, alternative investment strategies have materially diminished prospects for profitability.

**Currency Exchange Exposure.** AHL Partners LLP, on behalf of the Funds, may invest in instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. AHL Partners LLP, however, values its instruments in U.S. dollars. AHL Partners LLP may or may not seek to hedge its non-U.S. dollar currency exposure by entering into currency hedging transactions, such as treasury locks,



forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when AHL Partners LLP wishes to use them, or that hedging techniques employed by AHL Partners LLP will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of AHL Partners LLP's positions in non-U.S. dollar denominated investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. Such fluctuations may result in a loss to the Funds.

**Cash Flow.** Futures contract gains and losses may be marked-to-market daily for purposes of determining margin requirements. Option positions generally are not, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options, there may be periods in which positions on both sides must be closed down prematurely due to short term cash flow needs. Were this to occur during an adverse move in a spread or straddle relationship, a substantial loss could occur.

**Market Disruptions; Governmental Intervention.** The Funds may incur major losses in the event of disrupted markets, and extraordinary events may cause actual market prices to deviate materially from historical pricing relationships (on which AHL Partners LLP bases a number of its trading positions). The risk of loss from a disconnect from historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The global financial markets have recently undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention.

The U.S. government's 2008 "bailout" of a range of financial institutions was the largest governmental intervention in the history of the U.S. financial markets. Since 2008, the U.S. government has imposed new requirements and restrictions and is likely to require that additional restrictions be applied to the U.S. financial markets, restrictions which may have a material adverse impact on both the future competitiveness of these markets as well as the profit potential of the Funds. The government is focused on increased financial regulation involving both the securities markets and futures markets.

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 AHL Partners LLP's strategies for the Funds. However, AHL Partners LLP believes that there is a high likelihood of significantly increased regulation of the financial markets, and that such increased regulation could be materially detrimental to the Funds.

**Changes in Strategy.** AHL Partners LLP has broad investment authority, and may trade in any type of security, issuer or group of related issuers, country, region and sector that it believes will help the Funds achieve investment objectives. AHL Partners LLP may also invest in and utilize, in order to manage or mitigate risk, currency spot and forward contracts,

currency and interest rate futures contracts, "over the counter" and exchange-listed options and options on futures contracts. Additionally, the strategies that AHL Partners LLP may pursue for the Funds are not limited to the strategies described herein; furthermore, such strategies may change and evolve materially over time. AHL Partners LLP will opportunistically implement whatever strategies, techniques and discretionary approaches, as well as such other investment tactics, as it believes from time to time may be suited to prevailing market conditions. AHL Partners LLP may utilize such leverage, position size, duration and other portfolio management techniques as it believes are appropriate for the Funds. In addition, any new investment strategy, technique and tactic developed by AHL Partners LLP may be more speculative than earlier investment strategies, techniques and tactics and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Funds. Investors will not generally be informed of any changes in AHL Partners LLP's strategies, techniques, discretionary approach and tactics. There can be no assurance that AHL Partners LLP will be successful in applying its approach and there is material risk that an investor may suffer significant impairment or total loss of its capital.

**Hedging Transactions.** AHL Partners LLP is not required to attempt to hedge the Funds' portfolio positions. Furthermore, AHL Partners LLP may not anticipate a particular risk so as to hedge against it. AHL Partners LLP may utilize a variety of financial instruments (including options and derivatives), both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of a Fund's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of a Fund's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a Fund's portfolio; (v) hedge the interest rate or currency exchange rate on any of the liabilities or assets of a Fund; (vi) protect against any increase in the price of any securities AHL Partners LLP anticipates purchasing at a later date; or (vii) for any other reason that AHL Partners LLP deems appropriate. The success of AHL Partners LLP's hedging strategy is subject to its ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when AHL Partners LLP hedges portfolio positions for a Fund is also subject to AHL Partners LLP's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While AHL Partners LLP may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Fund than if AHL Partners LLP had not engaged in any such hedging transactions. For a variety of reasons, AHL Partners LLP may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Fund from achieving the intended hedge or expose a Fund to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings for a Fund.

**Trade Execution Risk.** The efficacy of investment and trading strategies depends largely on the ability to establish and maintain an overall market position in a combination of financial instruments. Trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, a portfolio might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, a portfolio might not be able to make such adjustment. As a result, the portfolio would not be able to achieve the market position selected by AHL Partners LLP and might incur a loss in liquidating its position.

**Possible Ineffectiveness of Risk Reduction Techniques.** AHL Partners LLP may employ various risk reduction strategies designed to minimize the risk of the Funds' trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement, and when possible will not always be effective in limiting losses. If AHL Partners LLP analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with the Funds' investments, such risk reduction techniques could increase rather than mitigate losses. These risk reduction techniques may also increase the volatility of the Funds and/or result in a loss if the counterparty to the transaction does not perform as promised. Moreover, even though AHL Partners LLP may employ "stop loss" orders on individual positions, there is no assurance that any such order will be executed at or near the desired "stop loss" level.

**Start-Up Periods.** AHL Partners LLP on behalf of the Funds may encounter start-up periods during which it may incur certain risks relating to the initial investment of newly contributed assets. Moreover, the start-up periods also represent a special risk in that the level of diversification of the portfolio may be lower than in a fully-committed portfolio. AHL Partners LLP may employ different procedures for moving to a fully committed portfolio. These procedures will be based in part on market judgment. No assurance can be given that these procedures will be successful.

**Developing Strategies.** AHL Partners LLP is continually developing and refining new strategies. AHL Partners LLP or its affiliates typically use proprietary funds in testing and developing new strategies. However, AHL Partners LLP may allocate a portion of the Funds' capital to developing strategies. These strategies may lose all or most of the capital allocated to them. AHL Partners LLP is not restricted from using the Funds' capital in developing and incubating new strategies, even if AHL Partners LLP has limited or no experience in such strategies. There can be no assurance that AHL Partners LLP will be successful in implementing these strategies or such other strategies as AHL Partners LLP may from time to time develop and implement for the Funds or that the Funds will not suffer losses during the development stage.

**Short Selling.** Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the

securities. The extent to which AHL Partners LLP engages in short sales depends upon its investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to AHL Partners LLP of buying those securities on behalf of a Fund to cover the short position. There can be no assurance that AHL Partners LLP will be able to maintain, on behalf of a Fund, the ability to borrow securities sold short. In such cases, AHL Partners LLP can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In a short sale, a Fund would ordinarily be entitled to receive payments (at rates based in part on prevailing short-term "money market" rates) with respect to such proceeds. To complete such a transaction, AHL Partners LLP would generally, on behalf of a Fund, borrow the security sold in order to make delivery to the buyer. The proceeds of the short sale would generally be retained by the broker, to the extent necessary to meet margin requirements, until the short position is closed out. AHL Partners LLP may be required to pay, on behalf of a Fund, a premium to the lender of the securities, which would increase the cost of the security sold. The Fund would generally be obliged to replace any securities borrowed by purchasing them at the market price at the time of replacement. The Fund may be obliged to return the securities borrowed at any time. The price at such time may be more or less than the price at which the security was sold by AHL Partners LLP. Until the security is replaced, the Fund is generally required to pay to the lender amounts equal to any dividends or interest which accrue on the securities borrowed during the period of the loan. The Fund will incur a loss as a result of the short sale if the price of the security increases between the date of the short sale and the date on which the Fund replaces a borrowed security and the Fund will realize a gain to the extent the security declines in price between those dates by an amount in excess of the costs incurred in effecting the short sale.

**Portfolio Turnover.** The turnover rate of the Funds' positions may be significant. Frequent trading may result in the Funds being "whipsawed" — trading out of positions starting to be profitable and into positions starting to be unprofitable. High portfolio turnover may result in higher investment costs and charges to those clients.

**Counterparty Risks.** AHL Partners LLP may establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit AHL Partners LLP to trade in any variety of markets or asset classes over time; however, there can be no assurance that AHL Partners LLP will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit AHL Partners LLP's trading activities, and could create losses, preclude AHL Partners LLP from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent AHL Partners LLP from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by

any such relationships before AHL Partners LLP establishes additional relationships could have a significant impact on AHL Partners LLP's business (and thus its clients) due to AHL Partners LLP's reliance on such counterparties. Some of the markets in which AHL Partners LLP may effect transactions are not "exchange-based," including "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. The lack of evaluation and oversight of over-the-counter markets exposes the Funds 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 Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where AHL Partners LLP has concentrated its transactions with a single or small group of counterparties. Generally, AHL Partners LLP will not be restricted from dealing with any particular counterparties. AHL Partners LLP's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of AHL Partners LLP's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by AHL Partners LLP's clients.

**Energy Markets.** AHL Partners LLP focuses its investment activities on behalf of certain of its Funds in the global energy markets, which are sensitive to, among other things, fluctuations in fuel supply and demand, interest rates, seasonal fluctuations, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation. The price of energy products has recently been, and may continue to be, volatile and may cause large fluctuations in the value of a Fund's assets. Among the factors that can cause volatility and wide fluctuations in the price of certain energy products are: (i) worldwide or regional demand for energy, which is affected by economic conditions; (ii) the domestic and foreign supply, availability of storage capacity and inventories of gas and oil; (iii) weather conditions, including abnormally mild winter or summer weather, and abnormally harsh winter or summer weather; (iv) availability and adequacy of pipeline and other transportation facilities; (v) U.S. and non-U.S. governmental regulations, tariffs and taxes; (vi) geopolitical conditions in gas or oil producing regions and countries, including the risk of nationalization of the natural gas, oil and related sectors; (vii) the ability of members of the organization of petroleum exporting countries ("OPEC") to agree upon and maintain oil prices and production levels; (viii) the price and availability of alternative fuels; (ix) international and regional trade contracts, (x) labor contracts; and (xi) the impact of energy conservation efforts. The Funds' portfolio may be affected by such factors. In addition, a slowdown in the global economy may affect the success of a Fund's energy-related activities because it may affect interest rates, availability of credit, inflation rates and currency exchange rates, which in turn may have a negative impact on the price and demand for certain energy products.

The energy industry is subject to comprehensive U.S. Federal, state, local and international laws and regulations. For example, environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, operate and abandon

natural gas and oil wells, while other laws have prevented exploration and drilling of natural gas in certain environmentally sensitive U.S. Federal lands and waters. Additionally, laws favoring the move toward hydro, solar and wind energies may have a negative impact on the price of traditional energy sources such as natural gas because of decreased demand. Regulation of the commodity interests and energy markets is extensive and constantly changing; future regulatory developments are impossible to predict but may significantly and adversely affect a Fund. The regulation of commodity interest transactions in the U.S. is a rapidly changing area of law and is subject to ongoing modification by governmental and judicial action. In addition, various national governments have expressed concern regarding the disruptive effects of speculative trading in the energy markets and the need to regulate the derivatives markets in general. The effect of any future regulatory change on the energy markets is impossible to predict, but could be substantial and adverse.

**“Risk of Ruin.”** While volatility is a widely accepted measure of the risk of a traditional debt or equity investment, it is also widely accepted that volatility does not fully reflect the risk of trading-based (as opposed to traditional “buy and hold”) strategies in that these strategies are subject — due to market disruption, illiquidity, “credit squeezes” and a variety of other factors — to incurring sudden and unprecedented losses. One of the best-known alternative investment strategy funds had virtually no downside volatility until it lost all of its equity in the course of two months. The Funds, in addition to being likely to have volatile performance, may also be subject to this “risk of ruin.”

**Off-Exchange Transactions.** AHL Partners LLP may cause the Funds to enter into off-exchange transactions, including spot, forward and option contracts. AHL Partners LLP may also cause the Funds to engage in swap transactions, consisting primarily of an exchange of a fixed price for an average floating price of a set quantity of a particular security or commodity or fixed income instrument over an agreed period of time and even purchase cash securities or commodities if market conditions are believed to be warranted. Off-exchange contracts are not regulated and such contracts are not guaranteed by an exchange or clearing house. Consequently, trading in these contracts is subject to more risks than future or options trading on regulated exchanges, including, but not limited to, the risk that a counterparty will default on an obligation. The counterparties will typically not be required to post collateral. Off-exchange transactions are also subject to legal risks, such as the legal incapacity of a counterparty to enter into a particular contract or the declaration of a class of contracts as being illegal or unenforceable.

**Pooled Investment Vehicles.** In the event that AHL Partners LLP seeks to pursue a Fund's investment strategy, either in whole or in part, through Affiliated Funds or pooled investment vehicles managed by third party managers, there can be no assurance that the managers of such pooled investment vehicles will be successful in their investment strategies. In addition, the risk factors referred to in this Item 8 may apply equally to any such pooled investment vehicles in which a Fund has invested and consequently, to the extent that a Fund invests in any such pooled investment vehicles, such risk factors should be interpreted accordingly as applying to both an investment in the Funds and the Funds' investment in such

pooled investment vehicles. In addition, AHL Partners LLP, on behalf of a Fund, may be restricted from redeeming from a pooled investment vehicle which may lead to a suspension of the redemption rights in the Funds. If AHL Partners LLP causes a Fund to invest in any Affiliated Funds, the performance compensation and management fee, but not the administrative fee (if any), may be waived by such Affiliated Funds.

**Exchange-Traded Funds.** AHL Partners LLP may cause the Funds to invest in exchange-traded funds ("ETFs"). An ETF trades like common stock and represents a fixed portfolio of securities designed to track a particular market index. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (a) the risk that their prices may not correlate perfectly with changes in the underlying index; and (b) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable. An exchange-traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based.

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

**Assumption of Business, Terrorism and Catastrophe Risks.** Opportunities involving the assumption by AHL Partners LLP, on behalf of the Funds, of various risks relating to particular assets, markets or events may be considered from time to time. A Fund's portfolio is subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events and events that could adversely affect the health or life expectancy of people. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by a Fund in assuming these risks and, depending on the size of the loss, could adversely affect the return of a Fund.

**Prime Brokers and Custodians.** Cash held by certain of the Funds' prime brokers may not be treated as client money subject to applicable regulatory requirements. Accordingly, a Fund's cash may not be segregated from the relevant prime broker's own money, may be used by it in the course of its investment business and the Fund may therefore rank as one of the relevant prime broker's unsecured creditors in relation thereto. In relation to a Fund's rights to the return of assets equivalent to those of its investments which a prime broker borrows, lends

or otherwise uses for its own purposes or margin the Fund will rank as one of such prime broker's unsecured creditors and in the event of the insolvency of such prime broker the Fund might not be able to recover such equivalent assets in full.

**Repurchase and Reverse Repurchase Agreements.** AHL Partners LLP may cause the Funds to enter into repurchase and reverse repurchase agreements. When AHL Partners LLP causes a Funds to enter into a repurchase agreement, it "sells" securities to a broker-dealer or financial institution, and agrees to repurchase such securities on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, AHL Partners LLP causes a Fund to "buy" securities issued from a broker-dealer or financial institution on behalf of a Fund, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by AHL Partners LLP on behalf of a Fund, involves certain risks. For example, if the seller of securities to a Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, AHL Partners LLP will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, AHL Partners LLP's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that AHL Partners LLP may not be able to substantiate the relevant Fund's interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, a Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

**Narrowing Credit Spreads.** AHL Partners LLP seeks to hedge against a "tail hedge" event, including the possibility that the widening of credit spreads is more likely than a tightening. If credit spreads were to narrow, it would result in an increase in the cost to the Funds of buying securities to cover the short position or resulting in the inability of the Funds to cover the short position.

**Fraud.** Of paramount concern for any investment is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying an investment. AHL Partners LLP will rely upon the accuracy and completeness of representations made by counterparties to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Funds may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Litigation Could Result in Substantial Additional Expenses.** The Fund may accumulate substantial positions in the securities of a company that becomes involved in proxy fights or other litigation or attempts to gain control of the company. Under those



circumstances, the Fund might be named as a defendant in a lawsuit or regulatory action. In addition, the outcome of such disputes, which may affect the value of the Fund, may be impossible to anticipate.

**Litigation and Enforcement Risk.** There may be violations by the Funds or AHL Partners LLP of the laws of the jurisdictions in which the Funds operate. Such violations may result in substantial liabilities for damages caused to others, for the disgorgement of profits realized and for penalties. It is possible that Funds themselves, as well as their investment managers, may be charged with involvement in any such violations.

### **C. Risks Associated With Particular Types of Securities.**

**Equity Securities.** The investment portfolio for the Funds may include equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete and industry market conditions and general economic environments. For example, beginning in September 2008, world financial markets experienced extraordinary market conditions resulting in extreme volatility in the global equity markets.

**Debt Securities.** AHL Partners LLP may cause the Funds to invest in private and government debt securities and instruments. Debt instruments in which AHL Partners LLP causes the Funds to invest may be unrated, and whether or not rated, the debt instrument may have speculative characteristics. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal. Such instruments are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations and involve major risk exposure to adverse conditions. In addition, an economic recession could severely disrupt the market for most of these securities and may have an adverse impact on the value of such instruments. It is also likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

**Base and Precious Metals Markets.** Investments in metal-related futures and forward futures contracts may be volatile. The value of metal-related instruments may fluctuate due to overall market movements and other factors affecting the price of metal-related instruments, such as inflation fears and international political events.

**Derivative Instruments Generally.** AHL Partners LLP may cause a Fund to use futures, options, swaps and other derivatives for investment purposes, for efficient portfolio management and to enhance investment performance. AHL Partners LLP's ability to use these strategies may be limited by market conditions, regulatory limits and tax considerations. Use of these strategies involves certain special risks, including: (i) dependence on AHL Partners LLP's ability to predict movements in the price of securities being hedged and movements in

interest rates; (ii) imperfect correlation between movements in the securities or currency on which a futures or options contract is based and movements in the securities or currencies; (iii) the absence of a liquid market for any particular instrument at any particular time; (iv) the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty; (v) possible impediments to effective portfolio management or the ability to meet repurchase requests or other short-term obligations because of the percentage of a Fund's assets segregated to cover its obligations; and (vi) the degree of leverage inherent in futures trading, *i.e.*, the low margin deposits normally required in futures trading means that futures trading may be highly leveraged. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to a Fund.

These instruments may produce an unusually or unexpectedly high amount of losses. In addition, AHL Partners LLP may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Funds and believed by AHL Partners LLP to be legally permissible. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Funds.

Derivatives are highly specialized instruments that require investment techniques and risk analyses that are often different from those associated with the underlying securities to which they relate. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions.

Liquidity risk exists when a particular derivative is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous time or price.

Because the markets for certain derivatives are relatively new and still developing, suitable derivatives transactions may not be available in all circumstances. Upon the expiration of a particular contract, AHL Partners LLP may wish to retain a Fund's position in the derivative by entering into a similar contract, but may be unable to do so if the counterparty to the original contract is unwilling to enter into the new contract and no other suitable counterparty can be found. AHL Partners LLP's ability to use derivatives may also be limited by certain regulatory and tax considerations.

When managing a Fund's exposure to market risks, AHL Partners LLP may from time to time use forward contracts, options, swaps, credit default swaps, caps, collars and floors or pursue other strategies or use other forms of derivative instruments to limit exposure to changes in the relative values of investments that may result from market developments, including

changes in prevailing interest rates, currency exchange rates and commodity prices. The success of any hedging or other derivative transactions generally will depend on the ability to correctly predict market changes, the degree of correlation between price movements of a derivative instrument, the position being hedged, the creditworthiness of the counterparty and other factors. As a result, while AHL Partners LLP may cause a Fund to enter into a transaction in order to reduce exposure to market risks, the transaction may result in poorer overall investment performance than if it had not been executed. Such transactions may also limit the opportunity for gain if the value of a hedged position increases.

**Futures Trading.** Transactions in futures contracts carry a high degree of risk. Though the futures contract usually only requires a much smaller amount of margin to be provided in comparison to the economic exposure which the futures contract provides to the relevant investment, index, rates, currency or physical commodity, investment in a futures contract creates a "gearing" or "leverage" effect. This means that a small margin payment can lead to enhanced losses as well as enhanced gains. It also means that a relatively small movement in the underlying reference investment, index, rate, currency or physical commodity can lead to a much larger proportional movement in the value of the futures contract. This may work against a Fund as well as work for it. Futures positions may be illiquid because, for example, many 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. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent AHL Partners LLP from promptly liquidating unfavorable positions and subject a Fund to substantial losses. In addition, AHL Partners LLP may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator 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. In addition, various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

For example, it is possible that an exchange or the Commodity Futures Trading Commission ("CFTC") may suspend trading in a particular futures contract, order immediate liquidation and settlement of a particular futures contract or order that trading in a particular contract be conducted for liquidation only. Similarly, trading in options on a particular futures contract may become restricted if trading in the underlying futures contract has become restricted.

United States commodity exchanges impose limits on the amount the price of some, but not all, futures contracts may change on a single day. Once a futures contract has reached its daily limit, it may be impossible for AHL Partners LLP on behalf of the Funds to liquidate a position in that contract, if the market has moved adversely to the Funds, until the limit is either raised by the exchange or the contract begins to trade away from the limit price.

**Forward Trading.** AHL Partners LLP may engage in trading forward contracts on behalf of certain Funds. A forward contract is a contractual obligation to buy or sell a specified quantity of a commodity at or before a specified date in the future at a specified price and, therefore, is similar to a futures contract without the protection afforded by regulated exchanges and clearinghouses. Banks and dealers act as principals in such markets. Neither the CFTC nor any banking authority currently regulates trading in forward contracts.

In addition, there is no limitation on the daily price movements of forward contracts. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls by governmental authorities may limit such forward trading to less than that which AHL Partners LLP would otherwise recommend, to the possible detriment of the Funds.

Through being caused to engage in forward trading by AHL Partners LLP, the Fund may be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Funds will trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on CFTC-regulated commodity brokers in respect of customer funds on deposit with them. AHL Partners LLP may also execute orders for the Funds in the forward markets through agents. The insolvency or bankruptcy of such agents could also subject the Funds to the risk of loss.

**Forward Contracts and Currency Transactions.** AHL Partners LLP may deal in forward foreign exchange contracts between currencies of different countries and multi-national currency units and options on currencies and on currency futures contracts for hedging or speculation. With respect to forward currency contracts, this is accomplished through contractual agreements generally to purchase or sell one specified currency for another currency at a specified future date and price determined at the inception of the contract. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record-keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or counterparty being

contracted with to fulfill its contract. As a result, trading in interbank foreign exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which AHL Partners LLP has caused a Fund to enter into a forward contract with. Although AHL Partners LLP, on behalf of the Funds, seeks to trade with reliable counterparties, failure by a counterparty to fulfill its contractual obligation could expose a Fund to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any currency market traded by AHL Partners LLP on behalf of the Funds, due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which AHL Partners LLP would otherwise recommend, to the possible detriment of a Fund. Market illiquidity or disruption could result in a major loss to a Fund.

**Speculative Position Limits May Restrict Futures Trading.** Speculative position limits prescribe the maximum net long or short futures contract and options positions which any person or group may hold or control in particular futures contracts. All futures contracts and options on futures contracts traded on commodity exchanges located in the United States, with the exception of contracts on certain major non-U.S. currencies, are subject to speculative position limits established either by the CFTC or the relevant exchange.

All trading accounts owned or managed by AHL Partners LLP and its principals will be combined for the purposes of speculative position limits. Such limits could adversely affect the profitability of the trading company and, consequently, of the Funds. For example, AHL Partners LLP could be required to liquidate futures positions at an unfavorable time in order to comply with such limits. However, AHL Partners LLP does not believe that existing speculative position limits will materially adversely affect its ability to manage the trading company's account.

**Options on Futures Contracts Are More Volatile Than Futures Contracts.** AHL Partners LLP may trade options on futures on behalf of the Funds. Options are speculative in nature and are highly leveraged. The purchaser of an option risks losing the entire purchase price of the option. The seller (writer) of an option risks losing the difference between the premium received for the option and the price of the underlying futures contract that the writer must purchase upon exercise of the option. Additionally, the seller and writer of the options lose any commissions and fees associated with such transactions. This could subject the writer to unlimited risk in the event of an increase in the price of the contract to be purchased or delivered. Successful trading of options on futures contracts requires a trader to accurately determine near-term market volatility because it often has an immediate impact on the price of outstanding options. Accurate determination of near-term volatility is more important to

successful options trading than it is to long-term futures contract trading strategies because such volatility generally does not have as significant an effect on the prices of futures contracts.

**Trading in Commodity Options.** AHL Partners LLP may trade options both on and off exchanges. Each option is a right, purchased for a certain price, to either buy or sell an underlying futures or forward contract or physical commodity during a certain period of time for a fixed price. Such trading involves risks substantially similar to those involved in trading futures and forward contracts as well as the additional risk that price volatility is a major component of option value. Even if the market moves in the direction of an option's "strike price," market volatility determines the value of such option.

The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option, the strike price of the option and the price of the instrument underlying the option, or the relevant reference price used to settle the option which the writer must purchase or deliver upon exercise of the option.

**Depository Receipts.** AHL Partners LLP may cause the Funds to purchase sponsored or unsponsored American Depositary Receipts, European Depositary Receipts and Global Depositary Receipts (collectively "Depository Receipts") typically issued by a bank or trust company which evidence ownership of underlying securities issued by a corporation. Generally, Depository Receipts in registered form are designed for use in the U.S. securities market and Depository Receipts in bearer form are designed for use in securities markets outside the U.S. Depository Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Depository Receipts may be issued pursuant to sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities trade in the form of Depository Receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities' underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depository Receipts.

**Trading in OTC Markets Will Expose the Funds to Risks Not Applicable to Trading on Organized Exchanges.** AHL Partners LLP on behalf of the Funds may engage in OTC derivative transactions, such as: currency forward contracts traded in the interbank market; options on currency forward contracts; and swap transactions. In general, there is much less governmental regulation and supervision of transactions in the OTC markets than of transactions entered into on organized exchanges. Most of the protections afforded to participants on U.S. and certain non-U.S. exchanges, such as daily price fluctuation limits and the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions.

Consequently, a Fund will be exposed to greater risk of loss through default than if it confined its trading to organized exchanges. A portion of the Funds' assets may be traded by AHL Partners LLP in forward contracts. Such forward contracts are not traded on exchanges and are executed directly through forward contract dealers. There is no limitation on the daily price moves of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and asked price. Arrangements to trade forward contracts may therefore experience liquidity problems. A Fund therefore will be subject to the risk of credit failure or the inability of or refusal of a forward contract dealer to perform with respect to its forward contracts. When trading currency forward contracts, AHL Partners LLP may cause a Fund to hedge the foreign currencies in order to limit the Fund's exposure to fluctuations in exchange rates. However, there is no guarantee that such hedging will be successful.

**Stock Index Options.** AHL Partners LLP may cause a Fund to purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether a Fund will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by AHL Partners LLP of options on stock indices will be subject to AHL Partners LLP's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

**Stock Index Futures.** The price of stock index futures contracts may not correlate perfectly with the movement in the underlying stock index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, futures contracts may close through offsetting transactions that would distort the normal relationship between the index and futures markets. Secondly, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of stock index futures contracts by AHL Partners LLP on behalf of the Funds is also subject to AHL Partners LLP's ability to correctly predict movements in the direction of the market.

**Call Options.** There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the gain by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying

security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money.

**Put Options.** There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

**Swap Agreements.** AHL Partners LLP may cause a Fund to enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease a Fund's exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. AHL Partners LLP is not limited to any particular form of swap agreement if consistent with the applicable Fund's investment objective. Whether AHL Partners LLP's use of swap agreements, on behalf of its clients, will be successful will depend on AHL Partners LLP's ability to select appropriate transactions for the Funds. Swap transactions may be highly illiquid and may increase or decrease the volatility of a Fund's portfolio. Moreover, a Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. A Fund also bears the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect AHL Partners LLP's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

**Exchanges for Physicals/Swaps/Risk.** While not a regular practice for AHL Partners LLP, it may in rare instances, on behalf of the Funds, engage in transactions known as exchanges for physicals ('EFP'), exchanges for swaps ('EFS'), or exchanges for risk/over-the-counter derivatives ('EFR'). An EFP/EFS/EFR is a purchase or sale of a spot commodity/swap/derivative, as applicable, in conjunction with an offsetting sale or purchase of a corresponding futures contract involving the same or equivalent underlying commodity or instrument, without making an open and competitive trade for the futures contract on the exchange. EFPs, EFSs and EFRs are a permitted exception to the general requirement of the Commodity Exchange Act that all futures contracts must be competitively executed on an exchange. They are permitted pursuant to the rules of the relevant exchanges, which vary from



exchange to exchange. If the EFP, EFS or EFR does not comply with specific exchange requirements, particularly regarding possessing documentation evidencing possession of the underlying commodity or instrument, then the CFTC or the exchange may deem the transaction to be an illegal off-exchange futures contract. In addition, every EFP, EFS or EFR involves the transfer of an underlying commodity or entry into a swap or derivative on a bilateral basis, as applicable, with a counterparty in exchange for a related cleared futures contract. There is, therefore, counterparty credit risk if the counterparty or its clearing member on the futures leg fails to perform. Unlike other futures contracts that are deemed cleared by the clearinghouse upon trade matching or at the end of the business day, futures contracts arising out of EFPs, EFSs or EFRs may, under various clearinghouse rules, not be deemed accepted by the clearinghouse until the next business day.

**Nature of Certain Investments.** There is generally no limitation on the size or operating experience of the companies in which AHL Partners LLP may invest on behalf of the Funds. Some small companies in which AHL Partners LLP may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on AHL Partners LLP's obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase a Fund's financial risk.

**Tail Risk Investments.** AHL Partners LLP may seek to hedge specifically identified "tail risk" events and/or scenarios for certain Funds. Because these tail risk events and/or scenarios are perceived as having a low probability of occurrence, certain Funds may incur material losses during normal market conditions. There can be no assurance that the "tail risk" events and/or scenarios hedged by AHL Partners LLP's investments will occur and/or materialize. Any failure of these events and/or scenarios to occur and/or materialize would likely adversely impact the value of the related investments. In addition, even if these events and/or scenarios do occur or materialize, the investments may not experience gains or adequately hedge against such events and/or scenarios. There may be "tail risk" events and/or scenarios not identified, or identified and not executed, that would adversely impact a generic portfolio and also adversely impact the investments. The Funds' investment program may utilize such investment techniques as derivatives, option transactions, margin transactions, short sales, limited diversification, leverage and forward contracts, which practices can, in certain circumstances, increase the adverse impact to which the Funds' portfolio may be subject. Furthermore, AHL Partners LLP's investments may be concentrated, complex and

risky and, as a result, Limited Partners may experience a total or partial loss of their investment in the Funds. Ultimately, there can be no assurance that the investment objectives of the Funds will be achieved or that the investments will not incur a substantial or total loss.

**Financing Risks.** AHL Partners LLP uses complex derivative instruments on behalf of the Funds to seek to replicate the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. Such investments are subject to the performance risk of the assets to which they are referenced as well as to the additional risks that can result from the need to maintain the financing required to support the exposure to such assets.

**Price Volatility of Futures and Derivatives.** The prices of futures contracts and derivative instruments are highly volatile. These prices are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies, and international political and economic events. The Funds may suffer sudden and substantial losses from time to time, and the occurrence of certain events may cause a large number of the leveraged positions held by the Funds to move in the same direction at or about the same time.

Governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and interest-rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest-rate fluctuations.

## ITEM 9

### DISCIPLINARY INFORMATION

#### A. CME Settlement

Pursuant to an offer of settlement, Man Investments Limited (“MIL”), an advisory affiliate of AHL Partners LLP, presented at a hearing on March 22, 2012 to a panel of the CME Business Conduct Committee (“BCC”) whereby MIL voluntarily submitted itself to the jurisdiction of the BCC for purposes of settling the following matter. On November 4, 2011, a date subject to the 300 contract position limit for the expiring November 2011 feeder cattle contract (“Nov 11 Feeder”), MIL maintained a long Nov 11 Feeder position of 436 contracts, 136 contracts (45.33%) in excess of the applicable speculative spot month position limit. MIL liquidated the overage position and realized profits in the amount of \$35,050. The BCC found that as a result, MIL violated CME Rule 562. Without admitting or denying the rule violation, MIL entered into a settlement offer to pay a fine to the CME in the amount of \$25,000 and to disgorge profits in the amount of \$35,050.

#### B. NYMEX Settlement

Pursuant to a separate offer of settlement, MIL presented at a hearing on March 21, 2012 to a panel of the NYMEX Business Conduct Committee (“BCC”) whereby MIL voluntarily submitted itself to the jurisdiction of the BCC for purposes of settling the following matter. On November 20, 2009, a date subject to the 1000 contract expiration month position limit for the expiring December 2009 Natural Gas Futures contracts (“Dec 09 Nat Gas”), MIL maintained a short Dec 09 Nat Gas position of 4,455 contracts, 3,455 contracts (345.5%) in excess of the applicable speculative spot month position limit. The BCC found that as a result MIL violated NYMEX Rule 443. Without admitting or denying the rule violation, MIL entered into a settlement offer to pay a fine to the NYMEX in the amount of \$70,000.

## ITEM 10

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

#### A. **Broker-Dealer Registration Status**

AHL Partners LLP is not registered as a broker-dealer and does not have any application pending to register with the SEC as a broker-dealer. An entity under common control with AHL Partners LLP, Man Investments Inc. ("MII"), is a limited purpose broker-dealer registered with the SEC and a member of Financial Industry Regulatory Authority, Inc. ("FINRA"). MII may act as solicitor, selling agent and/or investor servicing agent for certain of the Funds for which it may or may not be compensated.

#### B. **Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

AHL Partners LLP has recently submitted an application to become registered as a commodity pool operator and commodity trading advisor with the Commodity Futures Trading Commission ("CFTC") and a member of the National Futures Association ("NFA").

#### C. **Material Relationships or Arrangements with Industry Participants**

AHL Partners LLP is affiliated with the following London based entities that are authorized and regulated by the Financial Conduct Authority: Man Investments Limited, Man-AHL (USA) Ltd., a commodity trading adviser registered with the CFTC and a member of the NFA and GLG Partners LP, an investment adviser registered with the SEC. AHL Partners LLP is also affiliated with Man Investments AG, a firm that is registered with the Swiss Financial Market Supervisory Authority as a Representative. AHL Partners LLP is also affiliated with FRM Investment Management Ltd. an Exempt Reporting Adviser and Man Fund Management (Guernsey) Limited both based in Guernsey that is regulated by the Guernsey Financial Services Commission. FRM Investment Management Ltd. may, on behalf of its clients and/or funds, invest in the Funds advised by AHL Partners LLP or its affiliates. Nevertheless, FRM Investment Management Ltd undergoes the same due diligence process for investments it considers in Funds advised by AHL Partners LLP as it would for unaffiliated funds.

Furthermore, AHL Partners LLP is affiliated with the following New York based entities: Man Investments Inc., a limited purpose broker dealer registered with the SEC and member of the Financial Industry Regulatory Authority, Inc. which provides placement agent services to certain of AHL Partners LLP Funds; and Man Investments (USA) Corp. a commodity pool operator registered with the CFTC and a member of the NFA. AHL Partners LLP is also affiliated with GLG Partners Hong Kong Limited and Man Investments (Hong Kong) Ltd, investment advisers licensed by the Hong Kong Securities and Futures

Commission. AHL Partners LLP may utilize investment management, research, trading, certain operational and administrative services of certain of its affiliates in providing services to its clients.

AHL Partners LLP, its affiliates and its personnel serve as investment advisers and investment managers to multiple pooled investment vehicles and managed accounts. AHL Partners LLP, its affiliates and its personnel may take action or give advice with respect to certain clients and accounts that differs from the advice given to other clients and accounts. AHL Partners LLP, its affiliates and its personnel will devote as much time to the activities of each client or account as they deem necessary and appropriate and the amount of time devoted to different clients and accounts may vary.

**D. Material Conflicts of Interest Relating to Other Investment Advisers**

AHL Partners LLP does not recommend or select other third party investment advisers for its clients. AHL Partners LLP's Funds may invest in other AHL Partners LLP Funds or funds managed by its affiliates.

## ITEM 11

### CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

#### A. Code of Ethics

Potential and actual conflicts of interest may arise from the activities described herein. AHL Partners LLP has established policies and procedures to monitor and to the extent possible resolve conflicts and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

AHL Partners LLP strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, AHL Partners LLP has adopted a Code of Ethics pursuant to the Advisers Act that is applicable to all of AHL Partners LLP's employees. The Code of Ethics contains policies and procedures that, among other things:

- Require employees to observe fiduciary duties owed to clients;
- Prohibit employees from taking personal advantage of opportunities belonging to clients;
- Prohibit trading on the basis of material nonpublic information;
- Place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to such trading (except for US open-ended mutual funds, US Treasury securities, or other investments listed in the Code of Ethics);
- Impose limitations on the giving or receiving of gifts and entertainment;
- Restrict employees' outside business activities;
- Require pre-clearance on political contributions; and
- Prohibit disclosure by employees of confidential information of AHL Partners LLP and its clients.

AHL Partners LLP's employees are also subject to the prohibition on trading on the basis of material nonpublic information and to the limitations and pre-clearance requirements on personal trading. Employee personal trades in securities covered by the Code of Ethics are monitored by the Chief Compliance Officer or designee and governed by the

procedures set forth in the Code of Ethics. Employees may from time to time have proprietary investments in which clients advised or sub-advised by AHL Partners LLP also take a position, may trade and invest simultaneously with such clients, and may take investment positions that are different from or opposite to the positions taken by such clients. In general, all personal securities transactions (except for US open-ended mutual funds, US Treasury securities, or other permitted investments listed in the Code of Ethics) are subject to pre-clearance by the Chief Compliance Officer, or designee. A copy of AHL Partners LLP's Code of Ethics is available to clients and prospective clients upon request.

Furthermore, AHL Partners LLP has adopted procedures to prevent and detect misuse of material nonpublic information. Specifically, AHL Partners LLP's procedures prohibit any employee from trading, either personally or on behalf of others (such as client accounts advised or sub-advised by AHL Partners LLP), while in possession of material, nonpublic information, and prohibit employees from communicating material, nonpublic information to others in violation of the law.

From time to time, as part of its business activities, AHL Partners LLP or its affiliates may come into possession of non-public information concerning specific issuers. Under applicable laws and AHL Partners LLP's procedures, this may limit AHL Partners LLP's flexibility to buy or sell securities of such issuers.

Related persons and personnel of AHL Partners LLP and its affiliates (the "Advisory Affiliates") may invest in or have a financial interest in the Funds and may not invest in all such Funds. It is expected that the size of these investments or the financial interest will change over time. Potential conflicts may arise due to the fact that the Advisory Affiliates may have investments or financial interests in some Funds but not in others or may have different levels of investments or financial interests in various Funds, and because the Funds may pay different levels of fees.

In addition, certain Advisory Affiliates may from time to time make personal investments in securities or financial instruments which may be appropriate for, may be held by, or may fall within client investment guidelines. Such Advisory Affiliates may buy, sell, or hold securities or other financial instruments for their own accounts while entering into different investment decisions for one or more clients. These activities may adversely affect the prices and availability of securities or financial instruments held by or potentially considered for one or more clients.

From time to time, AHL Partners LLP or Advisory Affiliates may form and manage additional pooled investment vehicles and advise other client accounts with similar or different investment strategies as the Funds or managed accounts currently advised or sub-advised by AHL Partners LLP. It may be appropriate for more than one Fund or managed account advised by AHL Partners LLP to trade in the same securities at the same time. AHL Partners LLP has policies and procedures regarding such trades.

**B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.**

**1. Cross Transactions and Principal Transactions**

AHL Partners LLP may effect cross transactions on behalf of clients in connection with portfolio rebalancing or other situations such as cash flow events, among others. Such cross transactions may be arranged through a broker and effected at an independently verifiable current price where such can be ascertained. For cross trades involving non-exchange traded securities, to the extent possible, quotes are obtained from different brokers. The trading for the Programs in which the Funds may invest is systematic and the quantitative algorithm may produce opposing orders for different Funds. These opposing orders may be crossed in the market at the prevailing market price and in accordance with the relevant exchange's rules. Commissions may or may not be charged in cross trades. A determination will be made as to whether a cross transaction is appropriate for a given client or in a given transaction and in accordance with any client or regulatory restrictions. Each cross transaction will be performed consistently with AHL Partners LLP's policies and procedures.

To the extent that such cross transactions may be viewed as principal transactions due to the ownership interest in a client by AHL Partners LLP or its personnel, AHL Partners LLP will comply with the requirements of Section 206(3) of the Advisers Act with respect to any US client or Fund, including that AHL Partners LLP will notify the applicable client (or an independent representative of the client) in writing of the transaction and obtain the client's consent (or the consent of an independent representative of the client).

**2. Allocation of Investment Opportunities**

AHL Partners LLP may provide discretionary advisory or sub-advisory investment advice and/or management services to multiple client accounts that may seek to invest in the same investment opportunities. In addition, AHL Partners LLP may provide investment advice to multiple client accounts advised by it that may seek to invest in the same investment opportunities as AHL Partners LLP's clients. This will create potential conflicts and potential differences among client accounts, particularly where there is limited availability or limited liquidity for those investments. AHL Partners LLP has developed policies and procedures that provide that investment opportunities will be allocated and purchase and sale decisions will be made among these client accounts in a manner that is considered to be reasonable and equitable over time and in a manner that is consistent with each client's investment objectives and guidelines.

Because of price volatility, occasional variations in liquidity, and differences in order execution, it is impossible for AHL Partners LLP to obtain identical trade execution for all its Funds. When block orders are filled at different prices, AHL Partners LLP will assign the executed trades on a systematic basis among all Funds. Trades for any proprietary accounts of AHL Partners LLP that parallel those of AHL Partners LLP's Funds will be subject to the same



allocation procedures. In addition, because AHL Partners LLP may receive differing compensation from some Funds it may have a financial incentive to favor the Funds where its compensation is greater. AHL Partners LLP will not knowingly or deliberately favor one Fund over another on an overall basis.

AHL Partners LLP, Advisory Affiliates, their principals and their employees may trade securities and commodity interests for their own accounts. Such proprietary trading may be in competition with a Fund and may be conducted at brokerage commission rates substantially lower than rates charged a Fund. Investors in a Fund will not be permitted to inspect the proprietary trading records of AHL Partners LLP, its affiliates, their principals or their employees. From time to time, AHL Partners LLP and/or its affiliates may maintain one or more test trading accounts which may be willing to accept more risk than it believes is acceptable for the Funds and positions in the test trading accounts may be inconsistent or opposite to those of the Funds. The test trading accounts are used to test new trading methodologies, strategies and markets and seek to identify any cost or illiquidity issues prior to considering the implementation of such strategy or processes to the Funds. As a result, the performance of the test trading accounts may differ from the performance of the Funds.

AHL Partners LLP may determine that an investment opportunity or particular purchases or sales are appropriate for one or more client accounts, but not for other clients, or are appropriate for or available to certain clients but in different sizes, terms, or timing than is appropriate for others. AHL Partners LLP will make allocations for client accounts of such investments with reference to numerous factors including, without limitation, AHL Partners LLP's perception of the appropriate risks and rewards for each client account, investment objectives and guidelines of each client account, leverage of each client account, the liquidity of the account at the time of the investment and on a going-forward basis, risk parameters for each client account, regulatory restrictions affecting the client, and such other factors as are relevant in the judgment of AHL Partners LLP. Although allocating orders among client accounts may create potential conflicts of interest because of the interests of AHL Partners LLP or its employees or because AHL Partners LLP may receive greater fees or compensation from one client account over another, AHL Partners LLP will not make allocation decisions based on such interests or greater fees or compensation. Allocation among accounts in any particular circumstance may be more or less advantageous to any one account. In addition, transactions in investments by multiple client accounts may have the effect of diluting or otherwise impairing the values, prices or investment strategies of an individual client, particularly, but not limited to, in small capitalization, or less liquid strategies. Therefore, the amount, timing, structuring, or terms of an investment by some clients may differ from, and performance may be lower than, investments and performance of other clients.

**C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients**

The Code of Ethics places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to AHL Partners

LLP on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Generally, and subject to certain exceptions, AHL Partners LLP's employees may not engage in personal securities trading without pre-clearance. Accordingly, under certain circumstances, AHL Partners LLP, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of clients.

AHL Partners LLP, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that AHL Partners LLP and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

AHL Partners LLP has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code of Ethics, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

**D. Conflicts of Interest Created by Contemporaneous Trading**

AHL Partners LLP manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of AHL Partners LLP to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time. AHL Partners LLP will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because AHL Partners LLP purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

## ITEM 12

### BROKERAGE PRACTICES

#### A. **Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions**

AHL Partners LLP will place orders for the execution of transactions for client accounts in accordance with its best execution policies, which take into account a number of factors including, among other things, commission rates (and other transactional charges), the broker's financial strength, ability to commit capital, stability and responsibility, reputation, reliability, overall past performance of services, research capability and coverage, responsiveness to AHL Partners LLP as well as means of communication, quality of recommendations, deal calendar, ability to execute trades based on the characteristics of a particular trade, technology and trading systems, trading activity in a particular security, block trading and block positioning capabilities, nature and frequency of sales coverage, net price, depth of available services, arbitrage operations, bond capability and options operations, investment banking coverage, capacity of syndicate operations, the availability of stocks to borrow for short trades, willingness to execute related or unrelated difficult transactions, order of call, back office, processing and special execution capabilities, efficiency and speed of execution, and error resolution. Accordingly, transactions will not always be executed at the lowest available price or commission.

AHL Partners LLP does not adhere to any rigid formulas in selecting brokers, but weighs a combination of factors. There is, however, no formulaic correlation between this evaluation and the allocations of brokerage for client accounts advised or sub-advised by AHL Partners LLP. Because of the range of factors considered by AHL Partners LLP, it is possible that AHL Partners LLP's clients may pay brokerage commissions in excess of that which another broker might have charged for effecting the same transaction. Nevertheless, AHL Partners LLP will make a good faith determination that the amount of commission is reasonable in relation to the value of the products and services received, the broker's execution ability, and other factors.

##### 1. **Research and Other Soft Dollar Benefits**

AHL Partners LLP may select brokers that furnish AHL Partners LLP and/or personnel, directly or through correspondent relationships with third parties, research, or other products or services (collectively, "Products and/or Services"). In selecting brokers to execute transactions, AHL Partners LLP need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

In selecting brokers, AHL Partners LLP may also take into account the value of one or more Products and/or Services, either provided by the broker, or paid for by the broker (either by direct or reimbursement payments (in whatever form) or by commissions, mark-ups or credits or by any other means). AHL Partners LLP will use reasonable efforts to ensure that the Products and/or Services are related to the execution of trades; related to the provision of research; or will reasonably assist AHL Partners LLP in the provision of services to its clients on whose behalf orders are being executed. AHL Partners LLP intends that its use of Products and/or Services will comply with the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934 (as amended). With regards to non-US clients or Funds, AHL Partners LLP may generate "soft" or commission dollars through transactions other than agency transactions or riskless principal transactions in securities such as futures, currencies, derivatives and other principal transactions involving securities that are not riskless principal transactions that currently do not fall within the safe harbor of Section 28(e).

In the last year, AHL Partners LLP did not pay for any Products and/or Services through "soft" or commission dollars. AHL Partners LLP expects to receive Products and/or Services from broker-dealers or utilize "soft" or commission dollars to pay for Products and/or Services which may include research received from advisory board members or the Oxford-Man Institute, information on the economy, industries, groups of securities, statistical information, accounting and tax law interpretations, political and policy developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility issues. Such research services may be received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data, and meetings arranged with corporate and industry spokespersons, economists and academics, among others. In some cases, research services may be generated by third parties but are provided to AHL Partners LLP by or through broker-dealers.

AHL Partners LLP's clients may be deemed to be paying for such Products and/or Services with "soft" or commission dollars. The extent to which commission rates or net prices charged by brokers reflect the value of Products and/or Services cannot be readily determined. Although AHL Partners LLP believes that a client may benefit from the Products and/or Services obtained with commissions generated by trades made by the client, the client may not benefit from all of the services paid for in this manner. The relationships with brokerage firms that provide Products and/or Services to AHL Partners LLP may influence AHL Partners LLP's judgment in allocating brokerage business and create a potential conflict of interest in using the services of those brokers to execute the client's brokerage transactions. AHL Partners LLP may have an incentive to select or recommend a broker-dealer based on AHL Partners LLP's interest in receiving research or other Products and/or Services, rather than on AHL Partners LLP's clients' interest in receiving the most favorable execution.

AHL Partners LLP may execute securities transactions with multiple executing brokers, including the various prime brokers appointed for the Funds. Many of these brokers

provide AHL Partners LLP with access to proprietary research reports (such as standard investment research) which may be used for any or all accounts. To the best of AHL Partners LLP's knowledge, these and other Products and/or Services are generally made available to all institutional investors doing business with such brokers. These bundled services are made available on an unsolicited basis and without regard to the rates of commissions paid by AHL Partners LLP's clients or the volume of business AHL Partners LLP directs to such brokers. Since these products and/or services are merely made available by brokers as part of a bundled business package to AHL Partners LLP, who may or may not use them, it is AHL Partners LLP's understanding that such brokers do not set discrete prices for such products and/or services. Accordingly, AHL Partners LLP does not separately compensate such brokers for the provision of such services.

Products and/or Services obtained by AHL Partners LLP may be used in servicing any or all of the clients advised by AHL Partners LLP. In addition, some Products and/or Services may not necessarily be used in whole or in part by AHL Partners LLP in managing the client account that generated the commissions used to pay for such Products and/or Services. AHL Partners LLP does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Furthermore, other clients may receive the benefit, including disproportionate benefits, economies of scale or price discounts in connection with Products and/or Services that may be provided to a client.

There may be circumstances whereby AHL Partners LLP utilizes the investment management and/or trading capabilities of its Advisory Affiliates in providing services to certain clients. In these circumstances, commissions paid by such clients may be used to obtain Products and/or Services which may be used in servicing any and all clients advised by its Advisory Affiliates and clients of AHL Partners LLP, including or excluding the clients that paid such commissions.

If a product or service obtained provides both research and non-research assistance to AHL Partners LLP (i.e., a "mixed use item"), AHL Partners LLP will make a good faith effort to determine the relative proportion of the product or service used to assist AHL Partners LLP in carrying out its investment decision making responsibilities, and the relative proportion used for administrative or other non-research purposes. The proportionate amount of the product or service that is used to assist AHL Partners LLP in carrying out its investment decision making responsibilities will be paid through brokerage commissions generated by client transactions; the proportionate amount attributable to administrative or other non-research purposes will be paid for by AHL Partners LLP from its own resources. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of AHL Partners LLP's allocation of the costs of such benefits and services between those that primarily benefit AHL Partners LLP and those that primarily benefit clients.

2. **Brokerage for Client Referrals**

As discussed above, subject to best execution, AHL Partners LLP may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

3. **Directed Brokerage**

AHL Partners LLP may recommend brokers to be used by client accounts. In making these recommendations, AHL Partners LLP will generally take into account the factors and considerations discussed above. AHL Partners LLP does not generally allow for directed brokerage arrangements.

**B. Order Aggregation**

AHL Partners LLP may aggregate sale and purchase orders with similar orders being made simultaneously for other Funds if, in their reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Funds based on an evaluation that the Funds will benefit from relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. The purchase or sale of securities for the Funds will be effected simultaneously with the purchase or sale of like securities for other Funds. Such transactions may be made at slightly different prices due to the volume of securities purchased or sold. Computer algorithms are generally used to allocate split orders among the Funds in a fair and equitable manner. There can be no assurance that on a trade-by-trade or overall basis that any particular Fund will not be treated more or less favorably than another Fund, including a Fund.

**C. Incident Policy**

In the event that AHL Partners LLP experiences an error with respect to trades made on behalf of clients, AHL Partners LLP will correct such error in accordance with its policies and procedures. If AHL Partners LLP, in its sole discretion determines that a client should be reimbursed as a result of a trade error caused by AHL Partners LLP, interest will generally not be paid on such losses.

The systematic approach to the investment strategies utilised by AHL Partners LLP harnesses complex econometric and statistical theories, research and modelling which may result in “a system incident” (e.g., errors regarding trading systems, coding/programming/modelling, etc.). AHL Partners LLP will correct such error in accordance with its policies and procedures. Any losses or gains arising from system incidents shall be borne by the Fund. The Fund will benefit from any gains and bear any losses unless it otherwise determined by AHL Partners LLP.

## ITEM 13

### REVIEW OF ACCOUNTS

#### A. **Frequency and Nature of Review of Client Accounts or Financial Plans**

AHL Partners LLP's portfolio management team, including portfolio managers, research analysts, and traders, are primarily responsible for reviewing accounts of the clients and do so individually or in a group, depending upon account needs and market conditions. The portfolio management team, individually or in a group, perform daily, weekly, or monthly reviews of all accounts as they deem appropriate or as otherwise required. Reviews may be undertaken because of changes in market conditions; change of security positions; changes in investment objectives or policies; capital inflows/outflows; and other reasons. Various matters may be discussed during such reviews, (*e.g.*, performance of accounts in connection with investment objectives, portfolio construction, risk/reward, security positions, and investment opportunities).

#### B. **Factors Prompting Review of Client Accounts Other than a Periodic Review**

A review of a client account may be triggered by changes in market conditions; change of security positions; changes in investment objectives or policies; capital inflows/outflows; and other reasons.

#### C. **Content and Frequency of Account Reports to Clients**

The requirements for frequency and content of reports will be set forth in the documents for each client account.

Investors in the Funds generally receive estimated and final monthly statements, as applicable, generally showing account values, changes in account values, account activity, asset allocation, currency exposure and performance. Depending on specific requirements, investors in private funds also generally receive audited financial statements prepared within either 90 or 120 days of the applicable fund's fiscal year end.

Investors generally receive similar information, however, to the extent an investor requests additional information and reporting, and other investors may not receive some or all items provided in response to such requests, the additional information could affect an investor's decision to request a redemption from the Fund.

## ITEM 14

### CLIENT REFERRALS AND OTHER COMPENSATION

#### A. Economic Benefits for Providing Services to Clients

AHL Partners LLP does not receive economic benefits from non-clients for providing investment advice and other advisory services.

#### B. Compensation to Non-Supervised Persons for Client Referrals

From time to time, AHL Partners LLP or its affiliates may engage affiliated and non-affiliated entities, which may include SEC-registered broker-dealers, to solicit investors or act as selling agent, marketing consultant or investor services agent for a Fund, for which such parties receive compensation. Such compensation generally may be an upfront selling commission, a percentage of the management fees and/or performance-based compensation earned by AHL Partners LLP or any of its affiliates based on investments by such investors, ongoing services compensation, a fixed amount or other agreed upon compensation. AHL Partners LLP or its affiliates may benefit from the arrangements where clients are referred directly to it and/or investors are referred directly to a Fund, since the management fees are generally based upon a percentage of such client's assets under management. Thus the more assets AHL Partners LLP or its affiliates has under management, the higher the management fee income. If applicable, any such arrangement with a third-party solicitor will comply with Rule 206(4)-3 under the Advisers Act.

MII, a US based affiliate of AHL Partners LLP, acts as the selling agent and/or investor servicing agent for certain Funds in the US. AHL Partners LLP may pay a portion of its fees to MII for its services. MII may also receive compensation directly from a Fund. In addition, MII has entered into agreements with other broker-dealers and certain financial advisers to solicit interests in Funds and/or to provide ongoing investor services and account maintenance services to investors. Each such broker-dealer and financial adviser generally receives compensation based on the aggregate value of outstanding interests held by investors that receive services from such persons, fixed amounts or other agreed upon compensation. Such compensation generally will be paid by MII from the fees that it receives from a Fund or AHL Partners LLP.



## **ITEM 15**

### **CUSTODY**

With regards to its US clients and private funds, AHL Partners LLP is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception", which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

For AHL Partners LLP's clients that are managed accounts, AHL Partners LLP does not have custody of the assets held by such accounts.

## **ITEM 16**

### **INVESTMENT DISCRETION**

In general, AHL Partners LLP provides discretionary advisory or sub-advisory investment advice and/or management services to its clients. As such, AHL Partners LLP has discretion regarding all decisions and is authorized to determine and direct execution of portfolio transactions within each client's specified investment objectives, restrictions and policies. However, AHL Partners LLP's discretion is subject to limits imposed on the investment manager as described in the applicable offering document in the case of the Funds, as applicable, and investment management agreements or other relevant documents with each client advised or sub-advised by AHL Partners LLP. AHL Partners LLP utilizes the investment management and/or trading capabilities of GLG Partners LP. in providing services to certain clients. In such circumstances, GLG Partners LP. places orders on behalf of such clients (together with its own clients), and allocates trades, in the manner described in Item 11 herein. Accordingly, for purposes of the responses to Item 11, references to AHL Partners LLP shall be deemed to include GLG Partners LP to the extent that GLG Partners LP provides trading capabilities with respect to clients of AHL Partners LLP.

## ITEM 17

### VOTING CLIENT SECURITIES

#### A. Proxy Voting

AHL Partners LLP is in the process of implementing policies and procedures to ensure that any proxy voted on behalf of its clients is voted in a manner which is in the best interests of such clients.

Proxies may be voted for clients at AHL Partners LLP's or the Portfolio Manager's discretion, where AHL Partners LLP has been specifically instructed by a client to vote proxies or where AHL Partners LLP is required to vote a proxy for a client (each a "Proxy Client"). In such cases, proxies will be evaluated and voted in the best interest of the relevant Proxy Client(s) with the goal of increasing the overall economic value of the investment. It should be noted that there may be times whereby Portfolio Managers invest in the same securities/assets while managing different investment strategies and/or client accounts; accordingly, it may be appropriate in certain cases that such securities/assets are voted differently across different investment strategies and/or client accounts, based on their respective investment thesis and other portfolio considerations. AHL Partners LLP will only vote proxies on securities currently held by clients. Proxies received for securities that are loaned will generally not be voted.

AHL Partners LLP will endeavour to identify material conflicts of interest, if any, which may arise between AHL Partners LLP and one or more issuers of clients' portfolio securities, with respect to votes proposed by and/or affecting such issuer(s), in order to ensure that all votes are voted in the overall best interest of clients.

AHL Partners LLP will appoint one or more proxy voting service companies, to provide it with proxy voting services for certain Proxy Clients. Where applicable, AHL Partners LLP will generally vote proxies for the relevant Proxy Clients in accordance with the relevant proxy voting service company's proxy voting guidelines, unless otherwise specifically instructed to vote otherwise by the Portfolio Manager or such Proxy Client.

Such guidelines generally provide that (i) when the view of the company's management is favourable, AHL Partners LLP will generally support current management initiatives with exceptions as noted below and (ii) when the view is that changes to the management structure would probably increase shareholder value, AHL Partners LLP will not necessarily support current management initiatives. Exceptions in supporting current management initiatives may include:

- Where there is a clear conflict between management and shareholder interests, the Proxy Voting Guidelines may call to elect to vote against management.

- In general, the Proxy Voting Guidelines will call to oppose proposals that act to entrench management.
- In some instances, even though AHL Partners LLP may support management, there may be corporate governance issues that, in spite of management objections, AHL Partners LLP believes should be subject to shareholder approval.

Furthermore, with respect to certain proxy issues including, but not limited to, option re-pricing and the terms and conditions of members of the Board of Directors, AHL Partners LLP may choose to vote on a case-by-case basis, which may be different from the recommendations set forth in relevant proxy voting guidelines. Nevertheless, in voting proxies, AHL Partners LLP will take into account what is the overall best economic interest of its Proxy Clients. AHL Partners LLP will maintain documentation memorializing the decision to vote a proxy in a manner different from what is stated in the relevant proxy voting guidelines.

AHL Partners LLP may abstain from voting a proxy when it is determined that the cost of voting the proxy exceeds the expected benefit to the client. Documentation will be maintained of all proxies that are not voted for Proxy Clients and the reasons therefor where AHL Partners LLP has been instructed by the Proxy Client to vote.

Upon request, clients may receive a copy of the Global Proxy Voting Policy and/or information regarding the manner in which securities held in their account were voted by contacting AHL Partners LLP at ++ 44 20 7016 7000.

**B. Class Actions**

AHL Partners LLP will generally not participate in class actions on behalf of its clients.

## **ITEM 18**

### **FINANCIAL INFORMATION**

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