
PART 2A OF FORM ADV: FIRM BROCHURE

ENGINEERS GATE MANAGER LP

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This brochure (this "Brochure") provides information about the qualifications and business practices of Engineers Gate Manager LP (the "Investment Adviser"). If you have any questions about the contents of this Brochure, please contact us at legal@engineersgatelp.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.

This Brochure also relates to Engineers Gate Fund I GP LLC (the "Fund General Partner"); however, to the extent the qualifications and business practices of the General Partner are substantially similar to those of the Investment Adviser, no specific mention of the General Partner is made herein.

The Investment Adviser 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 the Investment Adviser also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2

MATERIAL CHANGES

This Brochure is our initial Form ADV Part 2A, which has been submitted with our application for registration with the SEC; therefore, there are no material changes to report. In the future, if our Brochure—when amended in conjunction with our annual update—contains material changes from our last annual update, we are required to identify and discuss those changes.

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ITEM 4

ADVISORY BUSINESS

A. General Description of Advisory Firm.

1. *Engineers Gate Manager LP.*

Engineers Gate Manager LP (the "Investment Adviser", "we" and "us"), is a Delaware limited partnership that was formed in 2013.

We have one office, which is located in New York, NY.

Our general partner, Engineers Gate GP LLC, is a Delaware limited liability company (the "Investment Adviser General Partner"), of which Glenn Dubin is the sole member. The Investment Adviser General Partner has ultimate responsibility for the management, operations, and investment decisions of the Investment Adviser.

2. *Engineers Gate Fund I GP LLC and Engineers Gate Fund II GP LLC.*

Our registration on Form ADV also covers Engineers Gate Fund I GP LLC and Engineers Gate Fund II GP LLC (each, a "Fund General Partner" and collectively the "Fund General Partners"), limited liability companies organized under the laws of the state of Delaware. The Fund General Partners are affiliates of the Investment Adviser and serve as the general partner of Funds (as defined below) that are U.S. partnerships or Cayman Islands exempted limited partnerships. The Fund General Partners' facilities and personnel are provided by the Investment Adviser.

B. Description of Advisory Services.

This Brochure generally includes information about us and our relationships with our clients. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

1. *Advisory Services.*

We serve as the investment adviser, with discretionary trading authority, to private pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each, a "Fund" and collectively, the "Funds"). The Funds currently include:

- (1) Engineers Gate Domestic Fund I LP, a Delaware limited partnership (the "Domestic Fund I");
- (2) Engineers Gate Master Fund I LP, a Cayman Islands exempted limited partnership (the "Master Fund I"), which serves as the master fund into which the Domestic Fund I invests substantially all of its assets pursuant to a "master feeder" structure;
- (3) Engineers Gate Domestic Fund II LP, a Delaware limited partnership (the "Domestic Fund II"; collectively with the Domestic Fund I, the "Domestic Funds"); and

- (4) Engineers Gate Master Fund II LP, a Cayman Islands exempted limited partnership (the "Master Fund II"; collectively with the Master Fund I, the "Master Funds"), which serves as the master fund into which the Domestic Fund II invests substantially all of its assets pursuant to a "master feeder" structure.

As used herein, the term "client" generally refers to each Fund.

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 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be "accredited investors" as defined in Regulation D, "qualified purchasers" as defined in the Investment Company Act, or non-"U.S. Persons" as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a 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.

2. Investment Strategies and Types of Investments.

Our objective is to generate high quality, risk adjusted returns on our clients' invested capital.

We seek to achieve this objective through a research intensive and data-driven quantitative and systematic trading and investment program over a multi-year period. Specifically, our personnel develop and acquire statistical and quantitative techniques and programs and apply them to a large body of third party and proprietary datasets in an effort to isolate and identify potentially profitable trading and investment strategies.

Engineers Gate Manager LP uses investment techniques and strategies generally referred to as statistical arbitrage in order to accomplish its goal. We seek to identify high positive or negative correlations between securities or other instruments, assets, or economic/financial conditions and to profit when prices or values related to those instruments, assets or conditions change in an uncorrelated manner. These arbitrage opportunities can be extremely short-lived (which necessitates a trading system that can make decisions and effect executions quickly) or can exist for a somewhat longer period (which can allow for more of a focus on strategic timing). As a general matter, statistical arbitrage entails the use of proprietary computer software systems and technology in making and managing investments across a broad range of equity securities, involving both long and short investment holdings. The particular arbitrage strategies deployed by the Investment Manager on behalf of the Funds are all specified in the various disclosure documents of the Investment Manager.

Other elements of the investment program can include techniques such as identifying asset classes that have inherent, built-in inefficiencies and building portfolios to acquire and hold (or to sell short) those asset classes. These can vary – at times significantly – from the systematic approaches described above, although they would all be expected to have a demonstrable economic basis.

In applying our overall systematic approach, managed by specific personnel within our organization from time to time, we will exercise overall management and control of all

such strategies. The development of any trading strategy is reliant on the abilities of our research personnel and on the technical resources made available to the personnel implementing our strategies. It should also be pointed out that not all of these strategy categories will be necessarily employed at the same time, that there is an overlap of markets, instruments, themes, and other attributes among strategies, that each strategy group employs a number of distinct and different sub-strategies, and that we may modify, supplement, discontinue, or substitute strategies and sub-strategies from time to time without notice.

In addition, we may at any time employ active or passive hedges for a number of reasons, including risk management. Hedges can be specific to one or more positions or strategies or to the Funds' portfolios as a whole.

We may cause the Funds to invest any excess funds in money market instruments, commercial paper, certificates of deposit, U.S. government obligations, and bankers' acceptances among other instruments or may hold such excess funds in interest-bearing or non-interest bearing bank accounts. We may cause the Funds to reinvest any income earned from such investments in accordance with the relevant Fund's investment program.

We may cause the assets of the Funds to be invested, directly or indirectly, on margin or otherwise, in interests commonly referred to as securities, other financial instruments of U.S. and non-U.S. entities and other assets, including, without limitation, bonds, currencies; commodities; interest rates, and various derivative products, including, without limitation, (i) futures contracts (and options thereon) relating to stock indices, currencies, U.S. government securities and securities of non-U.S. governments, other financial instruments and all other commodities, (ii) swaps, options, swaptions, warrants, caps, collars, floors and forward rate agreements, (iii) spot and forward currency transactions and (iv) agreements relating to or securing such transactions; and any and all other obligations and instruments or evidences of indebtedness of whatever kind or nature that exist now or are hereafter created (all such items being called herein "Financial Instruments"); in each case, of any person, whether or not publicly traded or readily marketable.

We intend to continually review and refine our existing strategies, and to examine new ideas and opportunities. The descriptions set forth in this Brochure of specific strategies in which we may cause the Funds to engage should not be understood to limit in any way the Funds' investment activities. We may cause the Funds to engage in any investment strategy, including strategies not described in this Brochure, that we consider appropriate in order to pursue the Funds' investment objectives.

Risk Management. Risk is managed on a continuous basis and measured, where possible, using quantitative risk management techniques and models based on academic research, among other tools. We will develop processes to systematically identify, assess, and prioritize risks which may relate to, without limitation, (i) trading-related issues, (ii) technological issues, (iii) legal/regulatory issues and (iv) personnel-driven issues including rigorous hiring procedures, retention, succession and motivation policies, training and performance feedback.

Risk management will also entail the coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities. Risks can come from uncertainty in financial markets, political developments on a global basis, threats from project failures (at

any phase in design, development, production, or sustainment life-cycles), legal liabilities, credit risk, accidents, natural disasters as well as deliberate attack from an adversary, or events of uncertain or unpredictable origin.

Leverage and Borrowing. We intend to cause the Funds to use leverage as part of our investment process and in pursuit of the Funds' investment objectives. Leverage may come through a variety of sources, including, without limitation, by investing in instruments that may have embedded leverage, the retention of different amounts of cash or cash equivalents in a feeder fund, short sales of securities and other Financial Instruments, the use of derivatives, securities lending and repurchase agreements, and any other instruments we may deem appropriate. We have the power to cause the Funds to borrow, trade on margin, utilize derivatives and otherwise obtain leverage from brokers, banks and others on a secured or unsecured basis. The amount of (direct and/or indirect) borrowing may vary depending on market conditions, as determined appropriate in our discretion. Leverage use will vary over time, and there is no cap or other restriction on the type or amount of leverage we cause the Funds to utilize. The amount of leverage we cause the Funds to utilize may be significant. We also have the authority to cause the Funds to borrow for cash management purposes, such as to satisfy withdrawal requests.

Leverage may present opportunities for increasing the total return on investments but may also increase losses. Events that negatively affect the value of investments may be magnified as a result of the use of leverage and may result in a substantial loss to the Funds. In particular, portfolio positions and strategies of the Funds may experience significant and rapid losses in times of market disruption or when the predictions of the models are incorrect. In addition, changes in interest rates may have a material adverse effect on the Funds.

Changes in the Investment Program. Subject to applicable law and any express restrictions set forth in this Brochure or the Funds' governing documents, we may change the Funds' investment strategies or policies at any time and without notice.

C. Wrap Fee Programs.

We do not currently participate in any Wrap Fee Programs.

D. Assets Under Management.

We do not currently have any client assets under management but we expect to have, within 120 days of when our initial registration becomes effective, client assets under management sufficient to allow us to remain eligible for registration with the SEC.

ITEM 5 FEES AND COMPENSATION

A. Advisory Fees and Compensation.

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. Fees, expenses and incentive compensation may be assessed at the Domestic Fund level or at the Master Fund level; a brief summary of such fees, expenses and incentive compensation is provided below.

1. *Master Funds.*

Incentive Fee. Generally, at the end of each fiscal year of each Master Fund, such Master Fund will pay to the Investment Adviser an incentive fee (the "Incentive Fee") equal to a percentage of the net capital appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation of securities held in such Master Fund's portfolio) allocated to an investor's capital account for such fiscal year (with net capital appreciation for this purpose calculated after deducting any expenses of such Master Fund or the applicable Domestic Fund (including, for the avoidance of doubt, expenses attributable to particular Investment Teams and other expenses that are applicable to the Master Funds and other clients advised by the Investment Adviser), other than certain taxes, but not yet reflecting adjustment for such Incentive Fee), subject to a loss carryforward mechanism. The Incentive Fee rate has not yet been determined as the Funds are currently in formation.

In the event that a Master Fund is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the Incentive Fee payable at such time to the Investment Adviser, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. In the sole discretion of the Investment Adviser, the Incentive Fee may be waived, reduced or calculated differently with respect to certain investors.

Performance Amount. Each Master Fund will pay the Investment Adviser an amount that will be used by the Investment Adviser to pay the members of each Investment Team (as defined in the confidential private placement memorandum of the Domestic Fund investing in such Master Fund) annual performance bonuses, determined by reference to the performance of the portion of such Master Fund's investment portfolio that consists of investments managed by such Investment Team and calculated by the Investment Adviser in its sole discretion, but subject to the terms of any applicable employment or similar agreement (any such performance bonus, a "Performance Amount").

B. Payment of Fees.

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds are generally deducted from the assets of such clients. As discussed above, the Performance Amount and Incentive Fee are generally deducted on an annual basis. As discussed below, Additional Fees and Expenses are generally deducted on a monthly basis. The Startup Fee will generally be paid annually over a fixed period of time and will be contingent on the Master Funds' profitability.

C. Additional Fees and Expenses.

Each Master Fund will be responsible for all costs and expenses of maintaining the operations of such Master Fund and the Domestic Fund investing in such Master Fund, whether paid directly or indirectly through commission sharing arrangements. Such costs and expenses will include, without limitation, the Incentive Fee; investment expenses, whether or not such investments are consummated (such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees (and other expenses relating to the wiring of funds) and interest expenses); investment-related travel expenses (which are travel expenses incurred by the Investment Adviser or the Fund General Partner related to the purchase or sale of, or due diligence regarding, the applicable Domestic Fund's and Master Fund's investments, whether or not such investments are consummated); third-party professional fees (including, without limitation, expenses of consultants, investment bankers, attorneys, accountants and other experts) relating to investments; expenses relating to monitoring third-party service providers and background checks; fees and expenses relating to software tools, programs or other technology utilized in managing such Master Fund and the applicable Domestic Fund investing in such Master Fund (including, without limitation, third-party software licensing, implementation, data management and recovery services and custom development costs); research and market data (including, without limitation, any computer hardware and connectivity hardware incorporated into the cost of obtaining such research and market data); administrative expenses (including expenses incurred by the Investment Adviser or the Funds' administrator for risk management, regulatory and legal compliance, fund accounting, investor reporting, communications equipment and services, information systems, Bloomberg or similar terminals, quotation services, the calculation of fund net asset values, and anti-money-laundering, client identification and know-your-customer analyses and other expenses of the Funds' administrator); financing costs; directors' fees; the Investment Adviser's overhead (including, without limitation, expenses such as rent, utilities, supplies, secretarial expenses, stationery, charges for furniture, fixtures and equipment, employee benefits including, without limitation, insurance, payroll taxes and compensation of personnel); Performance Amounts; Startup Fees; legal expenses; external accounting and valuation expenses (including, without limitation, the cost of accounting software packages); audit and tax preparation expenses; costs related to director and officer liability, errors and omissions and comprehensive general liability insurance for the Fund General Partner, the Investment Adviser and their affiliates; costs of printing and mailing reports and notices; entity-level taxes; corporate licensing; regulatory expenses (including expenses related to preparing and making regulatory and compliance filings associated with such Master Fund, the applicable Domestic Fund investing in such Master Fund and their respective investment activities, such as filing fees and costs of software and systems relating to such filings); organizational expenses; expenses associated with meetings and communications among such Master Fund, the applicable Domestic Fund investing in such Master Fund and the applicable Domestic Fund's investors, the applicable Fund General Partner and the Investment Adviser; expenses incurred in connection with the offering and sale of the interests in the Domestic Fund and other similar expenses related to such Master Fund and the applicable Domestic Fund investing in such Master Fund (other than any fees payable to any placement agent); indemnification expenses; and extraordinary expenses.

Generally, Fund expenses, other than the Incentive Fee, each Startup Fee and any expenses that the Fund General Partner determines should be borne by a particular investor or investors, will be charged to all of the applicable Master Fund's capital accounts on a *pro rata*

basis. Each Master Fund capital account will bear its share of any Performance Amount that is accrued during the period that such Master Fund capital account was in existence (i.e., taking into account mid-year subscriptions and mid-year withdrawals). Each Master Fund capital account's pro rata share of any Startup Fee will be determined based on the amount of Net Capital Appreciation allocated to such Master Fund capital account over a fixed period of time. To the extent that expenses to be borne by a Master Fund are paid by the Fund General Partner or the Investment Adviser, such Master Fund will reimburse such party for such expenses. Pursuant to an investment management agreement, payments in respect of expenses will be made by each Master Fund to the Investment Adviser from time to time as determined by the Investment Adviser in its sole discretion.

Expenses attributable to particular Investment Teams will be allocated to Funds that receive services from such Investment Teams. The expenses of the Investment Adviser which are not allocated directly to particular Investment Teams will be shared by all of the clients advised or managed by the Investment Adviser in accordance with the Investment Adviser's expense allocation policy which is designed to allocate expenses in a fair and equitable manner over time.

Other expenses that are applicable to the Master Funds and other clients advised by the Investment Adviser will be shared by the Master Funds and such clients in accordance with the Investment Adviser's expense allocation policy which is designed to allocate expenses in a fair and equitable manner over time.

The Master Funds do not have a pre-determined limit on their ordinary or extraordinary operating expenses. The Master Funds' actual annual operating expenses are disclosed in the Master Funds' year-end audited financial statements, which are provided to each investor in the corresponding Domestic Fund.

D. Startup Fees.

Each Master Fund will be charged, starting in calendar year 2015, a contingent annual fee equal to a portion of the organizational expenses and certain other expenses of such Master Fund borne by the Investment Manager in respect of such Master Fund (the "Startup Fee"). The Startup Fees payable by the Master Fund will generally be payable annually, with the final Startup Fee payable on or prior to December 31, 2016, and will be contingent on such Master Fund's profitability.

E. Prepayment of Fees.

All fees and expenses paid to the Investment Adviser shall be assessed in arrears.

F. Additional Compensation and Conflicts of Interest.

Neither the Investment Adviser nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

ITEM 6
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We and our affiliates accept performance-based compensation from every client (other than clients that are not assessed performance-based compensation because it is assessed through another entity in a single master-feeder or similar structure). As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

ITEM 7
TYPES OF CLIENTS

We provide investment advice to Funds, as described above.

We may in the future provide investment advice to separately managed accounts ("Managed Accounts") for institutional and other investors.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies and Risk of Loss.

The descriptions set forth in this Brochure of specific advisory services that we offer to clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue 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.

Our objective is to generate high quality, risk adjusted returns on our clients' invested capital, consistent with our investment program, as described in more detail in Item 4.B.2 of this Brochure.

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 the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

Systems and Operational Risks Generally. The Investment Adviser must develop and implement appropriate systems for the Funds' activities. In addition, despite the security measures established by the Investment Adviser and third parties to safeguard the information in these systems, such systems may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise these systems and result in the theft, loss or public dissemination of the information stored therein. Disruptions in the Investment Adviser's operations or breach of the Investment Adviser's information systems may cause the Funds to suffer, among other things, financial loss, the disruption of trading or investment operations, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Funds and the investors' investments in the Funds.

Reliance on Technical Trading Systems. The Investment Adviser may allocate the Funds' capital to investment strategies that are based on technical trading systems. Although the Investment Adviser retains all discretion with respect to the manner in which a trading system's output is interpreted and applied, there can be no assurance that the Investment Adviser's trading systems and its interpretation and application of the trading systems' output will take into account all relevant factors. Technical trading systems can also be ineffective when fundamental factors drive Financial Instruments' prices.

Use of Systems. The Investment Adviser relies extensively on the use of computer systems, hardware, software, and telecommunications equipment. The Investment Adviser makes use of its own models as well as systems which are publicly available or provided by third parties. Accordingly, the Funds are exposed to the risk that computer hardware, software, electronic equipment and other services used by the Investment Adviser may cease to be available, for example, due to the insolvency of the provider or the discontinuation of

services or software updates. In such circumstances, the Investment Adviser would seek to obtain equivalent hardware, software and services from an alternative supplier.

System Failure. As the Investment Adviser makes extensive use of computer hardware, systems and software, the Funds are exposed to risks caused by failures of IT infrastructure and data. In addition, outright failure or a partial impairment (whether due to external situations or internal file corruption) of the underlying hardware, operating system, software or network may leave the Funds unable to trade either generally or in certain of their strategies, and this may expose them to risk should the outage coincide with turbulent market conditions. To ameliorate this risk, backup and failover plans have been put in place by the Investment Adviser. Nevertheless, in the worst case, the Investment Adviser may have to liquidate the Funds' entire portfolios as the only safe way to proceed should a crippling system outage occur.

Data Feed Failure. The Investment Adviser's models utilize data feeds from a number of sources. If these data feeds were to be compromised or discontinued in any material manner, or not delivered or accessible in a timely manner, the models may not be properly formulated. This failure to receive the data feeds or receive the data feeds in a timely manner may leave the Funds unable to trade, and this may expose the Funds to risk of loss or loss of opportunities, in particular if the loss of the data feed coincides with turbulent market conditions. If the data feeds are compromised or discontinued in any material manner or if the data feeds are not delivered or accessible in a timely manner, it may result in a loss to the Funds, which could be material.

Risk of Programming Implementation Error or Logical Error. Given the reliance of the Investment Adviser upon the operation of its models and other software trading and analysis systems, it follows that the Funds are therefore at risk of errors of implementation (colloquially known as "bugs") and errors of design that may exist or arise in the software or models, and which may cause inappropriate or aberrant behavior under certain or all market conditions. While reasonable steps have been taken to ensure that the software is adequate in design and free from manifest bugs, formal proof of bug-free code has not been undertaken, nor can the underlying logical and/or mathematical models be certified as free from error. Furthermore, without limitation, while the software has been tested, no guarantee can be given that a unique combination of input conditions experienced when running the system "live" and which has not been encountered during development, will not cause the system to fail, perform aberrantly, or take positions that are (under some reasonable criteria) judged to be inappropriate. As with any software, upgrades, "bug fixes" and various other improvements may be introduced over time and the risk therefore exists that such changes may detrimentally affect the performance of the Funds, rather than improve it.

These failures can also occur in a complex, interdependent environment where different elements of code are all functioning correctly if their interaction gives rise to unanticipated or unintended errors. Given the fact that the Investment Adviser will be utilizing proprietary and third-party code (some of which may be open-source and without any warranties), it is possible or likely that errors will arise from such interactions.

Risks Inherent in Computer-Driven and Intellectual Property Based Systems. The Investment Adviser relies to a material extent on a wide range of intellectual property systems, including computer hardware and software systems and telecommunications systems, in substantially all phases of its operations, including research, valuation, trade

identification and construction, trade execution, clearing, risk management, back office functions and reporting.

As described above, intellectual property systems are subject to a number of inherent and unpredictable risks. For example, there may be material undiscovered errors in software programs; software and/or hardware may malfunction and/or degrade; electronic and telecommunications delivery may fail; security breaches may lead to unauthorized trades or stolen intellectual property; services provided by third-party vendors to support the intellectual property systems may be interrupted; and computer-driven trading errors may occur.

Valuation of Assets and Liabilities. The Funds' assets and liabilities are valued in accordance with the Investment Adviser's valuation policy (the "Valuation Policy"). The valuation of any asset or liability involves inherent uncertainty. The value of a Financial Instrument determined in accordance with the Valuation Policy may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of the Funds if the judgments of the Investment Adviser regarding the appropriate valuation should prove to be incorrect.

ASC 820—Fair Value Measurements and Disclosures; Potential GAAP vs. Valuation Policy Reporting Difference. The Funds' assets and liabilities are valued in accordance with the Valuation Policy. However, for purposes of preparing the Funds' annual audited financial statements, which are prepared in accordance with GAAP, certain of the Funds' assets and liabilities may be valued in a manner that, while consistent with GAAP, is different from the manner in which such assets are valued pursuant to the Valuation Policy.

Specifically, for purposes of GAAP-compliant financial reporting, the Funds are each required to follow a specific framework for measuring the fair value of their assets and liabilities, and are required to provide certain additional disclosures regarding the use of fair value measurements in their audited financial statements. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, formerly known as FAS 157 ("ASC 820"), defines and establishes a framework for measuring fair value under GAAP and expands financial statement disclosure requirements relating to fair value measurements. Other valuation-related requirements are contained in other provisions of GAAP, and sections of the codification. Additional FASB ASCs and updates and additional provisions of GAAP that may be adopted in the future may also impose additional, or different, specific requirements as to the valuation of assets and liabilities for purposes of GAAP-compliant financial reporting.

Accordingly, to the extent that GAAP would require any of the Funds' assets or liabilities to be valued in a manner that differs from the Valuation Policy, such assets or liabilities will be valued (x) in accordance with GAAP, solely for purposes of preparing the Funds' GAAP-compliant annual audited financial statements, and (y) in accordance with the Valuation Policy (without regard to any GAAP requirements relating to the determination of fair value) for all other purposes, including, without limitation, for purposes of allocating gains and losses among the investors which is relevant to, among other things, the determination of net asset value of an investor's capital account, the calculation of the

Performance Amounts, the Incentive Fee and the amounts payable by the Fund in respect of a withdrawal by or distribution to an investor.

Generally, accounting rules (including ASC 820) applicable to investment funds and various assets in which they invest are evolving. Such changes may adversely affect the Funds. For example, the evolution of rules governing the determination of the fair market value of assets to the extent such rules become more stringent would tend to increase the cost and/or reduce the availability of third-party determinations of fair market value. This may in turn increase the costs associated with selling assets or affect their liquidity due to inability to obtain a third-party determination of fair market value.

ASC 740—Accounting Changes; Effect on Net Asset Value. Pursuant to FASB ASC 740, formerly known as FIN 48 ("ASC 740"), which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements, the Investment Adviser is required to determine whether a tax position, based on its technical merits, meets a more-likely-than-not recognition threshold that the position will be sustained upon examination. As a result of such a determination, the Funds may be required to recognize a contingent tax liability in their respective net asset value calculations if the related tax position meets the recognition criterion in ASC 740 and, conversely, may be required to unrecognize a contingent tax liability in its net asset value calculation if the related tax position does not meet the recognition criterion in ASC 740. In addition, the net asset value of the Funds may be adjusted if an uncertain tax position is settled. Since ASC 740 has only recently been adopted, the Funds may be required to recognize in their financial statements contingent liabilities that under prior custom and practice in the industry would not have been recognized. Such contingent liabilities may also relate to time periods that predate an investor's investment in the Funds. Recognition and measurement of each tax position, including any tax position for which there is a lack of authority and audit experience, is determined by the Investment Adviser, based on discussions with tax advisors and the auditor and based on the facts and circumstances known at the time. There can be no assurance that any such determination will not change over time. Adjustments made to the net asset value of the Funds in connection with the recognition or unrecognition of contingent tax liabilities may have a material positive or negative effect on certain investors and prospective investors, depending on the circumstances.

Counterparty Risk and Other Adverse Events or Actions. The Investment Adviser expects to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Funds' activities, create losses, preclude the Funds from engaging in certain transactions or prevent the Funds from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

Some of the markets in which the Funds may effect transactions are not "exchange-based", including "over-the-counter" or "interdealer" markets. The stability and liquidity of over-the-counter transactions depends in large part on the creditworthiness of the parties to the transactions. 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 the Funds have concentrated their transactions with a single or small group of counterparties. Generally, the Funds will not be restricted from dealing with any particular counterparties. The Investment Adviser's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of the Funds' counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

If there is a default by a counterparty, under most normal circumstances the Funds, or the Investment Adviser, acting on behalf of the Funds, will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Funds being less than if the Investment Adviser had not caused the Funds to enter into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Funds' Financial Instruments from such counterparty or the payment of claims therefor may be significantly delayed and the Investment Adviser may recover substantially less on behalf of the Funds than the full value of the Financial Instruments entrusted to such counterparty.

In addition, the Investment Adviser may cause the Funds to use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. For example, capital deposited at certain non-U.S. broker-dealers may not be subject to client money protection rules, which could subject the Funds to the risks of being an unsecured creditor in the event of a broker-dealer insolvency. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Funds and their assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Funds' Financial Instruments from or the payment of claims therefor by such counterparty and a loss to the Funds, which could be material.

In addition to the risk of a counterparty default, there is also the risk that the Funds' counterparties may be required to restrict the amount of credit granted to the Funds due to their own financial difficulties, which could result in a forced liquidation of substantial portions of the Funds' accounts.

Central Clearing. In order to mitigate counterparty risk and systemic risk in general, various regulatory and legislative initiatives are underway to require certain over-the-counter derivatives to be cleared through a clearinghouse. In the United States, clearing requirements were part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing requirements for other derivatives in the future. While

such clearing requirements may be beneficial for the Funds in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Funds would be exposed under non-cleared derivatives), the Funds could be exposed to new risks such as the risk that the majority of such derivatives may be required to be standardized and/or cleared through a clearinghouse, as a result of which the Investment Adviser may not be able to hedge all of the Funds' risks or express an investment view as well as it would using customizable derivatives available in the over-the-counter markets. Also, each clearinghouse only covers a limited range of products and the Investment Adviser may have to spread each Fund's derivative portfolio across multiple clearinghouses, which in turn reduces the benefits of netting that derivatives users rely on to mitigate counterparty risk.

Another risk is that the Investment Adviser, acting on behalf of the Funds, will likely be subject to more onerous and more frequent (daily or even intraday) margin calls from both the clearinghouse and the dealer through which the Investment Adviser will cause the Funds to access the clearinghouse, which may force the Investment Adviser to cause the Funds to use temporary credit facilities of the dealer to meet margin calls related to cleared trades and increase the costs of cleared trades to the Funds. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Investment Adviser to cause the Funds to borrow eligible Financial Instruments from a dealer to meet margin calls and raise the costs of cleared trades to the Funds. In addition, clearinghouses may not allow the Investment Adviser to portfolio-margin the Funds' positions, which may cause an increase in the costs to the Funds. Further, clearinghouses are encouraged to model risks and implement margin requirements in typical market environments. Many of the risk models, however, are subject to change at any time and, therefore, the Funds may be subject to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Funds.

Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse or any counterparty the Investment Adviser utilizes as a clearing agent or broker for the Funds, subjecting the Funds to the risk that the assets of the clearing entity are insufficient to satisfy all of the clearing entity's payment obligations, leading to a payment default. The failure of a clearinghouse could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on member firms during a financial crisis, which could lead member firms to default and thus worsen the crisis. Because certain aspects of clearinghouse operations and legal interpretations relating to these structures are still under development, it is difficult to speculate what the actual risks would be to the Funds related to the default of a clearinghouse. There is no one international standard for clearinghouses; existing clearinghouses both domestically and internationally have different waterfalls that apply upon the insolvency of a clearinghouse or a clearinghouse member and it is possible that the Funds could be in a worse position if a clearinghouse were to fail than a traditional derivative counterparty. Also, a clearinghouse will likely require that the Investment Adviser relinquish control of the Funds' transactions if the clearinghouse were to become insolvent, and, therefore, the Funds would not be able to terminate and close out of a defaulting clearinghouse's positions, but would become subject to regulators' control over those positions. In such a circumstance, the Investment Adviser may not be able to take actions that it deems appropriate to lessen the impact of such clearinghouse default.

Applicable regulations may also require the Investment Adviser to make public information regarding its swaps volume, position size and/or trades, which could detrimentally impact the Investment Adviser's ability to achieve the Funds' investment objectives.

Competition; Availability of Investments. Certain markets in which the Investment Adviser may cause the Funds to invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Investment Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments.

Volatility Risk. The Investment Adviser's investment program may involve the purchase and sale of relatively volatile Financial Instruments and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such Financial Instruments and/or markets can adversely affect the value of investments held by the Funds.

Credit Ratings. In general, the credit rating assigned by a nationally recognized rating agency to a Financial Instrument represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such Financial Instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. The Funds may incur losses if the Investment Adviser makes investments based on credit ratings that subsequently change in a way not favorable to the Funds' investment objectives.

Significant Positions in Financial Instruments; Regulatory Requirements. In the event the Investment Adviser causes the Funds to acquire a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Funds may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Funds and the Investment Adviser. Any such requirements may impose additional costs on the Funds and may delay the acquisition or disposition of the Financial Instruments or the Investment Adviser's ability to respond in a timely manner to changes in the markets with respect to such Financial Instruments.

In addition, "position limits" may be imposed by various regulators that may limit the Investment Adviser's ability to effect desired trades on behalf of the Funds. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Funds' position limits were aggregated with an affiliate's position limits, the effect on the Funds and resulting restriction on the Investment Adviser's investment activities may be significant. If at any time positions managed by the Investment Adviser were to exceed applicable position limits, the Investment Adviser would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those

limits. Further, to avoid exceeding any position limits, the Investment Adviser might have to forego or modify certain of the Funds' contemplated trades.

In addition, if the Investment Adviser, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Funds may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances, the Investment Adviser will be prohibited from causing the Funds to enter into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

Exposure to Material Non-Public Information. From time to time, the Investment Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Investment Adviser may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position held by the Funds in such issuer, (ii) causing the Funds to establish an initial position or take any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Currency Exchange Exposure. The Investment Adviser may invest in Financial Instruments denominated in currencies other than the U.S. Dollar. The Investment Adviser, however, values the Funds' Financial Instruments in U.S. Dollars. The Investment Adviser may or may not seek to hedge the Funds' non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that Financial Instruments suitable for hedging currency or market shifts will be available at the time when the Investment Adviser wishes to cause the Funds to use them, or that hedging techniques employed by the Investment Adviser will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Funds' positions denominated in currencies other than U.S. Dollars 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.

Model and Data Risk. Given the complexity of the investments and strategies of the Funds, the Investment Adviser must rely heavily on quantitative models (both proprietary models developed by the Investment Adviser, 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 the Investment Adviser's investment professionals. Models and Data are used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of the Funds), to provide risk management insights, and to assist in hedging the Funds' investments. The Investment Adviser's systems will also effect executions autonomously, without any human providing trade by trade approval.

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, the Investment Adviser 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 favorable 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

Funds, any valuations of the Funds' investments that are based on valuation models may prove to be incorrect.

Some of the models used by the Investment Adviser are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, 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 Financial Instruments with complex characteristics, such as derivative securities.

Quantitative Model Risks. There can be no assurance that the models used by the Investment Adviser will continue to be viable. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Funds. There can be no assurance that the Investment Adviser will achieve the Funds' investment objectives or that the models (even if completely or partially viable) will continue to further or ultimately be capable of furthering the Funds' investment objectives.

In addition, given that the systems can execute trades autonomously, undesired results may only be detected after the fact, perhaps after a significant number of transactions have occurred.

Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be subject to misinterpretation. In the complex environment in which the Investment Adviser operates, effective risk management depends upon many factors, not all of which may be properly identified, and effective assessment, analysis, process creation, control or treatment of risks could be difficult to implement.

Obsolescence Risk. The Funds are unlikely to be successful unless the assumptions underlying the Investment Adviser's 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 the Investment Adviser does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. The Investment Adviser 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 investors in the Funds 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 the Investment Adviser to deliver returns that have a low correlation with the broader global 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 the Investment Adviser is not able to develop sufficiently differentiated models, the Funds' investment objectives may not be met, irrespective of whether the models are profitable in an absolute sense. In addition, to the extent that the Investment Adviser'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 process engaged in by the Investment Adviser 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 the Investment Adviser 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 raises the chances that the finished model may contain an error; one or more of such errors could adversely affect the Funds' performance and likely would not constitute a trade error under the Investment Adviser's policies or the Funds' governing documents.

Involuntary Disclosure Risk. The ability of the Investment Adviser to achieve its investment goals for the 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 the Investment Adviser 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 the Investment Adviser's models, and thereby impair the relative or absolute performance of the Funds.

Proprietary Trading Methods. Because the trading methods employed by the Investment Adviser on behalf of the Funds are proprietary to the Investment Adviser, an investor will not be able to determine any details of such methods or whether they are being followed.

Technical Trading Strategies. The buy and sell signals generated by certain strategies of the Investment Adviser are not based on any analysis of fundamental supply and demand factors, general economic factors or anticipated world events but generally upon factors such as studies of actual daily, weekly and monthly price fluctuations, volume variations, changes in open interest and correlations and variance measures. The profitability of any technical trading strategy depends upon occurrence in the future of major price moves or trends in the instruments traded. In the past there have been periods without discernible trends and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no trends of the kind it seeks to follow. In addition, a technical trading strategy may be profitable for a period of time, after which the strategy fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace

their strategy on a periodic basis. Any factor that may lessen the prospect of major trends in the future (for example, as increased governmental control of, or participation in, the markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at the strategy's signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

Spread Trading. A part of the Investment Adviser's strategy may involve spread positions between two or more Financial Instrument positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably, thus causing a loss to the spread position. The Investment Adviser's strategy also may involve arbitraging among two or more Financial Instruments. This means, for example, that the Investment Adviser may cause the Funds to purchase (or sell) Financial Instruments (on a current basis) and take offsetting positions in the same or related Financial Instruments. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss to the position. Moreover, the arbitrage business is extremely competitive, and many of the major participants in the business are large investment banking firms with substantially greater financial resources, larger research staffs and more investment professionals than will be available to the Investment Adviser. Arbitrage activity by other larger firms may tend to narrow the spread between the price at which the Investment Adviser may cause a Fund to purchase a Financial Instrument and the price the Investment Adviser expects that the Fund will receive upon consummation of a transaction.

Regulatory Risks Applicable to High-Frequency Trading Strategies. A recent increase in governmental and regulatory scrutiny has focused on investment funds that operate high frequency trading strategies and automated or computer-based trading. Such scrutiny has and can in future lead to costly investigations, litigation, legislative testimony, loss of reputation, fines and settlements, and could also result in additional severe consequences.

The SEC recently ordered U.S. stock exchanges to create pilot programs that would allow equity securities of companies with a market capitalization of \$5 billion or less, along with other factors, to trade in five cent increments, which could have an effect of increasing the cost of trading by market participants. In addition, the SEC imposed a rule that prohibits the practice of "naked access." Such a prohibition bars brokers from granting high frequency traders with unfiltered access to the financial markets. The impact of such a prohibition is unknown, but such a rule may potentially limit the Funds' investment opportunities. The SEC is also considering the imposition of market-maker obligations on anyone engaged in high-frequency trading. While the U.S. government's definition of high frequency trading may be designed primarily to capture ultra-high frequency trading, it is likely that a number of these proposals may affect the trading activities of the Investment Adviser. Also under consideration by the SEC is the imposition of a minimum amount of time for which a quote must remain active and other mechanisms to eliminate "quote stuffing." Lastly, the implementation of new trading "circuit breakers" and additional trading limitations are being considered by the SEC. These mechanisms would restrict programmatic trading in the event that a market moved up or down by more than a predetermined number of points on any trading day. In the event of their implementation, compliance with any one or more of the abovementioned proposed regulations may negatively impact the Investment Adviser's ability

to effect its trading strategies, and may in turn have a negative effect on the Funds' investments.

Similar restrictions on high frequency trading are being considered by the CFTC and European securities regulators.

Correlation Risk. The Funds may be exposed to correlated risks. These occur when funds and other investors hold similar positions and employ similar strategies, resulting in intensified risks leading to potential cascading loss in times of market stress. Quantitative traders can be particularly susceptible to this type of correlation risk as a result of convergence in their automated trading algorithms and positions held. The high leverage and hedging techniques that many arbitrage-driven quantitative hedge fund managers use can further magnify the effects of correlation risk.

Trading Judgment. The success of the Funds is subject to the judgment and skills of the Investment Adviser's research and trading personnel. Additionally, the Investment Adviser's trading abilities with regard to execution and discipline are important to the returns of the Funds. There can be no assurance that the Investment Adviser's investment decisions or actions will be correct. Incorrect decisions or poor judgment may result in substantial losses.

Risk of Loss. No guarantee or representation is made that the Funds' investment programs, including, without limitation, the Funds' investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past performance is no guarantee of future results.

General Economic and Market Conditions. The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Investment Adviser may cause the Funds to maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Current Economic Conditions in European Countries. Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, are currently experiencing varying degrees of financial distress. Risks from the debt crisis in Europe could result in a disruption of the financial markets, which could have a detrimental impact on global economic conditions. Recently, contagion fears have expanded to Spain and Italy, and credit spreads widened further in European peripheral countries and European banks. There remains considerable uncertainty as to future developments in the European debt crisis and the impact on global financial markets. A significant deterioration of the European debt crisis could result in material reductions in the value of sovereign debt and other asset classes, disruptions in capital markets, widening of credit spreads, loss of investor confidence in the financial

services industry, a slowdown in global economic activity, and other adverse developments that could negatively impact the performance of the Funds.

Global Macro. The Investment Adviser may employ investment strategies based on global macroeconomic themes. The success of these strategies depends upon the Investment Adviser's ability to identify and exploit perceived fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that the Investment Adviser will be able to locate investment opportunities or to exploit such imbalances. In the event that the theses underlying the positions that the Investment Adviser has caused the Funds to hold fail to be borne out in developments expected by the Investment Adviser, the Funds may incur losses which could be substantial.

Long/Short. The Investment Adviser may employ various long/short investment strategies. The success of these strategies depends upon the Investment Adviser's ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of the Investment Adviser's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the positions that the Investment Adviser causes the Funds to acquire were to fail to converge toward, or were to diverge further from values expected by the Investment Adviser, the Funds may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Investment Adviser to close out one or more of the Funds' positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Investment Adviser's long/short strategies may become outdated and inaccurate as market conditions change.

Short-Selling. The Investment Adviser may cause the Funds to engage in short selling investment programs. The success of these programs depends upon the Investment Adviser's ability to identify and sell short Financial Instruments that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying Financial Instrument could theoretically increase without limit, thus increasing the cost to the Funds of buying those Financial Instruments to cover the short position. There can be no assurance that the Investment Adviser will be able to maintain the Funds' ability to borrow Financial Instruments sold short. In such cases, the Funds can be "bought in" (*i.e.*, forced to repurchase Financial Instruments in the open market to return to the lender). There also can be no assurance that the Financial Instruments necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing Financial Instruments to close out a short position can itself cause the price of the Financial Instruments to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Investment Adviser, acting on behalf of the Funds, secures a "good

borrow" of the Financial Instrument sold short at the time of execution, the lending institution may recall the lent Financial Instrument at any time, thereby forcing the Investment Adviser to cause the Funds to purchase the Financial Instrument at the then-prevailing market price which may be higher than the price at which such Financial Instrument was originally sold short by the Funds.

Relative Value. Relative value investment strategies generally use spread trades consisting of a long position in one Financial Instrument offset by a short position in another. Such offsetting positions are meant to neutralize or reduce risk. The portfolio profits of the Investment Adviser's relative valuation leads to a rise in the value of the long position(s) and/or a decline in the value of the short position(s). The Investment Adviser may employ a variety of relative value investment strategies whose success depends upon the Investment Adviser's ability to identify and exploit perceived inefficiencies in the pricing of Financial Instruments, financial products, or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that the Investment Adviser will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for the Investment Adviser to maintain a position. Even pure arbitrage positions can result in significant losses if the Investment Adviser is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which the Investment Adviser seeks to invest will reduce the scope for the Investment Adviser's investment strategies. In the event that the perceived mispricings underlying the Funds' positions were to fail to converge toward, or were to diverge further from, relationships expected by the Investment Adviser, the Funds may incur losses. Even if the Investment Adviser's relative value investment strategies are successful, they may result in high portfolio turnover and, consequently, high transaction costs.

Short-Term Market Considerations. The Investment Adviser's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

Leverage and Borrowing.

Leverage for Investment Purposes. The Investment Adviser is expected to use leverage as part of the investment program. Leverage may take the form of, among other things, certain of the Financial Instruments described herein, including, without limitation, derivative instruments which are inherently leveraged and products with embedded leverage such as options, short sales, swaps and forwards, as well as borrowing on margin. The use of leverage will allow the Investment Adviser to cause the Funds to make additional investments, thereby increasing the Funds' exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Funds' portfolios. The effect of the use of leverage by the Investment Adviser, on behalf of the Funds, in a market that moves adversely to the Funds' investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged.

Borrowing for Cash Management Purposes. The Investment Adviser will have the authority to cause the Funds to borrow for cash management purposes, such as to satisfy

withdrawal requests. The rates at and terms on which the Investment Adviser can cause the Funds to borrow will affect the operating results of the Funds.

Collateral. The instruments and borrowings utilized by the Funds to leverage investments may be collateralized by all or a portion of the Funds' portfolios. Accordingly, the Investment Adviser may cause the Funds to pledge their Financial Instruments in order to borrow or otherwise obtain leverage for investment or other purposes. Should the Financial Instruments pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call", pursuant to which the Investment Adviser must either cause the Funds to deposit additional funds or Financial Instruments with the broker or suffer mandatory liquidation of the pledged Financial Instruments to compensate for the decline in value. The banks and dealers that provide financing to the Funds can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Funds may have similar rights. There can be no assurance that the Funds will be able to secure or maintain adequate financing.

Costs. Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Funds' portfolios. Any investment income and gains earned on investments made through the use of borrowings that are in excess of the interest costs associated therewith may cause the net asset value of the Funds to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the net asset value of the Funds may decrease more rapidly than would otherwise be the case.

Lending of Portfolio Securities. The Investment Adviser may cause the Funds to lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Funds will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Diversification and Concentration. The Investment Adviser may select investments that are concentrated in a limited number or types of Financial Instruments. In addition, the Investment Adviser may cause the Funds' portfolios to become significantly concentrated in Financial Instruments related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such Financial Instruments.

Hedging Transactions. The Investment Adviser may cause the Funds to utilize Financial Instruments for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolios resulting from fluctuations in

the markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of their investment portfolios; (iii) facilitate the sale of any Financial Instruments; (iv) enhance or preserve returns, spreads or gains on any Financial Instrument in the Funds' portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Funds' Financial Instruments; (vii) protect against any increase in the price of any Financial Instruments the Investment Adviser anticipates causing the Funds to purchase at a later date; or (viii) act for any other reason that the Investment Adviser deems appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Investment Adviser may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Investment Adviser may cause the Funds to enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if the Investment Adviser had not caused the Funds to engage in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Trend Following. Certain trading decisions made by the Investment Adviser may be based on trend following. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many managers' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated.

C. Risks Associated With Particular Types of Financial Instruments.

Derivative Instruments Generally. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. In addition, the Investment Adviser may, in the future, cause the Funds to invest in opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. 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 Investment Adviser may cause the Funds to participate is evolving, and changes in the regulation or taxation of such Financial Instruments may have a material adverse effect on the Funds.

Call Options. The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying Financial Instrument) assumes the risk of a decline in the market price of the underlying Financial Instrument below the purchase price of the underlying Financial Instrument less the premium received, and gives up the opportunity for gain on the underlying Financial Instrument 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 Financial Instrument above the exercise price of the option. The

Financial Instruments necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing Financial Instruments to cover the exercise of an uncovered call option can cause the price of the Financial Instruments to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying Financial Instrument) assumes the risk of an increase in the market price of the underlying Financial Instrument above the sales price (in establishing the short position) of the underlying Financial Instrument plus the premium received, and gives up the opportunity for gain on the underlying Financial Instrument if the market price falls 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 Financial Instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the Financial Instruments included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular Financial Instrument, whether the Funds will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the Financial Instrument market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular Financial Instruments.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying 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, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, 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 index futures contracts by the Funds also is subject to the Investment Adviser's ability to correctly predict movements in the direction of the market.

Swaps. Whether the Investment Adviser's use of swap agreements or swaptions on behalf of the Funds will be successful will depend on the Investment Adviser's ability to select appropriate transactions for the Funds. Swap agreements and options on swap agreements ("swaptions") can be individually negotiated and 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 the holder's exposure to, for example, equity securities, long-term or short-term interest rates, foreign currency values, volatility/variance, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds' portfolios. Moreover, the Funds bear 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. The Funds will also bear the risk of loss related to

swap agreements, for example, for breaches of such agreements or the failure of the Investment Adviser to cause 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 the Investment Adviser ability to cause the Funds to terminate swap transactions or to realize amounts to be received under such transactions.

Credit Default Swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an owner of corporate debt instruments can purchase default protection by entering into a credit default swap with a bank, broker-dealer or other party. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference Financial Instrument less the price at which the reference Financial Instrument trades subsequent to default. Credit default swaps can be used by the Investment Adviser to cause the Funds to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds or to implement a view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Investment Adviser may cause the Funds to sell credit default protection in which the Funds receive a premium to take on the risk. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Investment Adviser may also cause the Funds to "purchase" credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of the Investment Adviser, there is a high likelihood of credit deterioration. The credit default swap market for some securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities, creating the risk that the newer markets will be less liquid, and making it potentially more difficult to exit or enter a particular transaction. Swap transactions dependent upon credit events are priced incorporating many variables, including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield Curve, among other factors. As such, there are many factors upon which market participants may have divergent views. The Investment Adviser may also cause the Funds to enter into credit default swap transactions, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

Futures Contracts. The value of futures contracts depends upon the price of the securities or other items, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased

or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Investment Adviser from promptly liquidating the Funds' unfavorable positions and subject the Funds to substantial losses or prevent the Investment Adviser from causing the Funds to enter into desired trades. Also, 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 Financial Instrument or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Non-U.S. Futures Transactions. Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the Funds may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

Forward Contracts. Banking authorities generally do not regulate trading in 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 or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of the Funds. In its forward trading, the Funds will 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 Investment Adviser causes the Funds to trade. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Adviser may order trades for the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds to the risk of loss.

Contracts for Differences. Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The

underlying instrument may be a single Financial Instrument, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer's initiative. As is the case with owning any Financial Instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying Financial Instrument will require the buyer to post additional margin. CFDs also carry counterparty risk, *i.e.*, the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. 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 the Funds' obligation to their counterparties under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Funds' financial risk.

Failure to Enter into Offsetting Trade. To the extent the Investment Adviser causes the Funds to invest in a futures contract or option long, unless an offsetting trade is made, the Funds would be required to take physical delivery of the commodity underlying the future or option. To the extent the Investment Adviser fails to enter into such offsetting trade prior to the expiration of the contract, the Funds may suffer a loss since neither the Funds nor the Investment Adviser has the operational capacity to accept physical delivery of commodities.

Equity Securities Generally. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if the Investment Adviser causes them to invest in equity instruments of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. The Funds also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Preferred Stock. Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

American Depositary Receipts and Global Depositary Receipts. American Depositary Receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by foreign issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts ("GDRs") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on foreign stock exchanges or foreign over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited Financial Instrument or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

Convertible Securities. A convertible security may be subject to withdrawal at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Fund is called for withdrawal, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Investment Adviser's ability to achieve the Funds' investment objective.

Non-U.S. Investments. Investing in the Financial Instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in Financial Instruments of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Investment Adviser may be unable to structure the Funds' transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds' rights in such markets. For example, Financial Instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations

of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Undervalued Securities. The Investment Adviser may cause the Funds to invest in securities of companies which the Investment Adviser believes to be undervalued. However, the identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the investments that the Investment Adviser causes the Funds to make may not adequately compensate for the business and financial risks assumed.

Exchange-Traded Funds. The Investment Adviser may cause the Funds to invest in Exchange-Traded Funds ("ETFs"), which are shares of publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying Financial Instruments they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying Financial Instruments they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. In addition, the Funds may bear, along with other shareholders of an ETF, their *pro rata* portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Funds' expenses (*e.g.*, Performance Amounts and operating expenses), investors in the Funds may also indirectly bear similar expenses of an ETF.

Micro-, Small- and Medium-Capitalization Companies. The Investment Adviser may cause the Funds to invest in securities of micro- and smaller-capitalization companies. Such securities involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be less liquid than large-capitalization companies.

Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Investment Adviser on behalf of the Funds are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, trade deficits, budget deficits, national savings rates, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which 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.

The Investment Adviser may cause the Funds to enter into spot and forward currency contracts and options on currencies to trade currencies or to shift exposure to foreign currency fluctuations from one currency to another with respect to the Funds. Currency transactions made on a spot basis are for cash at the spot rate prevailing in the currency market for buying or selling currency. A forward currency contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces the Funds' exposure with respect to its investment to changes in the value of the currency it will deliver and increases its exposure to changes in the value of the currency it will receive for the duration of the contract.

Currency trading is subject to risks different from those of other transactions. In countries where exchange rate control is of great importance and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These government actions can result in losses to the Funds if it is unable to deliver or receive currency or funds in settlement of obligations. Furthermore, settlement of a currency forward contract for the purchase of most currencies must occur at a bank based in the issuing nation.

Under normal market conditions, transactions involving the U.S. Dollar and other currencies are expected to be executed quickly and with low transaction costs. However, in periods of market stress, the instruments necessary to permit the Investment Adviser to execute its investment program on behalf of the Funds may not generally be available or may not, in the Investment Adviser's judgment, be economically priced. In addition, following a significant decline in the net asset value of the Funds, or a significant loss by the Funds on a currency portfolio, counterparties may be unwilling to continue to offer currency instruments to the Funds and may have the ability to terminate the master agreements relating to the existing currency instruments and all currency transactions documented thereunder. Finally, the Funds' counterparties are not contractually obligated to offer currency instruments to the Funds following the maturity of a given transaction or to increase the size of a transaction at the Investment Adviser's request.

Commodities.

Factors Affecting Commodities Prices. The values of commodities which underlie the commodity futures contracts and other types of securities are generally affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. 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. The Funds and the Investment Adviser have no control over the factors that affect the price of commodities. Accordingly, the value of the Funds' investments could change substantially and in a rapid and unpredictable manner.

Agricultural Commodities. Agricultural commodities are particularly sensitive to changes in, among other things, climate, crop and livestock health, world political events, government action (including export and import restrictions and embargoes), international and regional trade contracts, labor contracts, transportation systems and crop predictions. Significant production declines and volume decreases of agricultural commodities can occur as a result of, among other things, hurricanes, tornadoes, floods, fires and other natural disasters. In addition, agricultural commodities are subject to price volatility as a result of disruptions relating to the facilities necessary to produce, transport, store and deliver the agricultural commodity. As a result, the net assets of the Funds may be affected by such factors.

Precious Metals. Prices of precious metals (e.g., gold, silver, platinum and palladium) are affected by factors such as cyclical economic conditions, political events, and monetary policies of various governments and countries. In addition, certain precious metals are geographically concentrated, and events in those parts of the world in which such concentration exists may affect their values. Gold and other precious metals are also subject to governmental action for political reasons. The markets for precious metals are volatile and there may be sharp fluctuations in prices even during period of rising prices.

Energy. Markets for energy-related commodities, including, without limitation, electricity, coal, natural gas, crude oil and other petroleum products, can be susceptible to substantial price fluctuations over short periods of time and are particularly affected by political events, natural disasters, exploration and development success or failure, and technological changes. In addition, significant short-term price volatility can be caused by the inability to store electricity, tariff regulation and consumer advocacy.

Cash Commodities. Contracts governing the purchase and sale of specific commodities (known as "cash commodities") for immediate or deferred delivery may differ from each other with respect to terms such as quantity, grade, mode of shipment, terms of payment, penalties and risk of loss. There is no limit on daily price movements of cash commodities and banks, brokerage firms, and dealers in cash commodities are not required to continue to make markets in any commodity. Lastly, the CFTC does not comprehensively regulate cash transactions, which are subject to the risk of the foregoing entities' failure, inability or refusal to perform with respect to such contract.

Illiquid Financial Instruments. The Investment Adviser anticipates that the Funds will predominantly hold readily tradable Financial Instruments. While it is not expected, the Funds may also invest in, or come to hold, Financial Instruments that are subject to legal or other restrictions on transfer or for which no liquid market exists. There may be limited information available about the issuers of illiquid Financial Instruments that may make valuation of such Financial Instruments difficult or uncertain. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Investment Adviser may not be able to sell them on behalf of the Funds when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid Financial Instruments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of Financial Instruments eligible for trading on national securities exchanges or in the over-the-counter markets. The Funds may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, the Funds may be required to hold such Financial

Instruments despite adverse price movements. In addition, even those markets that the Investment Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

The risk factors enumerated above do not represent the entire universe of potential risks to the Funds.

ITEM 9
DISCIPLINARY INFORMATION

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

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

The Investment Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

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

The Investment Adviser and its management persons have pending applications to register as a commodity pool operator and associated persons of a commodity pool operator.

C. Material Relationships or Arrangements with Industry Participants.

The Investment Adviser does not have material relationships or arrangements with industry participants.

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

We do not recommend or select other investment advisers for our clients.

ITEM 11
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING

A. Code of Ethics.

We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, we have adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

B. Securities in which the Investment Adviser or a Related Person Has a Material Financial Interest.

1. Cross Trades.

The Investment Adviser does not plan to cause the Funds to engage in cross trades. The possibility of multiple clients transacting with each other in the marketplace, however, is expected to occur from time to time. The Investment Adviser will implement policies designed to reduce the risks associated with such trades.

2. Principal Transactions.

The Investment Adviser does not plan to cause the Funds to engage in principal transactions. The Investment Adviser will establish policies and procedures to ensure that any principal transactions that may occur are in compliance with the provisions of the Investment Advisers Act of 1940 (the "Advisers Act") and the rules promulgated thereunder.

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

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Generally, and subject to certain exceptions, the Investment Adviser's employees may not engage in personal securities trading and may only dispose of securities held in their respective personal trading accounts. Any such disposition of securities must be pre-cleared. However, related persons may purchase and sell mutual funds and broad-based exchange-traded funds ("ETFs"). Some clients may invest in the same or similar mutual funds and ETFs.

The Investment Adviser, 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 the Investment Adviser and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Investment Adviser 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, 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.

The Investment Adviser 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 the Investment Adviser 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. The Investment Adviser will have no obligation to purchase or sell a Financial Instrument for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because the Investment Adviser purchases or sells the same Financial Instrument for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such Financial Instrument, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

The Investment Adviser will allocate investment opportunities to the Funds on a fair and equitable basis, to the extent practical and in accordance with the Funds' applicable investment strategies, over a period of time. Investment opportunities will generally be allocated among those Funds for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: (i) whether the risk-return profile of the proposed investment is consistent with a Fund's objectives; (ii) the potential for the proposed investment to create an imbalance in an Fund's portfolio; (iii) the liquidity requirements of a Fund; (iv) potentially adverse tax consequences; (v) regulatory

restrictions that would or could limit a Fund's ability to participate in a proposed investment; and (vi) the need to re-size risk in a Fund's portfolio.

In particular, when a Fund is ramping up its investment or trading strategies, it may receive larger allocations of certain securities than the other Funds in order to obtain its desired risk and portfolio size.

ITEM 12

BROKERAGE PRACTICES

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

As noted previously, we have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to us and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other things, the following:

- the ability of the brokers and dealers to effect the transaction;
- the brokers' or dealers' facilities, reliability and financial responsibility; and
- the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Adviser nor the Funds separately compensate any broker or dealer for any of these other services.

If the Investment Adviser decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another:

- the ease of use;
- the flexibility of the ECN compared to other ECNs; and
- the level of care and attention that will be given to smaller orders.

We maintain policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

1. Research and Other Soft Dollar Benefits.

From time to time, the Investment Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Investment Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Investment Adviser believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" or credits under "commission sharing arrangements" generated by one or more Funds may be used by the Investment Adviser to service one or more other clients, including clients that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (*i.e.*, a "mixed use" item), the Investment Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Investment Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Investment Adviser and those that primarily benefit the Funds.

When the Investment Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

At least annually, the Investment Adviser considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Investment Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

2. Brokerage for Client Referrals.

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party. However, as discussed above, subject to best execution, the

Investment Adviser 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.

The Investment Adviser does not recommend, request or require that a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

B. Order Aggregation.

If the Investment Adviser determines that the purchase or sale of a Financial Instrument is appropriate with regard to multiple clients, the Investment Adviser may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, the Investment Adviser will allocate price and transaction costs in a fair and equitable manner.

ITEM 13

REVIEW OF ACCOUNTS

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

We perform periodic reviews of each client's portfolio. Such reviews are conducted by the members of the Investment Adviser's Management Committee, portfolio managers and research associates.

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

A review of a client account may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients.

We provide annual audited financial statements to our clients within 90 days of the applicable client's fiscal year end, or as soon as reasonably practicable thereafter.

Investors in the Funds may receive a periodic letter from the Investment Adviser documenting the performance of the applicable Fund although the Investment Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Investment Adviser. In addition, the Investment Adviser issues investors tax reports and audited financial statements concerning their respective Funds within 90 days of the end of each Fund's fiscal year, or as soon as reasonably practicable thereafter. While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to the Fund and possibly affect such investor's decision to request a withdrawal from the Fund.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

We do not receive economic benefits from non-clients for providing investment advice and other advisory services.

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

Neither we nor any of our related persons directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

ITEM 15 CUSTODY

The Investment Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Investment Adviser.

The Investment Adviser 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.

ITEM 16

INVESTMENT DISCRETION

The Investment Adviser serves as the management company with discretionary trading authority to each Fund.

Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

The Investment Adviser or an affiliate of the Investment Adviser entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which the Investment Adviser or an affiliate of the Investment Adviser was granted discretionary trading authority.

ITEM 17
VOTING CLIENT SECURITIES

A. Policies and Procedures Relating to Voting Client Securities.

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The general policy is to not vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies"). The Investment Adviser has a quantitative investment strategy and we have determined that the costs of voting proxies while employing such a strategy would outweigh any potential benefits to our clients.

ITEM 18
FINANCIAL INFORMATION

The Investment Adviser 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.