

PART 2A OF FORM ADV: FIRM BROCHURE

ITEM 1. COVER PAGE

Advantage Advisers Management, L.L.C.  
85 Broad Street  
New York, NY 10004  
212-885-4783

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This brochure provides information about the qualifications and business practices of Advantage Advisers Management, L.L.C. If you have any questions about the contents of this brochure, please contact Vineet Bhalla at 212-885-4745 or [Vineet.bhalla@opco.com](mailto:Vineet.bhalla@opco.com) or John Karsen at 212-885-4794 or [john.karsen@opco.com](mailto:john.karsen@opco.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Advantage Advisers Management, L.L.C. also is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

## ITEM 2. Material Changes

The most recent annual update to the Form ADV Part 2A was filed on March 27, 2014. This update includes certain additional information about Alkeon Capital Management, LLC, a non-managing member of Advantage Advisers Management, LLC.

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## ITEM 4. ADVISORY BUSINESS

### A. General Description of Advisory Firm

Advantage Advisers Management, LLC ("AAM") was formed on October 29, 1997. AAM provides general advisory and management services to investment companies and other pooled investment vehicles.

AAM acts as investment adviser to funds (as listed below) and provides investment advisory services primarily with the assistance of employees of Oppenheimer Asset Management Inc. (the "Sponsor" or "OAM"), including investment professionals who manage the assets of the fund assets and investments (the "Investment Professionals").

OAM, managing member of AAM, is an SEC registered investment adviser. OAM is an indirect wholly owned subsidiary of Oppenheimer Holdings, Inc. ("OPY"), a publicly traded company listed on the New York Stock Exchange ("NYSE"), and controlled by Albert G. Lowenthal, who controls greater than 50% of the voting securities of OPY.

AAM has retained Oppenheimer & Co. Inc. ("Oppenheimer"), an affiliate of AAM, to provide administration services to the Fund. Accordingly, the management fees described below are paid to Oppenheimer and not to AAM.

Alkeon Capital Management, LLC ("Alkeon") serves as portfolio manager of Advantage Advisers Global Growth, LLC ("Global Growth") and provides discretionary management of Global Growth's portfolio and performs certain administrative services in connection with its role as portfolio manager. Alkeon is a non-managing member of AAM.

### B. Description of Advisory Services

AAM provides advisory services to Global Growth, an equity long/short hedge fund focused on global growth companies. Global Growth's investment portfolio is managed by investment professionals employed by Alkeon under the supervision of OAM.

AAM provides advisory services to Advantage Advisers Tax Exempt High Income Fund I, LLC and Advantage Advisers Tax Exempt High Income Fund II, LLC (together the "TE Funds"). The TE Funds were launched in November 2013. Global Growth and the TE Funds are collectively referred to as the "Funds" herein.

AAM does not offer customized services for the Funds. Investors purchase units in the Fund and investments are made at the fund level, not for individual investors in the Funds.

### **Assets under Management**

As of December 31, 2013 AAM managed \$ 343,297,096 of client assets on a discretionary basis. AAM did not manage any client assets on a non-discretionary basis.

## ITEM 5. FEES AND COMPENSATION

### A. Advisory Fees and Compensation

As compensation for the investment advisory services it provides to the Fund, AAM receives a performance-based allocation. A percentage of assets under management, or an asset-based fee, is paid by the Fund to Oppenheimer, an affiliate of AAM, as an administration fee. As the investment portfolio of Global Growth is managed by investment professionals employed by Alkeon, a portion of the performance-based compensation with respect to Global Growth is ultimately allocated to Alkeon

The Fund maintains for each investor a capital account that is adjusted to reflect the performance-based allocation and payment of the administration fee and additional fund expenses during the term of the Fund.

## B. Payment of Fees

### Global Growth

<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Performance-Based Allocation (a portion allocated to AAM is ultimately allocated to Alkeon)	Allocated as of the end of each fiscal year	20% of the excess of the net appreciation in an investor's investments in the Fund; if investor's account terminated before 1 year, this fee is not paid, rather the account may be charged a 3% (annually) asset-based fee for the value of the account, prorated through the date of termination
Administration Fee (paid to Oppenheimer which remits a specific portion to Alkeon)	Monthly due and payable in advance on first day of each month	Effective July 1, 2011 1.75%

### TE Funds

<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Management Fee	Monthly due and payable as of the first day of each calendar month.	One and one-quarter percent (1.25%) per annum of the net asset value.

## C. Additional Fees and Expenses

The Fund bears all operating expenses associated with the operation of the Fund, including all taxes, investment expenses (*e.g.*, expenses that Alkeon reasonably determines to be related to the investment of the Fund's assets, such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank services fees, interest expenses, travel expenses related to investments made by the Fund and professional fees (including, without limitation, consultants and experts) relating to investments, ongoing offering, administrative, legal, marketing, internal and external accounting, audit, tax preparation and escrow expenses, investment advisory insurance premiums, organizational expenses, expenses incurred in connection with the offering and sale of limited liability company interests and other expenses incurred by Alkeon or any member thereof in connection with Fund activities. In the event that any services, including, without limitation, legal, internal and external accounting, audit and tax preparation services, are performed or paid for the Fund by Alkeon or its affiliates, the Fund will reimburse Alkeon or its affiliates.

## ITEM 6. PERFORMANCE – BASED FEES AND SIDE BY SIDE MANAGEMENT

The existence of performance-based compensation (*i.e.*, the performance allocation) may create an incentive for Alkeon's Investment Professionals (to recommend or approve more speculative investments on behalf of the Fund than would be the case in the absence of this arrangement. In addition, because a performance allocation is calculated on a basis that includes unrealized appreciation, the performance allocation may be greater than if it were based solely on realized gains.

AAM expects that from time to time Global Growth and other funds managed by Alkeon may participate in the same investment opportunity at the same time. To the extent an investment opportunity is suitable for each of these funds, the investment opportunity is aggregated, placed and allocated among these entities or other investors managed by Alkeon who seek to partake in the opportunity. AAM expects that any such allocation of investment opportunities will be performed on a basis that it believes is fair and equitable and will use all commercially reasonable efforts to ensure that no participating entity or account receives preferential treatment over any other. AAM and the respective investment personnel will take steps to ensure that no participating entity or account is systematically disadvantaged by the aggregation, placement and allocation of orders.

## ITEM 7. TYPES OF CLIENTS

AAM's client base is made up of pooled investment vehicles.

The minimum subscription amount in Global Growth is \$5,000,000 and \$250,000 in the TE Funds. Either minimum may be waived, reduced or increased by OAM in its sole and absolute discretion.

## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### **Global Growth Investment Strategy**

AAM has delegated discretionary authority in managing the investment portfolio of Global Growth to Alkeon.

Investment Professionals employed by Alkeon invest the assets of the Fund primarily in equity securities of U.S. and foreign companies, without regard to the issuer's market capitalization, that Alkeon believes are well positioned to benefit from demand for their products or services, including companies that can innovate or grow rapidly relative to their peers in their markets. In addition, as part of its investment strategy, the Fund may effect short sales of securities that Alkeon believes are overvalued. The Fund also may invest in other types of securities from time to time. Companies that derive a major portion of their revenues from technology-related business lines or which are expected to benefit from technological events are an important part of the universe of growth companies. Such companies are expected to be a significant component of the Fund's investment program. The Fund may invest without limitation, however, in other market sectors, if Alkeon believes that investments in these other sectors present attractive opportunities for capital appreciation. In such circumstances, investments in technology related companies and companies affected by technological developments may represent a smaller segment of the Fund's investment portfolio.

The Fund may also effect short sales of securities when Alkeon believes that the market price of a security is above its estimated intrinsic or fundamental value. Under certain circumstances when Alkeon identifies greater opportunities for capital appreciation by effecting short sales (relative to investing in long positions), the Fund's portfolio may have a "net-short bias," where the dollar value of the short positions exceed the value of long positions. The Fund may also effect short sales for hedging purposes.

The Fund's investment program may make frequent use of leverage for investment purposes, including to facilitate short sales of securities. Borrowings by the Fund (which do not include short and derivative transactions) will not exceed one-third of the Fund's total assets.

During periods of adverse market conditions in the equity securities markets, the Fund may invest all or a portion of its assets in high quality debt securities or money market instruments, or hold its assets in cash. The Fund also invests in money market instruments for liquidity purposes.

Alkeon uses fundamental investment analysis and in-depth research to identify attractive investment opportunities. The investment process involves a research driven, bottom-up analysis of a security's potential for appreciation or depreciation, and includes consideration of the financial condition, earnings outlook, and strategy, management and industry position of issuers. Additionally, the process involves the use of valuation models, review and analysis of published research and, in some cases, discussions with industry experts and company visits. Alkeon also takes into account economic and market conditions.

Except as otherwise indicated, the Fund's investment policies and restrictions are not fundamental and may be changed without a vote of its investors.

### **TE Funds Investment Strategy**

In seeking to implement the Fund's objectives, AAM will seek to maximize the Fund's total return through capital appreciation and current yield from investments primarily in tax-exempt securities with a focus on securities that are rated below investment grade, including unrated securities. AAM anticipates that the Fund's portfolio will generally be comprised of 60-100% below-investment grade or unrated securities and 0-40% investment grade securities, with the possibility of being 100% below investment grade securities and up to 40% investment grade securities. AAM intends to invest in tax-exempt securities that are general public offerings and, to a lesser degree, in limited public offerings and private placements. The Fund will invest in senior-secured project revenue debt and, to a lesser degree, in subordinated debt and general obligation debt. The Fund may invest in debt subject to the Alternative Minimum Tax ("AMT"), but intends to limit its exposure to such instruments to a maximum of 30% of the Fund's assets. The Fund will maintain a non-diversified, concentrated portfolio. The Fund generally may invest up to 5% of its assets, at the time of investment, in the securities of any one obligor and up to 35% of its assets, at the time of investment, in any one sector.

It is anticipated that the Fund's portfolio generally will be comprised of 50 to 125 securities over time. In pursuing its investment and trading strategies, the Fund may borrow amounts up to 33-1/3% of the value of its assets. AAM reserves the right, as it deems appropriate for defensive purposes or cash management purposes, to invest in taxable federal, state and municipal government obligations, including U.S. government securities, high grade and below investment grade corporate bonds, money market instruments and other cash equivalents

### **Material, Significant or Unusual Risks Relating to Investment Strategies**

Investing in securities and portfolio companies involves a risk of loss that clients should be prepared to bear. An investment in the Funds involves a significant degree of risk and there can be no assurance that the investment objective of the Funds will be achieved. In addition to the speculative nature of such investments, the risks include limited operating history for the Funds, challenges in achieving optimum diversification, dependence on managers to enhance portfolio company values, limitations on withdrawal from the Funds, potential conflicts of interest, non-transferability of units, and illiquidity of the Funds' investments as well as illiquidity risks associated with an investment in the Funds. The risk management approach of the Funds cannot entirely eliminate risk.

The following risk factors do not purport to be a complete list or explanation of the risks in an investment in the Funds. These risks include only those AAM believes to be material, significant or unusual and related to particular significant investment strategies or methods of analysis employed by AAM.

### **Global Growth Material, Significant or Unusual Risks** **Relating to Investment Strategies**

#### **Nature of Investments; Sector Concentration**

Alkeon has broad discretion in making investments for the Fund. Investments will generally consist of equity securities and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that Alkeon will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's activities and the value of its investments. In addition, the value of the Fund's portfolio (especially fixed income securities) may fluctuate as the general level of interest rates fluctuates. Furthermore, in addition to market and economic conditions affecting the securities markets generally, the Fund's investments and its performance will be affected by risk factors particular to the specific sectors in which it invests.

#### **Limited Diversification**

There are no limitations on the percentage of the Fund's assets that may be invested in the securities of any one issuer. To the extent that a relatively high percentage of the Fund's assets are invested in the securities of a limited number of issuers within one or more sectors, the Fund's investment portfolio will be more susceptible to risk of loss from events affecting particular issuers, as well as from economic, political or regulatory events, than the portfolio of a diversified investment company or an investment company not focused on securities in those sectors.

#### **Risk of Net-Long Bias**

The Fund's portfolio may operate with a "net-long bias," *i.e.*, the dollar value of long positions in the portfolio exceed the dollar value of short positions. As a result, in a declining equity market environment, operating with a net-long bias could subject the Fund's portfolio to more downside volatility than would be the case if the Fund's portfolio had greater short exposure.

#### **Leverage**

The Fund may borrow money to purchase securities, a practice known as "leverage," which involves certain risks. In this regard, the Fund may make margin purchases of securities, borrow money from banks and enter into reverse repurchase agreements. The Fund may also borrow money for temporary or emergency purposes or in connection with the repurchase of Interests. Trading equity securities on margin generally involves an initial cash requirement representing at least 50% of the underlying security's value with respect to transactions in U.S. markets and varying (typically lower) percentages with respect to transactions in foreign markets. Borrowings to purchase equity securities typically will be secured by the pledge of those securities. The financing of securities purchases may also be effected through reverse repurchase agreements with banks, brokers and other financial institutions. This involves the transfer by the Fund of the underlying security to a counterparty in exchange for cash proceeds based on a percentage (which can be as high as 95% to 100%) of the value of the debt instrument. Although leverage will increase investment return if the Fund earns a greater return on the investments purchased with borrowed funds than it pays for the use of those funds, the use of leverage will



decrease investment return if the Fund fails to earn as much on investments purchased with borrowed funds as it pays for the use of those funds. The use of leverage will therefore magnify the volatility of the value of the Fund's investment portfolio. In the event that the Fund's equity or debt instruments decline in value, the Fund could be subject to a "margin call" or "collateral call," pursuant to which the Fund must either deposit additional collateral with the lender or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its borrowing. Money borrowed for leveraging will be subject to interest costs that may or may not be recovered by return on the securities purchased. The Fund also may be required to maintain minimum average balances in connection with its borrowings or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate.

In order to obtain exposure to certain securities, markets or investment positions, or to hedge investment exposures, the Funds may purchase and sell options and enter into other transactions in derivatives, including equity swaps. In some cases, these instruments involve significant economic leverage and may subject the Funds to risk of losses exceeding the amount of its investment. Investors should expect that the Funds may make extensive use of equity swaps and other derivatives to take long and short positions in securities, which will increase the gross market exposure of the Funds and increase the volatility of the value of an investor's interest in the Funds. There is no limitation on the extent to which the Funds may employ leverage in its investment program. The use of leverage (including economic leverage) is monitored by the Adviser and the Sub-Adviser as part of their ongoing risk management processes.

### **Short Selling**

The Fund may attempt to limit exposure to a possible market decline in the value of its portfolio securities through short sales of securities that Alkeon (subject to any policies established by the Board of Managers) believes possess volatility characteristics similar to those being hedged. In addition, the Fund may use short sales for non-hedging purposes to pursue its investment objective. For example, the Fund may "short" a security of a company if Alkeon believes the security is over-valued in relation to the issuer's prospects for earnings growth.

To effect a short sale, the Fund will borrow a security from a brokerage firm to make delivery to the buyer. The Fund is then obligated to replace the borrowed security by purchasing it at the market price at the time of replacement. The Fund will realize a gain if the borrowed security declines in price between the date of the short sale and the date on which the Fund replaces the security. The Fund will incur a loss if the price of the borrowed security increases between those dates. This loss can increase rapidly and without effective limit. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium or interest the Fund may be required to pay in connection with a short sale. There is a risk that the borrowed securities would need to be returned to the brokerage firm on short notice. If a request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, and the Fund might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the price at which the securities were sold short. The successful use of short selling may be adversely affected by imperfect correlation between movements in the price of the security sold short and the securities being hedged. Short selling may exaggerate the volatility of the Fund's investment portfolio. Short selling may also produce higher than normal portfolio turnover and may result in increased transaction costs to the Fund. The Fund may also make short sales against-the-box, in which it sells short securities it owns or has the right to obtain without payment of additional consideration. If the Fund makes a short sale against-the-box, it will be required to set aside securities equivalent in kind and amount to the securities sold short (or securities convertible or exchangeable into those securities) and will be required to hold those securities while the short sale is outstanding. The Fund will incur transaction costs, including interest expenses, in connection with opening, maintaining and closing short sales against-the-box.

### **Lending Portfolio Securities**

The Fund may lend its portfolio securities to domestic and foreign brokers, dealers and financial institutions. These loans will be secured by collateral (consisting of cash, U.S. Government Securities or irrevocable letters of credit) maintained in an amount equal to at least 100% of the market value, determined daily, of the loaned securities. The Fund may at any time call the loan and obtain the return of the securities loaned. The Fund will be entitled to payments equal to the interest and dividends on the loaned security and may receive a premium for lending the securities. Lending portfolio securities may result in income to the Fund, but there may be delays in the recovery of the loaned securities or a loss of rights in the collateral supplied should the borrower fail financially. Securities lending involves a form of leverage, and the Fund may incur a loss if securities purchased with the collateral from securities loans decline in value.

### **TE Funds Material, Significant or Unusual Risks** **Relating to Investment Strategies**

#### **Absence of Operating History**

Although AAM employs experienced investment professionals, the TE Funds are newly established and has no operating history available to evaluate its likely performance. There can be no assurance that the TE Funds will achieve their investment objective.

#### **Substantial Fees and Expenses**

AAM or, at its election, one of its affiliates, receives monthly Management Fees which reduces cash available for distribution by the TE Funds to Members. In addition, the TE Funds will bear the usual and ordinary operating costs of the TE Funds (including, without limitation, brokerage, borrowing, investment losses or other portfolio expenses, taxes, accounting expenses, legal and auditing expenses, service provider fees, third-party administration fees, printing, reporting and mailing expenses and custody expenses). Certain investors may also pay a sales charge or placement fee to their financial advisor. The expenses to which the TE Funds will be subject could be substantial and will dilute returns. AAM reserves the right to waive, or pay for certain fees and expenses for certain Members to a varying extent, but not necessarily for other Members.

#### **Lack of Asset Diversification**

The TE Funds may invest a significant portion of its assets in the securities of a small number of geographic regions, issuers, obligors, guarantors, or underwriters, and may directly or indirectly invest all or most of its assets in a single market sector. The negative impact on the Fund of adverse movements in the value of the securities of a single geographic region, issuer, guarantor, or market sector could be considerably greater than if the TE Funds was not permitted to concentrate its investments to such an extent. As a result, the TE Funds may be more susceptible to risks associated with a single asset class or economic, political or regulatory occurrence than a more diversified portfolio might be.

#### **Valuations**

Valuations will be based on market prices when available. Valuations of some or all of the TE Funds' investments may require input from the Administrator (as hereinafter defined), Managing Member or other third parties. Valuations requiring input from the Administrator, AAM or other third parties may be based on subjective inputs of such entities. In some cases, valuation of certain investments may be based upon models, indicative quotes or estimates of value and not actual executed historical trades. The TE Funds will use reasonable efforts to base such inputs on observable market prices and inputs but there can be no assurances that such information will be readily available. There can be no assurances that investments can be disposed of or liquidated at the valuations established by the TE Funds. For a less liquid or illiquid instrument that is not listed on a recognized exchange, valuations are by necessity subjective, whether provided by AAM or by a third party. At best, each

valuation is merely an estimate of a price at which such instrument could reasonably be transacted, rather than representing some “true” unique market value. Net Asset Value determinations are conclusive and binding on all investors for all purposes, including determining the subscription and redemption prices for Interests and the Management Fee paid to AAM (or, as noted above, an affiliate of the AAM on its behalf). Prospective investors should be aware that situations involving uncertainties as to the valuation of portfolio positions could have an adverse effect on the TE Funds’ net assets if the judgments of the third parties providing valuations, or the judgment of AAM regarding appropriate valuations, should prove incorrect.

## **Leverage**

The use of leverage will allow the TE Funds to make additional investments, thereby increasing their exposure to assets, such that their total assets may be greater than their capital; however, leverage will also magnify the volatility of changes in the value of the TE Funds’ portfolio. The effect of the use of leverage by the TE Funds in a market that moves adversely to its investments could result in substantial losses to the TE Funds, which would be greater than if the TE Funds were not leveraged. The TE Funds expect to use maximum leverage of 33-1/3% of the value of its total assets.

### **C. Material Risks Relating to Specific Investments Recommended**

#### **Global Growth Material Risks Relating to Specific Investments Recommended**

## **Equity Securities**

A significant portion of the Fund's investment portfolio normally consists of long and short positions in common stocks and other equity securities. The value of the Fund's equity securities varies in response to many factors, including, but not limited to, the activities and financial condition of individual companies, the business market in which individual companies compete and general market and economic conditions. The Fund's investments in equity securities of U.S. companies may include securities that are listed on U.S. securities exchanges as well as unlisted securities that are traded over-the-counter. Equity securities of companies traded over-the-counter may not be traded in the volumes typically found on a national securities exchange. Consequently, the Fund may be required to dispose of these securities over a longer (and potentially less favorable) period of time than is required to dispose of the securities of exchange listed companies. There is no minimum required market capitalization of the companies in which the Fund may invest, and the Fund may invest a portion of its assets in securities of companies having smaller market capitalizations. Investments in companies with smaller market capitalizations are generally riskier than investments in larger, well-established companies. Smaller companies often are more recently formed than larger companies and may have limited or less diverse product lines, distribution channels and financial and managerial resources, and narrower market penetration. There is often less publicly available information about these companies than there is for larger, more established issuers, making it more difficult for Alkeon to analyze the value of the company. The equity securities of smaller companies are often traded over-the-counter or on regional exchanges and may not be traded in the volume typical for securities that are traded on a national securities exchange. Consequently, the Fund may be required to sell these securities over a longer period of time (and potentially at less favorable prices) than would be the case for securities of larger companies. In addition, the prices of the securities of smaller companies may be more volatile than those of larger companies.

**Common Stocks.** Common stocks are shares of a corporation or other entity that entitle the holder to a *pro rata* share of the profits, if any, of the entity without preference over any other shareholder or claim of shareholders, after making required payments to holders of the entity's preferred stock and other senior equity. Common stock usually carries with it the right to vote and frequently an exclusive right to do so.

***Preferred Stocks.*** Preferred stock generally has a preference as to dividends, and upon the event of liquidation, over an issuer's common stock, but it ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends 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 fail 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.

***Convertible Securities.*** Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics, in that they generally (1) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (2) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (3) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. Generally, the conversion value decreases as the convertible security approaches maturity. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed income security.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, 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 Fund's ability to achieve its investment objective.

## **Bonds and Other Fixed-Income Securities**

The Fund may invest a portion of its assets in bonds and other fixed-income securities when, in the judgment of Alkeon (subject to any policies established by the Manager) such investments are warranted. In addition, the Fund may invest without limit in high quality fixed-income securities for temporary defensive purposes and to maintain liquidity.

Fixed-income securities include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities ("U.S. Government Securities") or by a foreign government; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such

factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

The Fund may invest in both investment grade and non-investment grade debt securities. Investment grade debt securities are securities that have received a rating from at least one nationally recognized statistical rating organization ("NRSRO") in one of the four highest rating categories or, if not rated by any NRSRO, have been determined by Alkeon to be of comparable quality. Non-investment grade debt securities (typically called "junk bonds") are securities that have received a rating from a NRSRO of below investment grade or have been given no rating, and are considered by the NRSRO to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Non-investment grade debt securities in the lowest rating categories may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than is the case for higher grade debt securities. An economic downturn affecting an issuer of non-investment grade debt securities may result in an increased incidence of default. In addition, the market for lower grade debt securities may be thinner and less active than for higher grade debt securities.

### **Exchange Traded Funds and Other Similar Instruments**

Shares of exchange traded funds ("ETFs") and other similar instruments may be purchased or sold short by the Fund. An ETF is an investment company that is registered under the Investment Company Act of 1940 (the "1940 Act") that holds a portfolio of common stocks designed to track the performance of a particular index. ETFs sell and redeem their shares at net asset value in large blocks (typically 50,000 of its shares) called "creation units." Shares representing fractional interests in these creation units are listed for trading on national securities exchanges and can be purchased and sold in the secondary market in lots of any size at any time during the trading day.

Instruments the Fund may purchase that are similar to ETFs represent beneficial ownership interests in specific "baskets" of stocks of companies within a particular industry sector or group. These securities may also be listed on national securities exchanges and purchased and sold in the secondary market, but unlike ETFs are not registered as investment companies under the 1940 Act.

Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held. Because ETFs and pools that issue similar instruments bear various fees and expenses, the Fund's investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. Alkeon considers the expenses associated with an investment in determining whether to invest in an ETF or other instrument.

### **Technology Company Securities**

It is expected that, under normal market conditions, the Fund will maintain a significant exposure to the equity securities of companies which derive a major portion of their revenue directly or indirectly from business lines which benefit, or are expected to benefit from, technological events, advances or products ("Technology Companies"). Investing in securities of Technology Companies involves additional risks. These risks include: the fact that certain companies in the Fund's portfolio may have limited operating histories; rapidly changing technologies and products which may quickly become obsolete; cyclical patterns in information technology spending which may result in inventory write-offs, cancellation of orders and operating losses; scarcity of

management, engineering and marketing personnel with appropriate technological training; the possibility of lawsuits related to technological patents; changing investor sentiments and preferences with regard to investments in Technology Companies (which are generally perceived as risky) with their resultant effect on the price of underlying securities; and volatility in the U.S. and foreign stock markets which may disproportionately affect the prices of securities of Technology Companies and thus cause the Fund's performance to experience substantial volatility. The Fund is thus subject to these and other risks associated with Technology Companies to a much greater extent than a fund that does not emphasize these investments.

It should be noted that Alkeon's definition of "Technology Companies" (as indicated above) covers companies in a broader range of industries and sectors than those that are more commonly considered technology companies. As a result, the Fund's portfolio and performance may not resemble those of funds that invest significantly in more traditional technology companies.

### **Growth Company Securities**

The Fund may invest a substantial portion of its assets in "growth companies." Investing in growth companies involves substantial risks. Securities of growth companies may perform differently from the stock market as a whole and may be more volatile than other types of stocks. Since growth companies usually invest a significant portion of earnings in their businesses, they may lack the dividends of value stocks that can cushion the impact of declining stock prices in a falling market. Also, earnings disappointments often lead to sharply falling prices for growth company stocks because investors buy growth company stocks in anticipation of superior earnings growth. Securities of growth companies may also be more expensive relative to their earnings or assets compared to value or other types of stocks.

The Fund may invest a significant portion of its net assets in securities of foreign issuers and in depositary receipts, such as American Depositary Receipts ("ADRs"), that represent indirect interests in securities of foreign issuers. Foreign securities in which the Fund may invest may be listed on foreign securities exchanges or traded in foreign over-the-counter markets. Alkeon defines "foreign issuers" as companies that derive a majority of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their operations or assets located outside of the U.S. Since there are companies that may be legally organized or have principal offices located in the U.S. that derive a majority of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their operations or assets located outside the U.S., such companies are also considered to be "foreign issuers" for these purposes. Investments in foreign securities are affected by risk factors generally not thought to be present in the U.S. These factors include, but are not limited to, the following: varying custody, brokerage and settlement practices; difficulty in pricing; less public information about issuers of foreign securities; less governmental regulation and supervision over the issuance and trading of securities than in the U.S.; the unavailability of financial information regarding the foreign issuer or the difficulty of interpreting financial information prepared under foreign accounting standards; less liquidity and more volatility in foreign securities markets; the possibility of expropriation or nationalization; the imposition of withholding and other taxes on interest, dividends, capital gains or other income; adverse political, social or diplomatic developments; limitations on the movement of funds or other assets of the Fund between different countries; difficulties in invoking legal process abroad and enforcing contractual obligations; and the difficulty of assessing economic trends in foreign countries. Moreover, governmental issuers of foreign securities may be unwilling to repay principal and interest due, and may require that the conditions for payment be renegotiated. Investment in foreign countries also involves higher brokerage and custodian expenses than does investment in U.S. securities. Other risks of investing in foreign securities include changes in currency exchange rates (in the case of securities that are not denominated in U.S. dollars) and currency exchange control regulations or other foreign or U.S. laws or restrictions, or devaluations of foreign currencies. A decline in the exchange rate would reduce the value of certain of the Fund's foreign currency denominated portfolio securities irrespective of the performance of the underlying investment. In addition, the

Fund may incur costs in connection with conversion between various currencies. The foregoing risks may be greater in emerging industrialized and less developed countries.

### **Foreign Securities; Emerging Markets; Currency Risks**

The Fund may invest a significant portion of its net assets in securities of foreign issuers and in depositary receipts, such as American Depositary Receipts ("ADRs"), that represent indirect interests in securities of foreign issuers. Foreign securities in which the Fund may invest may be listed on foreign securities exchanges or traded in foreign over-the-counter markets. Alkeon defines "foreign issuers" as companies that derive a majority of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their operations or assets located outside of the U.S. Since there are companies that may be legally organized or have principal offices located in the U.S. that derive a majority of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their operations or assets located outside the U.S., such companies are also considered to be "foreign issuers" for these purposes.

Investments in foreign securities are affected by risk factors generally not thought to be present in the U.S. These factors include, but are not limited to, the following: varying custody, brokerage and settlement practices; difficulty in pricing; less public information about issuers of foreign securities; less governmental regulation and supervision over the issuance and trading of securities than in the U.S.; the unavailability of financial information regarding the foreign issuer or the difficulty of interpreting financial information prepared under foreign accounting standards; less liquidity and more volatility in foreign securities markets; the possibility of expropriation or nationalization; the imposition of withholding and other taxes on interest, dividends, capital gains or other income; adverse political, social or diplomatic developments; limitations on the movement of funds or other assets of the Fund between different countries; difficulties in invoking legal process abroad and enforcing contractual obligations; and the difficulty of assessing economic trends in foreign countries. Moreover, governmental issuers of foreign securities may be unwilling to repay principal and interest due, and may require that the conditions for payment be renegotiated. Investment in foreign countries also involves higher brokerage and custodian expenses than does investment in U.S. securities.

Other risks of investing in foreign securities include changes in currency exchange rates (in the case of securities that are not denominated in U.S. dollars) and currency exchange control regulations or other foreign or U.S. laws or restrictions, or devaluations of foreign currencies. A decline in the exchange rate would reduce the value of certain of the Fund's foreign currency denominated portfolio securities irrespective of the performance of the underlying investment. In addition, the Fund may incur costs in connection with conversion between various currencies. The foregoing risks may be greater in emerging industrialized and less developed countries.

### **Foreign Currency Transactions**

Alkeon may engage in foreign currency transactions for a variety of purposes, including to fix, in U.S. dollars, the value of a security the Fund has agreed to buy or sell, between trade and settlement date, or to hedge the U.S. dollar value of securities the Fund already owns, particularly if Alkeon expects a decrease in the value of the currency in which the foreign security is denominated.

Foreign currency transactions may involve, for example, the purchase of foreign currencies for U.S. dollars or the maintenance of short positions in foreign currencies, which would involve the Fund agreeing to exchange an amount of a currency it did not currently own for another currency at a future date in anticipation of a decline in the value of the currency sold relative to the currency the Fund contracted to receive in the exchange. Alkeon's success in these transactions will depend principally on its ability to predict accurately the future exchange rates between foreign currencies and the U.S. dollar. The frequency with which the Fund may engage in such foreign currency transactions will depend on the level of investment by the Fund in such foreign securities.

The Fund may enter into forward currency exchange contracts ("forward contracts") for hedging purposes and non-hedging purposes to pursue its investment objective. Forward contracts are transactions involving the Fund's obligation to purchase or sell a specific currency at a future date at a specified price. Forward contracts may be used by the Fund for hedging purposes to protect against uncertainty in the level of future foreign currency exchange rates, such as when the Fund anticipates purchasing or selling a foreign security. This technique would allow the Fund to "lock in" the U.S. dollar price of the security. Forward contracts may also be used to attempt to protect the value of the Fund existing holdings of foreign securities. There may be, however, imperfect correlation between the Fund's foreign securities holdings and the forward contracts entered into with respect to those holdings. Forward contracts may also be used for non-hedging purposes to pursue the Fund's investment objective (subject to any policies established by OAM), such as when Alkeon anticipates that particular foreign currencies will appreciate or depreciate in value, even though securities denominated in those currencies are not then held in the Fund's investment portfolio. There is no requirement that the Fund hedge all or any portion of its exposure to foreign currency risks.

### **Repurchase Agreements**

Repurchase agreements are agreements under which the Fund purchases securities from a bank that is a member of the Federal Reserve System, a foreign bank or a securities dealer that agrees to repurchase the securities from the Fund at a higher price on a designated future date. If the seller under a repurchase agreement becomes insolvent or otherwise fails to repurchase the securities, the Fund would have the right to sell the securities. This right, however, may be restricted, or the value of the securities may decline before the securities can be liquidated. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before the repurchase of the securities under a repurchase agreement is accomplished, the Fund may encounter a delay and incur costs, including a decline in the value of the securities, before being able to sell the securities. Repurchase agreements that are subject to foreign law may not enjoy protections comparable to those provided to certain repurchase agreements under U.S. bankruptcy law, and they therefore may involve greater risks. The Fund has adopted specific policies designed to minimize certain of the risks of loss from its use of repurchase agreements, which may include counterparty risks (described further below).

### **Reverse Repurchase Agreements**

Reverse repurchase agreements involve the Fund's sale of a security to a bank or securities dealer and the Fund's simultaneous agreement to repurchase that security for a fixed price (reflecting a market rate of interest) on a specific date. These transactions involve a risk that the other party to a reverse repurchase agreement will be unable or unwilling to complete the transaction as scheduled, which may result in losses to the Fund. Reverse repurchase transactions are a form of leverage that may increase the volatility of the Fund's investment portfolio. The Fund has adopted policies designed to minimize certain of the risks of loss associated with reverse repurchase transactions.

### **Purchasing Initial Public Offerings**

The Fund may purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.



## Special Investment Instruments and Techniques

The Fund may utilize a variety of special investment instruments and techniques (described below) to hedge its investment portfolio against various risks (such as changes in interest rates or other factors that affect security values) or for non-hedging purposes to pursue the Fund's investment objective. These strategies may be executed through derivative transactions. The instruments the Fund may use and the particular manner in which they may be used may change over time as new instruments and techniques are developed or regulatory changes occur. Certain of the special investment instruments and techniques that the Fund may use are speculative and involve a high degree of risk, particularly in the context of non-hedging transactions to pursue the Fund's investment objective. There is no requirement that the Fund hedge its portfolio or any of its investment positions.

***Call and Put Options on Individual Securities.*** The Fund may purchase call and put options in respect of specific securities, and may write and sell covered or uncovered call and put options for hedging purposes and non-hedging purposes to pursue its investment objective. A put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security at a stated exercise price at any time prior to the expiration of the option. Similarly, a call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security at a stated exercise price at any time prior to the expiration of the option. A covered call option written by the Fund is a call option with respect to which the Fund owns the underlying security. The sale of such an option exposes the Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or to possible continued holding of a security that might otherwise have been sold to protect against depreciation in the market price of the security. A covered put option written by the Fund is a put option with respect to which cash or liquid securities have been placed in a segregated account on the Fund's books or with the Fund's custodian to fulfill the obligation undertaken. The sale of such an option exposes the Fund during the term of the option to a decline in price of the underlying security while depriving the Fund of the opportunity to invest the segregated assets. The Fund may close out a position when writing options by purchasing an option on the same security with the same exercise price and expiration date as the option that it has previously written on the security. The Fund will realize a profit or loss if the amount paid to purchase an option is less or more, as the case may be, than the amount received from the sale thereof. To close out a position as a purchaser of an option, the Fund would ordinarily make a similar "closing sale transaction," which involves liquidating the Fund's position by selling the option previously purchased, although the Fund would be entitled to exercise the option should it deem it advantageous to do so. The Fund may also invest in so-called "synthetic" options or other derivative instruments written by broker-dealers. Options transactions may be effected on securities exchanges or in the over-the-counter market. When options are purchased over-the-counter, the Fund bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. These options may also be illiquid and, in such cases, the Fund may have difficulty closing out its position. Over-the-counter options purchased and sold by the Fund may also include options on baskets of specific securities.

***Warrants and Rights.*** Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities or commodities. Rights are similar to warrants, but normally have a shorter duration and are offered or distributed to shareholders of a company. Warrants and rights do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants and rights may be considered more speculative than certain other types of equity-like securities. In addition, the values of warrants and rights do not necessarily change with the value of the underlying securities or commodities and these instruments cease to have value if they are not exercised prior to their expiration dates.

***Call and Put Options on Securities Indices.*** The Fund may purchase and sell call and put options on stock indices (such as the Morgan Stanley High Tech Index or the Standard & Poor's 100 Index) listed on national securities exchanges or traded in the over-the-counter market for hedging purposes and non-hedging purposes to pursue its investment objective. A stock index fluctuates with changes in the market values of the stocks included

in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Fund's portfolio correlate with price movements of the stock index selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize a gain or loss from the purchase or writing of options on an index depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indexes, in an industry or market segment, rather than movements in the price of a particular stock. Accordingly, successful use by the Fund of options on stock indexes will be subject to Alkeon's ability to predict correctly movements in the direction of the stock market generally or of a particular industry or market segment. This requires different skills and techniques than predicting changes in the price of individual stocks.

***Additional Derivative Transactions.*** The Fund may take advantage of opportunities in the area of swaps, options on various underlying instruments, swaptions and certain other customized derivative instruments. The Fund may enter into equity, interest rate, index and currency rate swap agreements. Among other things, it may make extensive use of equity swaps to take a long or short position in a security. A swap is a contract under which two parties agree to make periodic payments to each other based on specified interest rates, an index or the value of some other instrument, applied to a stated, or "notional," amount. Swaps generally can be classified as interest rate swaps, currency swaps, commodity swaps or equity swaps, depending on the type of index or instrument used to calculate the payments. Such swaps would increase or decrease the Fund's investment exposure to the particular interest rate, currency, commodity or equity involved. The Fund currently engages in swap transactions for single issuer equity replacement. Such transactions are undertaken to provide the Fund with exposure to a single security without having to receive exposure to a broader index in which such security may be found. Some of these securities are located in foreign markets (including but not limited to Korea, India and Brazil) where the Fund may not otherwise be able to purchase the foreign security directly. Notwithstanding the fact that the Fund will not directly hold the foreign security, many of the risks associated with investments in foreign securities may apply to swaps for such securities. Certain equity placement swaps in which the Fund engages have the effect of providing economic leveraging of the Fund's assets. Such leverage can be significant. As such, the impact of an adverse change in the Fund's exposure may result in losses greater than the nominal value of the swap, which can be significant under certain circumstances. The Fund does not currently use derivatives to gain exposure to broad indices, but uses standard put options on broad indices for hedging purposes. In addition, the Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use by the Fund or that are currently not available, but which may be developed, to the extent such opportunities are both consistent with the Fund's investment objective and legally permissible for the Fund. Special risks may apply to instruments that are invested in by the Fund in the future, which risks cannot be determined at this time or until such instruments are developed or invested in by the Fund. Although not generally used by the Fund at present, a swaption is an option entitling one party to enter into a swap agreement with the counterparty. In addition to swaps and swaptions, the Fund may become a party to various other customized derivative instruments entitling the counterparty to certain payments on the gain or loss on the value of an underlying or referenced instrument.

Swap transactions are entered into in an attempt to obtain a particular return when it is considered desirable to do so, possibly at a lower cost than if the Fund had invested directly in the asset or assets that would yield the desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount," *i.e.*, the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. Forms of swap agreements include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates exceed a specified rate or "cap"; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates fall below a specified level or "floor"; and interest rate collars,

under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

Swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk, . In addition, as noted above, derivatives can involve significant economic leverage and may, in some cases, involve significant risks of loss.

Most swap agreements entered into by the Fund would require the calculation of the obligations of the parties to the agreements on a "net basis." Consequently, the Fund's current obligations (or rights) under a swap agreement generally will be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount"). The risk of loss with respect to swaps is limited to the net amount of interest payments that the Fund is contractually obligated to make. If the other party to a swap defaults, the Fund's risk of loss consists of the net amount of payments that the Fund contractually is entitled to receive. However, swaps typically involve payments that are determined based on a notional amount of securities (or other asset) that exceeds the amount the Fund must pay as margin to enter into the transactions. As a result, these positions may involve significant economic leverage.

### **When-Issued and Forward Commitment Securities**

The Fund may purchase securities on a "when-issued" basis and may purchase or sell securities on a "forward commitment" basis in order to hedge against anticipated changes in interest rates and prices. These transactions involve a commitment by the Fund to purchase or sell securities at a future date (ordinarily one or two months later). The price of the underlying securities, which is generally expressed in terms of yield, is fixed at the time the commitment is made, but delivery and payment for the securities takes place at a later date. No income accrues on securities that have been purchased pursuant to a forward commitment or on a when-issued basis prior to delivery to the Fund. When-issued securities and forward commitments may be sold prior to the settlement date. If the Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, it may incur a gain or loss. These transactions will be subject to the Fund's limitation on indebtedness unless, at the time the Fund enters into such a transaction, a segregated account consisting of cash, U.S. Government Securities or liquid securities equal to the value of the when-issued or forward commitment securities is established and maintained. There is a risk that securities purchased on a when-issued basis may not be delivered and that the purchaser of securities sold by the Fund on a forward basis will not honor its purchase obligation. In these cases, the Fund may incur a loss.

### **Restricted and Illiquid Investments**

Although the Fund invests primarily in publicly traded securities, it may invest a portion of the value of its total assets in restricted securities and other investments that are illiquid. Restricted securities are securities that may not be sold to the public without an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act"), or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. In recognition of the increased size and liquidity of the institutional markets for unregistered securities and the importance of institutional investors in the formation of capital, the Securities and Exchange Commission (the "SEC") has adopted Rule 144A under the 1933 Act, which is designed to further facilitate efficient trading among qualified institutional investors by permitting the sale of certain unregistered securities to qualified institutional buyers. To the extent privately placed securities held by the Fund qualify under Rule 144A, and an institutional market develops for those securities, the Fund likely will be able to dispose of the securities without registering them under the 1933 Act. To the extent that qualified institutional buyers become, for a time, uninterested in purchasing these securities, investing in Rule 144A securities could have the effect of increasing the level of the Fund's illiquidity. The Fund may adopt procedures under which certain Rule 144A securities will not be deemed to be illiquid, if certain criteria are satisfied with respect to those securities and the market therefor. Foreign securities that can be freely sold in the markets in which they are

principally traded are not considered by the Fund to be restricted or illiquid. Regulation S under the 1933 Act permits the sale abroad of securities that are not registered for sale in the United States. Repurchase agreements with maturities of more than seven days will be treated as illiquid.

Where registration is required to sell a security, the Fund may be obligated to pay all or part of the registration expenses, and a considerable period may elapse between the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to sell. Restricted securities for which no market exists and other illiquid investments are valued at fair value as determined in accordance with procedures approved and periodically reviewed by OAM. Restricted securities and other illiquid investments involve the risk that the securities will not be able to be sold at the time desired by Alkeon or at prices approximating the value at which the Fund is carrying the securities. As a result, in determining the proportion of the value of its total assets that will be invested in restricted and other illiquid investments, the Fund will consider the need to maintain an adequate level of liquidity in its portfolio in order to fund the repurchase of Interests from investors without unnecessarily adversely impacting the value of the Fund's portfolio. It is not expected that the Fund will invest all or a substantial portion of the value of its total assets in such restricted or other illiquid investments.

### **Temporary Investments; U.S. Government Securities Risk**

During periods of adverse market conditions in the equity securities markets, or otherwise for defensive purposes, the Fund may temporarily invest all or a substantial portion of its assets in high quality fixed-income securities, including money market instruments, or may temporarily hold cash or cash equivalents in such amounts as Alkeon deems appropriate under the circumstances. Securities will be deemed to be of high quality if they are rated in the top four categories by an NRSRO or, if unrated, are determined to be of comparable quality by Alkeon. Money market instruments are high quality, short-term debt obligations (which generally have remaining maturities of one year or less), and may include: U.S. Government Securities; commercial paper; certificates of deposit and banker's acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation; and repurchase agreements for U.S. Government Securities. In lieu of purchasing money market instruments, the Fund may purchase shares of money market mutual funds that invest primarily in U.S. Government Securities and repurchase agreements involving those securities.

The Fund may also invest in money market instruments or purchase shares of money market mutual funds pending investment of its assets in equity securities or non-money market debt securities, or to maintain such liquidity as may be necessary to effect repurchases of Interests from investors or for other purposes. It is possible that the U.S. Government would not provide financial support to its agencies or instrumentalities if it were not required to do so by law. If a U.S. Government agency or instrumentality in which the Fund invests defaults and the U.S. Government does not stand behind the obligation, the value of the Fund's investment portfolio could fall. The U.S. Government's guarantee of ultimate payment of principal and timely payment of interest of the U.S. Government Securities owned by the Fund does not imply that the Interests are guaranteed by the FDIC or any other government agency, or that the value of the Interests will not continue to fluctuate.

### **TE Funds Material Risks** **Relating to Specific Investments Recommended**

#### **Debt Securities**

##### **Generally**

Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant on-going uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

## **Municipal Securities**

Where municipal securities are issued to finance particular projects, especially those relating to education, health care, transportation, housing, water or sewer and utilities, issuers often depend on revenues from those projects to make principal and interest payments. Adverse conditions and developments in those sectors can result in lower revenues to issuers of municipal securities and can also have an adverse effect on the broader municipal securities market. With respect to general municipal obligations, municipal issuers may be adversely affected by rising health care costs, increasing unfunded pension liabilities and by the phasing out of federal programs providing financial support. Issuers of municipal securities tend to derive a significant portion of their revenue from taxes, particularly property and income taxes, and decreases in personal income levels and property values and other unfavorable economic factors, such as a general economic recession, adversely affect municipal securities. To the extent the TE Funds invests significantly in a single state, or in securities the payments on which are dependent upon a single project or source of revenues, or that relate to a sector or industry, such as health care, the TE Funds will be more susceptible to associated risks and developments. There may be less public information available on municipal issuers or projects than other issuers, and valuing municipal securities may be more difficult. In addition, the secondary market for municipal securities is less well developed and liquid than other markets, and dealers may be less willing to offer and sell municipal securities in times of market turbulence. Changes in the financial condition of one or more individual municipal issuers or one or more insurers of municipal issuers), or one or more defaults by municipal issuers or insurers, can adversely affect liquidity and valuations in the overall market for municipal securities. The value of municipal securities can also be adversely affected by regulatory and political developments affecting the ability of municipal issuers to pay interest or repay principal, actual or anticipated tax law changes or other legislative actions, and by uncertainties and public perceptions concerning these and other factors.

The rate of interest paid on municipal securities normally is lower than the rate of interest paid on fully taxable securities. Some municipal securities, such as general obligation issues, are backed by the issuer's taxing authority, while other municipal securities, such as revenue issues, are backed only by revenues from certain facilities or other sources and not by the issuer itself. The municipal market can be susceptible to unusual volatility, particularly for lower rated and unrated securities. Liquidity can be reduced unpredictably in response to overall economic conditions or credit tightening.

## **High-Yield**

Bonds or other fixed-income securities that are "higher yielding" (including below investment grade) debt securities are generally not exchange traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer's inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition,

the TE Funds may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

The TE Funds may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

### **Interest Rate Risk**

Changes in interest rates can affect the value of the TE Funds' investments in fixed-income instruments. Increases in interest rates may cause the value of the TE Funds' debt investments to decline. The TE Funds may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

### **Credit Risk**

If an issuer of guarantor of a debt security held by the TE Funds or a counterparty to a financial contract with the TE Funds defaults on its obligation to pay principal and/or interest, has its credit rating downgraded or is perceived to be less creditworthy, or the credit quality or value of any underlying assets declines, the value of the TE Funds' portfolio will decline. In addition, the TE Funds may incur expenses to protect the TE Funds' interest in securities experiencing these events. Credit risk is broadly gauged by the credit ratings of the securities in which the TE Funds invests. However, ratings are only the opinions of the companies issuing them and are not guarantees as to quality.

### **Prepayment or call risk**

Many issuers have a right to prepay their securities. If interest rates fall, an issuer may exercise this right. If this happens, the TE Funds will be forced to reinvest prepayment proceeds at a time when yields on securities available in the market are lower than the yield on the prepaid security. The TE Funds also may lose any premium it paid on the security.

### **Extension risk**

During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration (the estimated period until the security is paid in full) and reduce the value of the security.

### **U.S. Government Securities**

The TE Funds may invest in U.S. government securities. U.S. government securities include obligations: directly issued by or supported by the full faith and credit of the U.S. government, like Treasury bills, notes and bonds and Government National Mortgage Association certificates; supported by the right of the issuer to borrow money from the U.S. Treasury, like those of the Federal Home Loan Banks; supported by the discretionary authority of the U.S. government to purchase the agency's securities like those of the Federal National Mortgage Association; or supported only by the credit of the issuer itself, like the Tennessee Valley Authority.

## **Corporate Debt**

Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, the TE Funds may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to the TE Funds in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the TE Funds may experience substantial losses.

### **Inverse Floating Rate Obligations**

The interest rate on inverse floating rate obligations will generally decrease as short-term interest rates increase, and increase as short-term interest rates decrease. Due to their leveraged structure, the sensitivity of the market value of an inverse floating rate obligation to changes in the interest rates is generally greater than a comparable long-term bond issued by the same issuer and with similar credit quality, redemption and maturity provisions. Inverse floating rate obligations may be volatile and involve leverage risk.

### **Illiquid Securities**

Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the TE Funds may not be able to sell them 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 securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the counter markets. The TE 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 TE Funds may be required to hold such securities despite adverse price movements. Even those markets which the Managing Member 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.

### ***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 are subject to change. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which the TE Funds may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the TE Funds.

**Swaps.** Whether the TE Funds' use of swap agreements or swaptions will be successful will depend on the Managing Member's ability to select appropriate transactions for the TE 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,

non-U.S. currency values, 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 TE Funds' portfolio. Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The TE Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the TE Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the TE Funds' ability to terminate swap transactions or to realize amounts to be received under such transactions

***Credit Default Swaps.*** Credit default swaps can be used to implement AAM's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the TE Funds may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the TE Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The TE Funds may also buy credit default protection with respect to a referenced entity if, in AAM's judgment, there is a high likelihood of credit deterioration. In such instance, the TE Funds will pay a premium regardless of whether there is a credit event. The credit default swap market in high-yield 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 into a particular transaction.

***Futures Contracts.*** The value of futures contracts depends upon the price of the securities, 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 TE 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 TE Funds from promptly liquidating unfavorable positions and subject the TE Funds to substantial losses or prevent it from entering 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 security 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.

***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 AAM would otherwise recommend, to the possible detriment of the TE Funds. In its forward trading, the TE 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 TE Funds trades. 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. AAM may order trades for the TE Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the TE Funds to the risk of loss.



***Risk of Potential Regulation of Swaps and Other Derivatives.*** The regulation of cleared and uncleared swaps, as well as other derivatives, is a rapidly changing area of law and is subject to modification by government and judicial action. It is not possible to predict fully the effects of current or future regulation. However, it is possible that developments in government regulation of various types of derivative instruments, such as speculative position limits on certain types of derivatives, or limits or restrictions on the counterparties with which the TE Funds engages in derivative transactions, may limit or prevent the TE Funds from using or limit their use of these instruments effectively as a part of its investment strategy, and could adversely affect their ability to achieve their investment objectives.

## **Hedging Transactions**

The TE Funds may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the TE Funds' investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the TE Funds' unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the TE Funds' portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the TE Funds' securities; (vii) protect against any increase in the price of any securities the TE Funds anticipates purchasing at a later date; or (viii) act for any other reason that AAM deems appropriate. The TE Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. AAM may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the TE Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the TE Funds than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

## **Counterparty Risk**

The TE Funds expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit them to trade in any variety of markets or asset classes over time. However, there can be no assurance that either TE Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit each TE Fund's trading activities, create losses, preclude the TE Funds from engaging in certain transactions or prevent the TE 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 each TE Fund's business due to their reliance on such counterparties. The TE Funds may effect transactions in markets that are not "exchange-based", such as "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 TE 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 TE Funds to suffer a loss.

## **ITEM 9. DISCIPLINARY INFORMATION**

None.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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

Bryan E. McKigney, Chief Operating Officer and President of AAM, and Jeffrey Alfano, Chief Financial Officer of AAM, are each a registered representative of Oppenheimer, but do not do business in that capacity.

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

Not applicable.

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

OAM is the managing member and therefore controls AAM. OAM is registered with the Securities and Exchange Commission (the "SEC") as an investment adviser, and is an affiliate of Oppenheimer, a registered investment adviser and broker-dealer. In addition to serving as managing member of AAM, OAM (directly or through affiliates) provides investment advisory services to registered and unregistered investment companies, including, without limitation, domestic and offshore funds and individual and institutional client accounts.

OAM is the sponsor of the Funds and as such creates or packages limited partnerships.

AAM is affiliated with several investment advisers who serve as investment managers to, among other clients, registered and unregistered investment companies. Those officers and employees of Oppenheimer or OAM who provide investment advisory, administrative and related services to the Fund also provide similar services to the clients of AAM's affiliated investment advisers.

OPY directly and indirectly controls (through ownership) each of the above-mentioned advisers. As managing member or general partner, OAM controls most of these advisers. Albert G. Lowenthal, a Principal at OAM, owns greater than 50% of the controlling Class B voting stock in OPY. He is also Chairman and CEO of Oppenheimer. OAM and Oppenheimer are indirectly owned by OPY. OPY directly or indirectly has control over the activities of several subsidiaries, some of which provide insurance products and/or services. AAM does not have arrangements that are material to its advisory business or its clients with any related person who is a CPO, CTA or insurance company or agency.

**Oppenheimer**

Oppenheimer acts as the non-exclusive placement agent for the Fund. Oppenheimer is registered as a broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Oppenheimer is also registered as a Futures Commission Merchant with the CFTC. Oppenheimer is a full-service, self clearing securities brokerage firm.

Oppenheimer and financial advisors affiliated with Oppenheimer ("Financial Advisors") distribute interests in several limited partnerships managed by OAM and its affiliates. Oppenheimer and its Financial Advisors may receive all or a portion of any future placement fee or commission for the distribution of limited partnership interests.

Oppenheimer compensates Financial Advisors for placing their clients in investment products offered or sponsored by Oppenheimer and its affiliates, including the Funds. This compensation is based on an existing plan of compensation pursuant to which Oppenheimer takes into account sales of all investment products offered or sponsored by Oppenheimer and its affiliates which are originated by a Financial Advisor. Financial Advisors may charge investors in the Fund a sales commission which may equal up to 3% of the amount transmitted by an investor in connection with its subscription interest in the Fund. The sales commission requires the consent of the investor. Not all investors in the Fund will be charged a sales commission. This compensation may be greater than what the Financial Advisors would receive if the client participated in other collective investment vehicles or

advisory programs and thus may create an incentive for the Financial Advisors to recommend the purchase of shares in the Fund to clients over other investments or advisory services, which presents a conflict of interest.

Oppenheimer may also provide brokerage services to the Funds on an agency basis and receives commission fees for those services.

Although placing clients in investment products offered or sponsored by Oppenheimer and its affiliates, including the Funds, is potentially more lucrative to the Financial Advisors, each of these investment vehicles pursues different investment objectives and strategies and has differing tax, regulatory and investor suitability considerations. Moreover, before any investor is accepted by Client Services, the Branch Manager of such Financial Advisor must sign off on investor suitability.

Oppenheimer, OAM, their affiliates and their directors, officers and employees, may buy and sell securities or other investments for their own accounts and may have actual or potential conflicts of interest with respect to investments made by AAM on behalf of the Funds. As a result of differing trading and investment strategies or constraints, positions may be taken by directors, officers and employees of Oppenheimer, OAM or their affiliates (including personnel of AAM) that are the same, different or made at a different time than positions taken for the Fund. AAM, Oppenheimer, OAM and their affiliates will not purchase securities or other property from, or sell securities or other property to, the Fund except that the Fund may engage in transactions with accounts which are affiliated with the Fund only because it is advised by OAM or one of its affiliates or because they have common officers, directors or managing members. Such transactions would be made in circumstances where AAM has determined that it would be appropriate for the Fund to purchase and another OPY Client to sell, or the Fund to sell and another OPY Client to purchase, the same security or instrument on the same day. All such purchases and sales would be made pursuant to procedures that OAM or its affiliate has adopted regarding such conduct. Among other things, those procedures are intended to ensure that: (1) each such transaction will be effected for cash consideration at the current market price of the particular securities; (2) no such transaction will involve restricted securities or securities for which market quotations are not readily available; and (3) no brokerage commissions, fees (except for customary transfer fees) or other remuneration will be paid in connection with any such transaction. Oppenheimer and its affiliated broker-dealers may act as broker for the Fund or the Investment Funds in effecting securities transactions.

Future investment banking or corporate finance activities of Oppenheimer, OAM and their principals, partners, directors, officers or employees may give rise to additional conflicts of interest or may subject the Fund to future restrictions on its ability to purchase or sell certain securities.

### **Alkeon**

Alkeon is a non-managing member of AAM with an interest in the series attributable to Global Growth and participates in the revenues of AAM. Alkeon serves as portfolio manager for Global Growth and provides discretionary management of the fund's portfolio and performs certain administrative services in connection with its role as portfolio manager.

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

AAM has adopted a written Code of Ethics pursuant to Rule 204A-1 under the Advisers Act. A copy of the Code of Ethics is provided upon request to any client or prospective client. The purpose of the Code is to set forth standards of conduct expected of advisory personnel and address conflicts, such as frontrunning, that arise from personal trading by advisory personnel. The Code of Ethics addresses these conflicts as follows:

Certain advisory personnel with access to the securities trading of the Fund or advisory clients are deemed as "access persons". These access persons of AAM are required to certify that they are in compliance with the Code of Ethics on an annual basis. Access persons are also required to provide compliance personnel with brokerage accounts through which they conduct personal trading; and access persons are required to obtain written pre-clearance by compliance personnel of all personal securities transactions (other than certain exceptions to this requirement as defined in the Code).

AAM and its related persons are engaged or may engage in investment activities for private investment companies, other registered investment companies, other accounts that may pursue investment strategies similar to those of the Fund or for its own accounts or other related accounts, in which the Fund has no interest. These accounts may from time to time purchase, sell or hold certain investments which are also being purchased, sold or held by the Fund. AAM will allocate investments among the Fund and these accounts pursuing the same investment strategy on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments and the respective investment programs, diversification goals, and portfolio positions of the Fund and these accounts.

The Fund is recommended by Financial Advisors of Oppenheimer, who are related persons of AAM. Oppenheimer acts as the placement agent for the sale of interests in collective investment vehicles for which AAM or other affiliates of Oppenheimer serve as investment adviser or general partner. Financial Advisors of Oppenheimer receive a portion of the fees paid to the investment adviser or general partner with respect to client accounts in such funds.

AAM has a financial interest in the Fund, which it serves in an advisory capacity. AAM's advisory role and related compensation is disclosed in the relevant private placement memorandum or accompanying fund organization document and those documents are provided to each prospective client prior to investment in the Fund. AAM's employees devote as much of their time to the activities of the Fund as AAM deems necessary and appropriate.

## ITEM 12. BROKERAGE PRACTICES

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

AAM does not recommend broker-dealers for client transactions. AAM has given Alkeon the authority to select broker-dealers to be used for all transactions of Global Growth. The particular securities and the amounts of such securities to be purchased and sold are determined by Alkeon, consistent with Global Growth's investment objectives, policies, restrictions.

For the TE Funds, AAM has complete discretion in deciding 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.

## ITEM 13. REVIEW OF ACCOUNTS

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

Alkeon reviews Global Growth's portfolio on a day-to-day basis to verify trading and to determine whether the portfolio is in compliance with limits and investment strategy. Matters generally reviewed for the Fund include specific securities held, the asset mix of the Fund, availability of cash for investment, performance of the Fund, and major market and economic developments and their effect on the Fund's portfolio. OAM is responsible for ensuring compliance with imposed limits and restrictions and OAM's Valuation Committee is responsible for pricing securities that an independent agent cannot.

The accounts of TE Funds are regularly reviewed by the Portfolio Review Board of OAM.

#### Content and Frequency of Account Reports to Clients

Investors receive quarterly reports regarding the Funds' performance, semi-annual unaudited financial reports and an annual audited financial report. Investors get annual information necessary to prepare their tax returns.

### ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

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

AAM does not receive economic benefits from non-clients for providing investment advice or other advisory services to clients.

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

Oppenheimer Financial Advisors receive a portion of the management fee and any performance fees paid with respect to interests in the Funds held by their clients. Additionally, certain OPCO Financial Advisors may charge investors an additional upfront placement fee.

### ITEM 15. CUSTODY

Under SEC rules, AAM is deemed to have custody of client assets of the Funds. Morgan Stanley & Co., Inc., a qualified custodian, maintains the assets held by Global Growth and Oppenheimer & Co. Inc., a qualified custodian, maintains the assets held by the TE Funds.

The Funds are subject to an annual audit, and AAM distributes the audited financial statements to investors within 120 days of the Funds' fiscal year end. Global Growth's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and audited by Ernst & Young, LLP, an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board. The TE Funds financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and audited by KPMG, an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board.

Upon liquidation, each Fund distributes its audited financial statements prepared in accordance with GAAP to all investors promptly after the completion of such audit.

### ITEM 16. INVESTMENT DISCRETION

Discretionary authority in managing Global Growth has been delegated to Alkeon.

### ITEM 17. VOTING CLIENT SECURITIES

#### A. Policies and Procedures Relating to Voting Client Securities

Global Growth: Alkeon exercises investment discretion over these clients' portfolios and will vote proxies in accordance with their own proxy voting policies and procedures. Clients may request information on how Alkeon has voted such proxies for Global Growth and may request Alkeon's Proxy Voting Policies and Procedures by contacting:

Advantage Advisers Management, L.L.C.  
85 Broad Street, 24<sup>th</sup> Floor New York, NY 10004, 212-885-4783

ITEM 18. FINANCIAL INFORMATION  
Not Applicable.