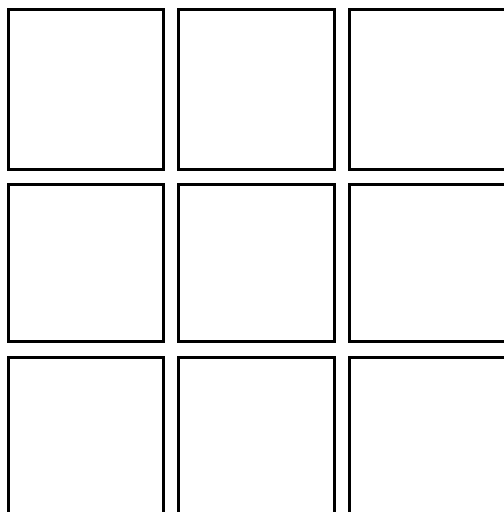




**Asset  
Management**



## **Goldman Sachs Hedge Fund Strategies LLC**

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March 31, 2015

This brochure provides information about the qualifications and business practices of Goldman Sachs Hedge Fund Strategies LLC. If you have any questions about the contents of this brochure, please contact us at (212) 902-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

Additional information about Goldman Sachs Hedge Fund Strategies LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

This brochure (“Brochure”) is dated March 31, 2015 and is the annual updating amendment to the prior brochure, dated March 31, 2014. There have been no material changes from the last annual update. For ease of reference, capitalized terms that are defined when first used in the Brochure are also set forth in the Glossary.

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## Item 4 – Advisory Business

### GOLDMAN SACHS HEDGE FUND STRATEGIES

This Brochure relates to Goldman Sachs Hedge Fund Strategies LLC (“HFS”).

HFS, together with Goldman Sachs Asset Management, L.P. (“GSAMLP”), Goldman Sachs Asset Management International (“GSAMI”), Goldman Sachs Global Advisory Products LLC (“GSGAP”), GS Investment Strategies, LLC (“GSIS”), and GSAM Stable Value LLC (“GSAM SV”), each a U.S. registered investment adviser, and various affiliates, including affiliates in Bangalore, Beijing, Frankfurt, Hong Kong, Kuala Lumpur, London, Milan, Mumbai, Singapore, Sydney, Tokyo, and other major financial centers around the world, currently comprise Goldman Sachs Asset Management (“GSAM”). GSAM is part of The Goldman Sachs Group, Inc., a public company that is a bank holding company, financial holding company and a world-wide, full-service financial services organization. GSAM has been providing financial solutions for investors since 1988.

HFS is an indirect, wholly-owned subsidiary of The Goldman Sachs Group, Inc. The Goldman Sachs Group, Inc. acquired HFS, formerly known as Commodities Corporation, in 1997. Commodities Corporation had been operating prior to its acquisition by The Goldman Sachs Group, Inc. since 1969.

In this Brochure, The Goldman Sachs Group, Inc., HFS, Goldman, Sachs & Co. (“GS&Co.”) and their respective affiliates, directors, partners, trustees, managers, members, officers and employees are referred to collectively as “Goldman Sachs.”

### TYPES OF ADVISORY SERVICES

HFS primarily acts as a manager of funds of hedge funds on a discretionary basis, which means that it manages investment funds formed by HFS (“HFS Funds of Funds”) that invest in underlying hedge funds (“Portfolio Funds”) managed by investment advisers (collectively, the “Advisers”). HFS typically allocates client assets to Advisers that are unaffiliated with Goldman Sachs. However, in certain circumstances, HFS allocates client assets to Advisers that are affiliated with Goldman Sachs (“Affiliated Advisers”).

HFS Funds of Funds typically allocate assets to an Adviser by directly investing in a Portfolio Fund managed by that Adviser. However, HFS Funds of Funds may also allocate assets to an Adviser by various other means. For example, an HFS Fund of Funds may allocate assets to (i) an investment fund formed by HFS or its affiliate that gives the Adviser authority to manage the investment fund’s assets, (ii) an investment fund formed by an Adviser principally for clients of HFS, (iii) a feeder fund formed principally for clients of HFS that invests substantially all of its assets in a single Portfolio Fund, (iv) an HFS Fund of Funds that is focused on a specific sector or strategy, or (v) Advisers through one or more managed account platforms. HFS Funds of Funds may also invest in a Portfolio Fund indirectly through the use of derivative instruments. Unless the context dictates otherwise, references herein to Portfolio Funds and Advisers should be construed as also referring to interests in any investment vehicles or instruments through which HFS allocates client assets to Advisers.

Goldman Sachs also has established a program to provide eligible investors with the opportunity to gain exposure to various Portfolio Funds managed by third party Advisers. Eligible investors may gain such exposure by investing in feeder funds managed by HFS (“HFS Program Funds”), each of which invests substantially all of its assets in a separate Portfolio Fund managed by a third party Adviser, after the payment of expenses relating to the organization of, and the offering of interests in, the HFS Program Fund and other costs and expenses of operating the HFS Program Fund. Unless the context dictates otherwise, references herein to HFS Funds of Funds should be construed as also referring to HFS Program Funds.

HFS also manages advisory accounts for clients (“Advisory Clients,” and together with HFS Funds of Funds and HFS Program Funds, “HFS Clients”) and may allocate Advisory Client assets directly to Advisers (rather than through an HFS Fund of Funds) in a similar manner as described above in respect of HFS Funds of Funds. HFS may provide investment advice to Advisory Clients on either a discretionary or a non-discretionary basis.

Advisers may employ a broad range of alternative investment strategies, including, without limitation, strategies within one or more of the following four hedge fund sectors: the equity long/short sector, the relative value sector, the event driven sector and the tactical trading sector.

In addition, HFS may allocate assets to Advisers whose principal investment strategies are not within one of these hedge fund sectors but are either related or unrelated to any such sectors. As a result, HFS generally does not provide investment advice about specific securities other than interests in hedge funds. HFS may also provide services incidental to managing HFS Client assets, including hedging interest rate or currency risk for accounts of HFS Clients (such accounts, “HFS Client Accounts”) and related cash management, and disposing of assets distributed in kind by Advisers. HFS may advise Advisory Clients on various matters, including the conduct of due diligence, portfolio construction and other related functions.

## INVESTMENT RESTRICTIONS

### HFS Funds of Funds

Where HFS is the managing member or investment manager of an HFS Fund of Funds, the investment objectives, guidelines and any investment restrictions for each HFS Fund of Funds are not tailored to the needs of particular investors in those funds, but rather are described in the prospectus or other relevant offering document for the HFS Fund of Funds.

### Advisory Clients

HFS provides investment advice based on the investment objectives, guidelines, risk tolerance and financial circumstances of each Advisory Client. Depending on the scope of the mandate, HFS’s investment advisory services may include customized asset allocation, risk management, due diligence of Advisers and portfolio construction. Advisory Clients may impose reasonable restrictions on the management of their separate accounts, including by restricting particular types of investments, provided that HFS accepts such restrictions. Any such restrictions will be reflected in the investment guidelines or other documentation applicable to the Advisory Client’s account.

## ASSETS UNDER MANAGEMENT

As of December 31, 2014, HFS had assets under management of \$25,437,989,000, of which \$22,167,047,000 was managed on a discretionary basis and \$3,270,942,000 was managed on a non-discretionary basis.

## Item 5 – Fees and Compensation

### COMPENSATION FOR ADVISORY SERVICES

HFS generally receives a management fee from HFS Client Accounts based on the net asset values of such HFS Client Accounts. HFS also generally receives performance-based compensation from HFS Client Accounts other than HFS Program Funds based on the net capital appreciation of the HFS Client Accounts, typically after HFS Clients have recouped prior losses and in some cases after HFS Clients have received a preferred return. The fees charged in respect of HFS Funds of Funds are described in the prospectuses or other relevant offering documents of the HFS Funds of Funds.

### HFS Funds of Funds Fees

The amount of the management fee and performance-based fee or allocation in respect of an HFS Fund of Funds varies from fund to fund (and may vary significantly depending on the investment fund). However, HFS generally receives a management fee of (i) 1.25% of the net asset value of each HFS Fund of Funds and (ii) 1% of the net asset value of each HFS Program Fund and performance-based compensation of 5% per annum of the net capital appreciation of the HFS Fund of Funds. HFS generally does not receive performance-based compensation in respect of HFS Program Funds. Fees and allocations charged to investors may differ depending on the class of shares or other interests purchased.

In certain cases, an investor in an HFS Fund of Funds may receive fee reductions of a portion of the management, performance and/or administration fees attributable to the investor’s interest in the HFS Fund of Funds in the sole discretion of HFS, based upon factors such as assets under management and overall services provided by HFS and/or its affiliates to such investor.

### Advisory Client Fees

HFS does not maintain a standard fee schedule for Advisory Clients. Actual fees are individually negotiated with each Advisory Client and may vary depending on a number of factors, including the proposed allocation among the underlying investment products.

**Considerations Related to Asset-Based and Performance-Based Compensation**

HFS may receive different types of compensation in respect of HFS Client Accounts. Asset-based compensation is based on the market value of the investments in the HFS Client Account and is paid without regard to the performance of the HFS Client Account. As a result, HFS may receive significant asset-based compensation in respect of an HFS Client Account even if the HFS Client Account loses money. Performance-based compensation is contingent on HFS Client Account performance, and in some cases is subject to a high water mark. Considerations related to performance-based compensation are set forth in Item 6, Performance-Based Fees and Side-By-Side Management.

**CALCULATION AND DEDUCTION OF ADVISORY FEES****HFS Funds of Funds**

The frequency with which fees in respect of an HFS Fund of Funds are calculated and billed varies from fund to fund. Generally such fees are billed monthly, quarterly or annually at the end of each period.

**Advisory Clients**

Advisory fees for Advisory Clients generally are calculated and billed either monthly or quarterly in arrears depending on the HFS Client Account, and are payable within thirty (30) days upon the Advisory Client's receipt of an invoice. The frequency of calculation of performance-based fees or allocations, and the timing of payments in respect thereof, will depend on the specific HFS Client Account. Subject to negotiation, fees will be prorated through the date of liquidation or termination. Where an affiliate of HFS is the custodian, fees and other expenses will be automatically deducted from the Advisory Client's account, unless other arrangements have been made. Where the custodian is a third party, Advisory Clients may pay these fees directly, unless other arrangements have been made.

**OTHER FEES AND EXPENSES**

In addition to paying the advisory fees described above, clients will pay other fees and expenses as described below. In limited circumstances, HFS may invest client assets with Affiliated Advisers. Except to the extent required by applicable law, HFS will not be required to offset such

compensation against fees and expenses the client may otherwise owe HFS and its affiliates. In certain circumstances, however, HFS Clients may be able to negotiate to have some of the fees charged by Affiliated Advisers credited against the advisory fees charged by HFS. Any compensation received by HFS and Affiliated Advisers will be retained by HFS and the Affiliated Advisers.

**Adviser Fees**

In addition to any fixed and/or performance-based fees paid to HFS, clients pay the compensation of the Advisers. Advisers are compensated on terms that may include fixed and/or performance-based fees or allocations. Fixed fees are currently expected to range (on an annualized basis) from approximately 0% to 4% of each Adviser's allocation, and performance-based fees or allocations generally range from approximately 10% to 30% of the net capital appreciation in each individual Adviser's investments for the year. However, some Advisers do and may in the future receive fixed fees, asset-based fees, performance-based fees and/or other compensation that materially exceed these percentages or may structure their compensation in materially different ways. Certain Portfolio Funds may charge redemption fees in certain circumstances. Performance-based compensation is typically not paid to an Adviser until the Adviser makes up prior losses. Certain Advisers, however, may continue to receive performance-based compensation while making up prior losses, but generally at lower rates or subject to a repayment obligation. The fees and expenses imposed by an Adviser may offset investment profits, thus reducing returns.

**HFS Funds of Funds Expenses**

HFS Funds of Funds bear their own organizational, offering and operating expenses.

**Portfolio Fund or Adviser Expenses**

HFS Clients will bear, directly or indirectly through their investment in each Portfolio Fund, their pro rata portion of the offering, organizational and operating expenses of such Portfolio Fund, and expenses related to the investment of such assets, such as brokerage commissions (including soft dollar payments), expenses relating to short sales, clearing and settlement charges, custodial fees, bank service fees, interest expenses, borrowing costs and extraordinary expenses.

**Custody and Administration**

With respect to HFS Funds of Funds, custody and administration fees, if any, are levied separately by the custodian or administrator and generally are not included in the advisory fees payable to HFS. With respect to Advisory Clients, the Advisory Client generally will engage any custodian for the advisory account and generally will be responsible for any such fees or expenses, and, in HFS's discretion, HFS may retain a third party to provide administrative services.

**PREPAID FEES**

HFS generally does not charge HFS Clients fees in advance.

**COMPENSATION FOR THE SALE OF SECURITIES**

Generally, personnel of HFS ("HFS Personnel") do not receive transaction-based compensation for the sale of securities or other investment products based upon a predetermined formula. Compensation of HFS Personnel consists of a base salary and discretionary variable compensation. While the base salary is established at the beginning of each year, year-end discretionary variable compensation is based on a variety of factors, including, but not limited to: an individual's contribution to net revenues for the past year which in part are derived from advisory fees, and for certain HFS Client Accounts, performance-based fees; individual performance; contributions to overall team performance; the performance of HFS and Goldman Sachs; and depending on the individual's role, performance of portfolio investments. Personnel of certain of HFS's affiliates (including GSAM) involved in the marketing, promotion and/or sale of investment products may be eligible to receive transaction-based compensation based upon a predetermined formula that is in part related to the sale of such products. Certain of HFS's affiliates and their personnel may receive compensation based on the sale of securities or other investment products, including interests in Accounts (as defined below), including HFS Client Accounts. See Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

**CLIENT SELECTION OF UNAFFILIATED BROKERS**

HFS Clients have the option to purchase certain Portfolio Funds recommended by HFS directly or through broker-dealers that are not affiliated with Goldman Sachs. In some cases, acquiring an investment product through a broker-

dealer that is not affiliated with Goldman Sachs may result in fee and execution charges that are lower than those charged by HFS. In other cases, fee and execution charges may be higher than those charged by HFS.

**Item 6 – Performance-Based Fees and Side-By-Side Management**

HFS charges performance-based fees and allocations to many of its HFS Clients other than HFS Program Funds.

HFS may manage assets for an HFS Client for which HFS receives performance-based fees or allocations while at the same time managing assets for other HFS Clients for which HFS only receives asset-based fees. Such simultaneous management creates a conflict of interest because performance-based fees or allocations reward HFS for positive performance in HFS Client Accounts that have such fee arrangements. As a result, HFS will have an incentive to favor HFS Clients with performance-based fee or allocation arrangements because of the possibility of receiving greater fees. In addition, HFS may make investments for HFS Client Accounts that are charged a performance-based fee or allocation that present a greater risk of loss or that are more speculative than would be the case in the absence of a performance-based fee or allocation. HFS will also be faced with a conflict of interest when allocating scarce investment opportunities, given the possibly greater fees from HFS Client Accounts with performance-based fee or allocation arrangements.

To address these types of conflicts, HFS has adopted policies and procedures, described below, under which it will allocate investment opportunities in a manner that it believes is consistent with its obligations as an investment adviser. However, the amount, timing, structuring or terms of an investment by an HFS Client may differ from, and performance may be lower than, the investments and performance of other HFS Clients. HFS Clients that do not receive allocations that perform well will experience lower performance. HFS's policies and procedures relating to allocation of investment opportunities are described further below. In addition, HFS's actions for one HFS Client Account may affect other HFS Client Accounts. For additional information about these situations, please see Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

**SIDE-BY-SIDE MANAGEMENT OF HFS CLIENT ACCOUNTS; ALLOCATION OF OPPORTUNITIES**

HFS may manage or advise multiple HFS Client Accounts (including HFS Client Accounts in which Goldman Sachs and its personnel have an interest) that have investment objectives that are similar and that may seek to invest with the same Advisers for its HFS Client Accounts or may make investments or sell investments in the same securities or other instruments, sectors or strategies as the Advisers. This creates potential conflicts, particularly in circumstances where the availability of such investment opportunities is limited (e.g., in respect of certain classes of interests issued by a Portfolio Fund that may be subject to lower fees or otherwise better terms than other classes), where the liquidity of such investment opportunities is limited, or where Advisers limit the number of investors in (or the size of) their Portfolio Funds, or the amount of assets in accounts that they manage. For example, limited availability may exist with certain Advisers or with respect to certain classes of interests issued by a Portfolio Fund that have better terms than other classes or where Goldman Sachs has negotiated different investment terms (including, without limitation, lower fees or more frequent liquidity than other investors) with an Adviser but the Adviser limits the size of the investment by Goldman Sachs that will be subject to such terms. If HFS wishes to transfer an existing investment that is subject to different terms from one HFS Client Account to another HFS Client Account, Goldman Sachs may face potential conflicts in connection with the allocation of such investments among HFS Client Accounts.

To address these potential conflicts, HFS has developed allocation policies and procedures that provide that personnel making portfolio decisions for HFS Client Accounts will make investment decisions for, and allocate investment opportunities among, HFS Client Accounts consistent with HFS's fiduciary obligations. These policies and procedures may result in the pro rata allocation (on a basis determined by HFS) of limited opportunities across eligible HFS Clients, but in many other cases the allocations reflect numerous other factors including those described below.

Allocation-related decisions for HFS Clients may be made by reference to one or more factors and suitability considerations, including without limitation:

- HFS Client Account investment horizons, objectives and guidelines;

- Different desired levels of exposure to certain strategies including sector oriented, concentrated new opportunities or other strategies;
- Client-specific investment guidelines and restrictions;
- The expected future capacity of applicable HFS Client Accounts;
- Tax sensitivity and objectives of HFS Client Accounts;
- Cash and liquidity considerations, including without limitation availability of cash for investment;
- Relative sizes and expected future sizes of applicable HFS Client Accounts and eligible capital;
- Expected future capacity of the applicable Adviser;
- Availability of other appropriate investment opportunities;
- Legal and regulatory restrictions affecting certain HFS Client Accounts or affecting holdings across HFS Client Accounts, which may result in adjusting existing or future positions across HFS Client Accounts and may consequently open up capacity for new HFS Client Accounts or HFS Client Account cash-flows;
- Current size of investments held by HFS Clients similar to the applicable investment opportunity;
- Minimum denomination, minimum increments and de minimis threshold considerations; and
- Suitability requirements and the nature of the investment opportunity.

Suitability considerations may include:

- Relative attractiveness of an investment or Adviser to different HFS Client Accounts;
- Concentration of industry, sector, sub-strategy or Adviser positions in an HFS Client Account;
- Appropriateness of a security for the applicable benchmark, if any, and benchmark sensitivity of an HFS Client Account;
- An HFS Client Account's risk tolerance, risk parameters and strategy allocations; and/or
- Use of the opportunity as a replacement for an opportunity that HFS believes to be attractive for an HFS Client Account but is otherwise unavailable to the HFS Client Account.

Reputational matters and other such considerations may also be considered. As a result of the various considerations herein, there will be cases where certain HFS Client Accounts (including HFS Client Accounts in which Goldman Sachs and personnel of Goldman Sachs have an interest) receive an allocation of an investment opportunity when other HFS Client Accounts do not. The application of these considerations may cause differences in the performance of different HFS Client Accounts trading similar strategies.

During periods of unusual market conditions, HFS may deviate from its normal trade allocation practices. During such periods, HFS will seek to exercise a disciplined process for determining allocations (including to accounts in which Goldman Sachs and its personnel have an interest).

In addition, in some cases HFS may make investment recommendations to HFS Client Accounts where the HFS Client Account makes the investment independently of HFS. In circumstances in which there is limited availability of an investment opportunity, if such HFS Client Accounts invest in the investment opportunity at the same time as or prior to other HFS Client Accounts, the availability of the investment opportunity for other HFS Client Accounts will be reduced irrespective of HFS's policies regarding allocation of investments.

## Item 7 – Types of Clients

### TYPES OF CLIENTS

HFS provides investment advice to a range of individual and institutional investors worldwide. HFS's clients include pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. In addition to those types of clients, HFS may provide investment advice to banks or thrift institutions, insurance companies, foreign government entities, local authorities and public international bodies. HFS also provides investment advice to HFS Funds of Funds.

### REQUIREMENTS FOR HFS FUNDS OF FUNDS

HFS generally requires a minimum investment of (i) \$1,000,000 or higher for participation in an HFS Fund of Funds and (ii) \$500,000 or higher for participation in an HFS Program Fund. All such vehicles are privately placed, and participants must meet the net worth, net assets or other

sophisticated investor criteria set forth in various securities and commodities laws and regulations.

### ACCOUNT REQUIREMENTS FOR ADVISORY CLIENTS

HFS does not generally impose a minimum dollar value of assets in order for Advisory Clients to open or maintain an account. However, Advisory Clients generally must meet certain net worth, net assets or other sophisticated investor criteria set forth in various securities and commodities laws. To open or maintain an advisory account with HFS, Advisory Clients are required to sign an investment advisory agreement that, among other things, details the nature of the investment advisory authority given to HFS. Under delegated authority from one or more of its affiliates, HFS may also manage accounts of its affiliates' clients and may receive a portion of the fee or other compensation paid by the client from the affiliate for such services. In such cases, the client will have entered into an investment advisory agreement with an entity within Goldman Sachs other than HFS.

In the case of investment in an HFS Fund of Funds, U.S. investors must generally be "accredited investors" as defined in Rule 501(a) of Regulation D under the U.S. Securities Act of 1933, as amended, and "qualified purchasers" as defined in Section 2(a)(51)(A) of the Investment Advisers Act of 1940, as amended ("Advisers Act").

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

### GENERAL DESCRIPTION

HFS primarily acts as a manager of funds of hedge funds, which means that it manages HFS Client Accounts that allocate assets to Advisers through various means. See also response to Item 4, Advisory Business.

HFS generally employs a dynamic investment process in respect of HFS Client Accounts that includes Adviser selection, portfolio design and ongoing risk analysis and monitoring. HFS has developed computer systems and operational capabilities to assist in the monitoring of Advisers. Both qualitative and quantitative criteria are factored into the Adviser selection process. These criteria include portfolio management experience, strategy, style, historical performance, including risk profile and drawdown



(i.e., downward performance) patterns, risk management philosophy and the ability to absorb an increase in assets under management without a diminution in returns. HFS also examines an Adviser's organizational infrastructure, including the quality of the investment professionals and staff, the types and application of internal controls, and any potential for conflicts of interest.

The strategies the Advisers may utilize include, without limitation, strategies within one or more of the following four hedge fund sectors. In addition, HFS may allocate assets to Advisers whose principal investment strategies are not within one of these hedge fund sectors but are either related or unrelated to any such sectors.

- **Equity Long/Short Sector** - Equity long/short strategies involve making long and short equity investments, generally based on analysis of fundamental evaluations, although it is expected that Advisers will employ a wide range of styles. For example, Advisers may (i) focus on companies within specific industries; (ii) focus on companies only in certain countries or regions; (iii) focus on companies with certain ranges of market capitalization; or (iv) employ a more diversified approach, allocating assets to opportunities across investing styles, industry sectors, market capitalizations and geographic regions.
- **Relative Value Sector** - Relative value strategies seek to profit from the mispricing of financial instruments, capturing spreads between related securities that deviate from their fair value or historical norms. Directional and market exposure is generally held to a minimum or completely hedged. Hence, relative value strategies endeavor to have low correlation and beta to most market indices.
- **Event-Driven Sector** - Event-driven strategies seek to identify security price changes resulting from corporate events such as restructurings, mergers, takeovers, spin-offs, and other special situations. Corporate event arbitrageurs generally choose their investments based on their perceptions of the likelihood that the event or transaction will occur, the amount of time that the process will take and the perceived ratio of return to risk.
- **Tactical Trading Sector** - Tactical trading strategies are directional trading strategies, which generally fall into one of two categories: global macro strategies and managed futures strategies. Global macro strategies

generally utilize analysis of macroeconomic and financial conditions to develop views on country, regional or broader economic themes and then seek to capitalize on such views by trading in securities, commodities, interest rates, currencies, and other instruments. Managed futures strategies involve trading in futures and currencies globally, generally using systematic or discretionary approaches.

As part of its investment program or for other reasons (including because such assets cannot be readily liquidated or because the value of such assets cannot be readily ascertained), an Adviser may determine that assets held by a Portfolio Fund should be segregated (or "side pocketed") from the other assets of the Portfolio Fund until such time the assets are realized or become marketable or until the occurrence of such other specified event or circumstance as may be determined by the Adviser. See "Risks Related to Side Pockets" below.

***HFS Clients should understand that all investment strategies and the investments made pursuant to such strategies involve risk of loss, including the potential loss of the entire investment in HFS Client Accounts, which HFS Clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of an HFS Client's investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for HFS Client Accounts will be subject to various market, liquidity, currency, economic, political and other risks, and investments may lose value.***

## **MATERIAL RISKS FOR SIGNIFICANT INVESTMENT STRATEGIES AND PARTICULAR TYPES OF SECURITIES**

Following is a summary of the material risks for each of HFS's significant investment strategies and methods of analysis utilized in respect of HFS Client Accounts. HFS offers HFS Client Accounts that utilize a broad range of strategies and methods of analysis and does not primarily recommend any particular type of HFS Client Account to HFS Clients.

The information contained in this Brochure cannot disclose every potential risk associated with, or all of the risks applicable to, a particular HFS Client Account. Rather, it is a general description of certain risks related to HFS Client

Accounts, including risks associated with HFS acting as a funds of hedge funds manager and Advisers executing trading strategies on behalf of funds and accounts to which HFS Client Account assets are allocated. HFS Clients should determine whether a particular HFS Client Account is suitable for them in light of their circumstances, investment objectives and financial situation.

***Information about certain risks related to HFS Client Accounts is described below. Additional information about risks associated with certain types of securities and investment techniques is available in Appendix A and, in respect of Advisory Clients invested directly in Portfolio Funds, in the prospectuses, offering memorandums and constituent documents of those products. In addition, investors in HFS Funds of Funds should carefully review the prospectuses, offering memorandums and constituent documents for additional information about risks associated with those products.***

**Performance of HFS Client Accounts and Portfolio Funds**—HFS Client Accounts and Portfolio Funds may be recently formed and may have no independent operating history upon which to evaluate their likely performance. Similarly, Advisers may have limited or no track records and/or operating histories. Past results of HFS Client Accounts and Advisers are not necessarily indicative of future performance. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

**Reliance on HFS and the Advisers**—HFS has authority and responsibility for the selection of the Advisers. The success of the HFS Client Accounts depends upon, among other things, the ability of HFS and the Advisers to develop and successfully implement investment strategies that achieve the investment objectives of the HFS Client Accounts, and upon the ability of the Advisers to develop and implement strategies that achieve their investment objectives. Moreover, subjective decisions made by HFS and/or the Advisers (including with respect to the utilization of leverage) may cause an HFS Client Account to incur losses or to miss profit opportunities on which it may otherwise have capitalized.

HFS Clients generally will have no right or power to participate in the day to day management or control of the HFS Client Accounts, the Portfolio Funds or other entities through which HFS Client Accounts invest, or the Advisers,

and will not have an opportunity to evaluate the specific strategies used or investments made by the HFS Client Accounts, the Portfolio Funds or other entities through which HFS Client Accounts invest, or the Advisers, or the terms of any investments made by the HFS Client Accounts, the Portfolio Funds or other entities through which HFS Client Accounts invest, or the Advisers. While HFS will select and monitor the Advisers to which the HFS Client Accounts allocate assets, HFS relies to a great extent on information provided by the Advisers and will generally have limited access to other information regarding the Advisers' portfolios and operations. There is a risk that an Adviser may knowingly, negligently or otherwise withhold or misrepresent information regarding the Adviser's actions or performance, including the presence or effects of any fraudulent or similar activities. Even if an Adviser has not engaged in any wrongdoing, an Adviser and its operations could be materially adversely affected if the Adviser becomes the subject of (or is otherwise involved in) any formal or informal investigation by a governmental or regulatory agency or is otherwise suspected to have engaged in or be involved in any wrongdoing (including through reports in the press). HFS's proper performance of its monitoring functions would generally not give HFS the opportunity to discover such situations prior to the time the Adviser discloses (or there is public disclosure of) the presence or effects of any fraudulent or similar activities. In addition, certain service providers and consultants to Advisers may also engage in fraudulent or similar activities (e.g., the dissemination by "expert networks" of material, non-public information regarding issuers), and the Advisers and Portfolio Funds may be materially adversely affected as a result. In connection with HFS's ongoing review of Advisers, HFS may identify certain deficiencies with or other concerns relating to an Adviser. HFS may decide not to terminate an Adviser despite the identification of such deficiencies or concerns for various reasons. If the Adviser suffers losses during this period, HFS Client Accounts could be materially adversely affected. Alternatively, HFS may determine to withdraw or attempt to withdraw HFS Client Account assets from an Adviser as a result of such deficiencies or concerns, but may be unable to do so for a significant period of time, and HFS Client Accounts may be adversely affected.

**Dependence on Key Personnel**—HFS Client Accounts may rely on certain key personnel of HFS or Goldman Sachs. As a result of regulation or for other reasons, the

amount of compensation that may be payable to Goldman Sachs executives or other employees may be reduced, or employees who rely on work visas or other permits may have such visas or permits revoked or not renewed. As a result, certain key personnel may leave Goldman Sachs. The departure of any of such key personnel or their inability to fulfill certain duties may adversely affect the ability of HFS to effectively implement the investment programs of the HFS Client Accounts. Similar risks may apply in respect of certain key personnel of the Advisers.

**Style Drift Risk**—The Portfolio Funds in which an HFS Client Account invests (which, in the case of affiliated Portfolio Funds may be HFS) may remove, substitute, modify or otherwise deviate from their stated investment strategies and sub-strategies or any of the types of investments being utilized by the Portfolio Fund at the time of an HFS Client Account's investment in the Portfolio Fund. Unexpected changes to an Adviser's investment strategies may adversely affect the HFS Client Account's portfolio and may result in an Adviser making investments in an area in which it has limited experience or knowledge.

**Losses in Affiliated Advisers' Portfolio Funds Borne Solely by Investors**—All losses of an HFS Client Account investing in a Portfolio Fund managed by an Affiliated Adviser shall be borne solely by such HFS Client Account and not by Goldman Sachs. Goldman Sachs' losses in a Portfolio Fund managed by an Affiliated Adviser will be limited to losses attributable to the ownership interests in such Portfolio Fund held by Goldman Sachs in its capacity as an investor in such Portfolio Fund or as beneficiary of a restricted profit interest held by Goldman Sachs. Ownership interests in HFS Client Accounts are not insured by the FDIC, and are not deposits, obligations of, or endorsed or guaranteed in any way, by any banking entity.

**Advisers Invest Independently**—The Advisers generally make investment decisions independently of other Advisers and may at times hold, or cause an HFS Client Account to hold, economically offsetting positions. Consequently, an HFS Client Account could indirectly incur costs, including transaction costs and taxes, without accomplishing any net investment result. Furthermore, it is possible that from time to time, various Advisers may be competing with each other for the same positions in one or more markets. Multiple Advisers may at certain times hold large positions in a relatively limited number of the same or similar investments. Greater concentration of positions across

multiple Advisers likely will increase the adverse effect on an HFS Client Account of any problems experienced in the market, sector, or industry in which the positions are concentrated.

**Liquidity Risk**—Portfolio Funds generally impose limitations on their liquidity. For example, interests in Portfolio Funds generally are not freely transferrable and there generally will be no secondary market for such interests. In addition, assets of an HFS Client Account may be invested in Portfolio Funds that impose minimum holding periods ("lock-ups"), limited dates on which interests may be redeemed, significant redemption notice periods and redemption fees and that implement holdbacks until after the completion of year-end or final audits.

During periods of limited liquidity and higher price volatility, an Adviser's ability to acquire or dispose of its investments at a price and time that the Adviser deems advantageous may be impaired. In addition, Advisers may invest a portion or all of the value of their assets in restricted securities and other investments that are illiquid. From time to time, certain Portfolio Funds may segregate assets, including illiquid or difficult to value assets, through the use of "side-pockets," and may suspend, gate or otherwise further limit redemptions, make distributions in-kind in connection with redemption requests, or liquidate their portfolios. The timeframe for the recovery of illiquid assets is typically unknown, and it may be a significant period of time before an HFS Client Account is able to redeem from Portfolio Funds or to liquidate any assets received in respect of a distribution in-kind. In addition, in order to obtain better fee terms or other favorable arrangements with an Adviser, Advisers may require that an HFS Client Account invest on certain terms that are more restrictive or less advantageous to the HFS Client Account than may be available to other investors.

A significant portion of an HFS Client Account's assets may be allocated to Advisers that invest in less liquid assets. The inability of an HFS Client Account to withdraw assets from Advisers may have a material adverse effect on the investment mix of the HFS Client Account and could materially adversely affect the ability of HFS to successfully implement the investment program of the HFS Client Account, including HFS's ability to rebalance the HFS Client Account's investments. This could also cause an HFS Client Account to liquidate some or all of its more liquid assets at a time when it is not considered by HFS to

be an optimal time to do so, which could have a material adverse effect on the HFS Client Account's portfolio. Liquidating an HFS Client Account's more liquid assets could also result in the HFS Client Account holding a greater concentration of less liquid assets.

**Limitations on Ability to Rebalance Portfolio**—HFS may at certain times be unable to reallocate an HFS Client Account's assets among Advisers as it determines is advisable in order to achieve the HFS Client Account's investment objective due to a number of factors including, without limitation, those described under "Liquidity Risk" above. If imbalances in the allocations occur because an HFS Client Account is unable to reallocate on a timely basis, losses occurring as a result could cause the HFS Client Account to suffer significantly greater losses than would be the case if the HFS Client Account's allocation goals had been achieved. In the event that an HFS Client Account is able to make investments in Portfolio Funds only at certain times, the HFS Client Account may hold cash or invest any portion of its assets that is not invested in Portfolio Funds in cash equivalents, short-term securities or money market securities pending allocation to Advisers. During the time that the HFS Client Account's assets are not invested with Advisers, that portion of the HFS Client Account's assets will not be used to pursue the HFS Client Account's investment objective.

**Valuation of HFS Client Account Investments; Estimates**—HFS ordinarily values HFS Client Accounts based upon valuations of underlying investments provided by the Advisers (i.e., HFS is a "price taker"). HFS will generally not have sufficient information in order to be able to confirm or review the accuracy of valuations provided by Advisers. Furthermore, the valuations received by HFS from Advisers will typically be estimates only, and such valuations generally will be used to calculate the net asset value and fee accruals (to the extent applicable) in respect of HFS Client Accounts to the extent that current audited information is not then available. Such valuations provided by the Advisers may be subject to later adjustment based on valuation information available at that time, including, without limitation, as a result of year-end audits.

In certain circumstances, HFS may, subject to the terms of the applicable HFS Client Account, determine the fair value of an HFS Client Account's investment with an Adviser independently of the Adviser's valuations based on the best available information, which may be the information most

recently provided by an Adviser to HFS, and any factors deemed relevant by HFS at the time of such valuation. Such determination may be materially inaccurate, including because the information available to HFS was insufficient, inaccurate or out of date. It is not expected that an HFS Client Account will make adjustments to correct such determinations to reflect information that becomes available to the HFS Client Account at a later date, although HFS may make such adjustments in its sole discretion.

HFS may allocate assets, directly or indirectly, to Advisers that invest in assets that lack a readily ascertainable market value, and the net asset value of an HFS Client Account will be affected by the valuations of any such assets (including, without limitation, in connection with calculating the fees of HFS). The valuation of such assets may create a conflict of interest for such Advisers, as such assets may constitute a substantial portion of the Adviser's investments and their value may affect the Advisers' compensation. Given the uncertainty inherent in the valuation of assets that lack a readily ascertainable market value, the value of such assets as reflected in the net asset value of the HFS Client Account or any Portfolio Fund may differ materially from the prices at which the applicable Adviser would be able to liquidate the assets.

The valuation of an investment with an Adviser may be materially greater than or less than the valuation of the investment that would be determined if its assets were to be liquidated as of such date. For example, if a Portfolio Fund were required to sell a certain asset or all or a substantial portion of its assets on a particular date, the actual price that the Portfolio Fund would realize upon the disposition of such asset or assets could be materially less than the value of such asset or assets as reflected in the net asset value of the Portfolio Fund. Volatile market conditions could also cause reduced liquidity in the market for certain assets, which could result in liquidation values that are materially less than the values of such assets as reflected in the net asset value of an investment.

In addition, HFS may sell interests in Portfolio Funds (or interests in specific assets held by such Portfolio Funds) through secondary market transactions. Valuation of assets sold in a secondary market transaction may be difficult, as there generally will be no established market for these assets. In addition, these assets may be sold at a discount to the current net asset value because of liquidity or other considerations, and such discount may be significant.

**Risks Related to Side Pockets**—An HFS Client Account that holds interests in a Portfolio Fund that has segregated one or more assets through the use of side-pockets generally will not be able to redeem its interests in such investments until the side pocketed assets are liquidated, deemed realized or otherwise disposed of. In addition, such assets are generally carried on the books of the Portfolio Fund at the Adviser's or a third party's determination of fair value; however, given the nature of such assets, such determinations may not represent the actual amount that would be realized by the Portfolio Fund upon the disposition of the assets. As a result, such assets raise significant liquidity and valuation risks and may affect the amount and timing of any management fees and incentive compensation charged to the HFS Client Account by the Adviser. See "Liquidity Risk" and "Valuation of HFS Client Account Investments; Estimates" above.

**Multiple Levels of Fees and Expenses**—An HFS Client will bear any asset-based fees and performance-based fees or allocations and expenses at the HFS Client Account level, in addition to any asset-based fees and performance-based fees or allocations and expenses (including organizational and offering expenses, operating costs, sales charges, brokerage expenses and administrative fees) at the Adviser level. Asset-based fees will be charged on all assets in an HFS Client Account, including cash or cash equivalents. An HFS Client Account may be subject to performance-based fees or allocations in respect of certain Advisers, irrespective of the performance of other Advisers and the HFS Client Account generally. Accordingly, an Adviser with positive performance may receive performance-based compensation from an HFS Client Account, and thus indirectly from an HFS Client, even if the HFS Client Account's overall performance (based on the performance of all Advisers in its portfolio) is negative. See also "Performance-Based Compensation Risk" in Appendix A.

**Limitations on Ability to Invest in Portfolio Funds**—In the event that an HFS Client Account is able to make investments in Portfolio Funds only at certain times, the HFS Client Account may hold cash or invest any portion of its assets that is not invested in Portfolio Funds in cash equivalents, short-term securities or money market securities pending allocation to Portfolio Funds. During the time that an HFS Client Account's assets are not invested in Portfolio Funds, that portion of the HFS Client Account's

assets generally will not be used to pursue the HFS Client Account's investment objective.

Certain Portfolio Funds' trading approaches can accommodate only a limited amount of capital, and each Portfolio Fund has the right to refuse to manage some or all of the assets that HFS may wish to allocate to such Portfolio Fund. In determining capital allocations among Portfolio Funds, HFS may consider, among other factors, constraints on a Portfolio Fund's capital capacity. HFS may determine, for various reasons, that a Portfolio Fund that has limited capacity is more appropriately included as part of the portfolio of certain HFS Client Accounts rather than other HFS Client Accounts for which the Portfolio Fund might also have been appropriate.

**Investments of HFS Client Accounts May Not Be Diversified**—Subject to any investment guidelines applicable to an HFS Client Account, HFS will have no constraints on the number of Advisers to which assets of the HFS Client Account are allocated, or on the percentage of the assets of the HFS Client Account allocated to any single Adviser, group of Advisers, or hedge fund sector or strategy. No assurance is generally given as to any level of multiple Adviser diversification or diversification among the hedge fund strategies within an HFS Client Account. Greater concentration with any single Adviser or in any single hedge fund sector may entail additional risks and likely will increase the adverse effect on an HFS Client Account of any problems experienced by an underlying Adviser since such Adviser is more likely to make up a significant portion of the HFS Client Account's assets.

**Limited Regulatory Oversight**—The Portfolio Funds in which HFS Client Accounts invest generally are not registered as investment companies, and the HFS Client, in turn, is not provided the protections of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"). In addition, certain Advisers may not be registered as investment advisers under the Advisers Act. Therefore, an HFS Client Account invested in a Portfolio Fund may not have the benefit of certain protections otherwise afforded to investors had the Portfolio Fund been more heavily regulated. Similarly, HFS Funds of Funds are not required to register as investment companies under the Investment Company Act and, as a result, the provisions of such act intended to provide various protections to investors are not applicable.

**Non-Recourse Risk**—The governing agreements of Portfolio Funds in which HFS Client Accounts invest limit the circumstances in which an Adviser can be held liable to investors. As a result, investors may have a more limited right of action in certain cases than they would in the absence of such provisions.

**Management of Discretionary and Non-Discretionary Accounts**—HFS may provide investment advice to Advisory Clients on either a discretionary or a non-discretionary basis. For various reasons, non-discretionary Advisory Clients may not be able to implement HFS's recommendations with respect to the allocation or reallocation of assets as quickly as HFS implements such recommendations on behalf of discretionary Advisory Clients. In certain cases, due to redemption notice deadlines or other reasons, this may result in non-discretionary Advisory Clients being unable to act on HFS recommendations at the same time HFS acts on behalf of the discretionary Advisory Clients. This could cause significant differences in the performance between non-discretionary and discretionary Advisory Clients with the same or similar investment objectives.

**Legal, Tax and Regulatory Risks**—HFS and certain HFS Client Accounts are subject to legal, tax and regulatory oversight, including by the SEC, the United Kingdom Financial Conduct Authority and similar regulators worldwide. For example, Goldman Sachs is regulated as a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHCA"), which generally restricts bank holding companies from engaging in business activities other than the business of banking and certain closely related activities. As an indirect, wholly owned subsidiary of The Goldman Sachs Group, Inc., certain of HFS's activities and transactions in respect of HFS Client Accounts may also be restricted. Because Goldman Sachs may be deemed to "control" HFS-managed pooled investment vehicles, under the BHCA, there may be restrictions on transactions and relationships between HFS-managed pooled investment vehicles and Goldman Sachs, as well as restrictions on the investments and transactions by, and the operations of, HFS-managed pooled investment vehicles.

In addition, there have been recent legislative, tax and regulatory changes and proposed changes that may apply to the activities of HFS and Advisers that may require material adjustments to the business and operations of, or have other

material adverse effects on, HFS Client Accounts. Recent changes, which continue to evolve, include the enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended (the "Dodd-Frank Act"), which includes the so-called "Volcker Rule," the amendment of the Advisers Act and changes to the way derivatives and commodities are regulated. Similarly, foreign regulators have recently passed legislation and have proposed changes that may affect certain HFS Client Accounts, including the European Union Directive on Alternative Investment Fund Managers, which may impose certain requirements and restrictions on Advisers. Goldman Sachs may take certain actions to limit its authority in respect of HFS Client Accounts in order to reduce or eliminate the impact or applicability of any regulatory restrictions on Goldman Sachs, HFS Client Accounts or other Accounts, including without limitation the BHCA and the Volcker Rule. There may also be unanticipated and/or legal, tax and regulatory changes from time to time, including requirements to provide additional information pertaining to an HFS Client Account to the Internal Revenue Service or other taxing authorities. Regulatory changes and restrictions imposed by regulators, self-regulatory organizations and exchanges may vary from country to country and may affect the value of HFS Client Accounts' investments and their ability to pursue their investment strategies. Any such rules, regulations and other changes, and any uncertainty in respect of their implementation, may result in increased costs, reduced profit margins and reduced investment and trading opportunities and may require a significant restructuring of the manner in which an HFS Client Account is organized, all of which may negatively impact the performance of HFS Client Accounts.

**Volcker Rule Risks**—The Volcker Rule became effective July 21, 2012; however, the Board of Governors of the Federal Reserve System (the "Federal Reserve") issued an order which provided that banking entities (including Goldman Sachs and its subsidiaries) are not required to be in compliance with the Volcker Rule and its final rules until July 21, 2015. On December 18, 2014, the Federal Reserve issued a further order extending the conformance period until July 21, 2016 for investments in and relationships with covered funds and foreign funds that were in place prior to December 31, 2013, and stated that it intends to grant an additional one-year extension, until July 21, 2017, for the same covered fund investments and relationships. Among other things, the Volcker Rule generally prohibits banking

entities, including Goldman Sachs, from engaging in transactions that would cause a banking entity or its affiliates to have credit exposure to or engage in certain transactions with certain hedge funds or private equity funds that are managed by affiliates of the banking entity, or with investment vehicles controlled by such hedge funds or private equity funds, that would involve or result in a material conflict of interest between the banking entity and its clients, customers or counterparties, or that would result, directly or indirectly, in a material exposure by the banking entity to high-risk assets or high-risk trading strategies. However, there remains significant uncertainty as to how this prohibition will ultimately impact the HFS Client Accounts. The Volcker Rule also prohibits Goldman Sachs from owning more than 3% of the total number and fair market value of the outstanding ownership interests of certain covered HFS Client Accounts and requires that certain other transactions between HFS and HFS Client Accounts managed by HFS affiliates be on “arms’ length” terms. Goldman Sachs’ policies and procedures are designed to identify and limit exposure to such material conflicts of interest and high-risk assets and trading strategies in its trading and investment activities, including its activities related to an HFS Client Account. If the regulatory agencies implementing the Volcker Rule develop guidance regarding best practices for addressing these matters, as they indicated that they intend to do, Goldman Sachs’ policies and procedures may be modified or adapted to take any such guidance into account. Any requirements or restrictions imposed by Goldman Sachs’ policies and procedures or by the Volcker Rule agencies could materially adversely affect an HFS Client Account, including because the requirements or restrictions could result in, among other things, the HFS Client Account foregoing certain investments or investment strategies or taking or refraining from other actions, any of which could disadvantage the HFS Client Account. These restrictions could materially adversely affect HFS Funds of Funds, including because the restrictions could prevent an HFS Fund of Funds from obtaining seed capital, loans or other commercial benefits from Goldman Sachs.

**Economic and Other Sanctions**—In the event that HFS determines that an investor is subject to any trade, economic or other sanctions imposed by the United Nations or any other applicable governmental or regulatory authority, HFS may take such actions as it determines appropriate to comply with applicable law, including, without limitation,

(i) blocking or freezing HFS Client Accounts or interests therein, (ii) where permitted by the applicable sanctions law, requiring an investor in an HFS Fund of Funds to redeem from the fund, and delaying the payment of any redemption proceeds, without interest, until such time as such payment is permitted under applicable law, (iii) excluding an investor in an HFS Fund of Funds from allocations of net capital appreciation and net capital depreciation and distributions made to other investors, and (iv) excluding an investor in an HFS Fund of Funds from voting on any matter upon which investors are entitled to vote, and excluding the net asset value of such investor’s interest in the fund for purposes of determining the investors entitled to vote on or required to take any action in respect of the fund.

**Investment and Trading Risks**—Investments in Portfolio Funds are speculative and involve a high degree of risk, including the risk that the entire amount invested may be lost. The Advisers will invest in and actively trade securities and other financial instruments using highly complex strategies and investment techniques with significant risk characteristics, including among others, risks arising from the volatility of the fixed income, commodity, currency and equity markets, risks of concentration, market risks, liquidity risks, risks of short sales, risks of leverage, risks arising from the potential illiquidity of assets, the risk of loss from counterparty and broker defaults, and legal and operations risks. Each Adviser’s investment program may utilize such investment techniques as margin transactions, option transactions, short sales, forward contracts and futures contracts, which involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the HFS Client Account may be subject.

**Strategy Risk**—The risk that an investment strategy used by HFS or an Adviser may fail to produce the intended results for an HFS Client Account or the Adviser, including the risk that the entire amount invested may be lost. There is no guarantee that the investment objective of an HFS Client Account will actually be achieved and investment results of the HFS Client Account may vary substantially over time.

**Limited Information Risk**—HFS will consider allocations to Advisers and Portfolio Funds utilizing information made available to it. HFS may not have certain information about markets, investments, Advisers and Portfolio Funds that other investment managers or current or prospective

investors in Advisers or Portfolio Funds have. This may include information that, if known to HFS, might cause HFS to seek to dispose of, retain or increase investments with Advisers, or take other actions. In addition, as a result of informational barriers constructed between different divisions and areas of Goldman Sachs or other policies and procedures of Goldman Sachs, generally HFS may not have access, or may have limited access, to information and personnel in other areas of Goldman Sachs. Therefore, HFS will generally not be able to review potential allocations to Advisers with the benefit of information held by other divisions of Goldman Sachs. Information barriers may also exist between different businesses within HFS. Goldman Sachs has no obligation to seek information or to make available to or share with HFS any information, investment strategies, opportunities or ideas known to personnel of Goldman Sachs or developed or used in connection with other clients or activities.

**Advisers' Activities May be Limited**—To the extent that the HFS Client's investment (and/or any investments by other funds and clients managed or advised by HFS or an affiliate) constitutes a significant percentage of a Portfolio Fund, that Adviser's trading activities may be restricted due to certain regulatory or other requirements or restrictions applicable to Goldman Sachs (including relating to the aggregation of positions among different funds and accounts) and internal Goldman Sachs policies. These restrictions may limit the opportunities or investment activities of the Adviser. As a result, the performance of such Portfolio Funds could differ significantly from, and could materially underperform, the performance of a comparable investment fund managed by the same Adviser. In order to reduce or avoid any such restrictions, Advisers may reject, limit or restrict investments by Accounts with such Advisers. As a result, an HFS Client Account may be unable, or may be limited in its ability, to make investments with certain Advisers.

**Dilution**—Each Portfolio Fund typically may also accept additional subscriptions for interests. Such additional subscriptions will dilute the indirect interests of the Portfolio Fund's existing investors (including the HFS Client) in the Portfolio Fund's investment portfolio prior to any such subscription, which could have an adverse impact on the existing investors' interests in the Portfolio Fund if such Portfolio Fund's future investments underperform its prior investments.

**Risks Associated with Certain Methods for Allocating Assets to Advisers**—HFS will typically allocate HFS Client Account assets to an Adviser by purchasing an interest in a Portfolio Fund managed by the Adviser. HFS may, however, allocate assets to Advisers by various other means, including, by investing in intermediate investment vehicles (for example, feeder funds) formed or managed by HFS or an affiliate (collectively, "Alternative Investments"). There are additional costs and risks associated with such investments. For example, Alternative Investments may impose higher costs on investors than a direct investment in a Portfolio Fund because investors will have to bear an additional layer of operational fees and expenses, which could be material. Further, an indirect investment in a Portfolio Fund through Alternative Investments (e.g., a feeder fund) generally will not be tracked separately from other investors in such vehicle. This means that an HFS Client Account generally will share in any open positions in the Portfolio Fund held by such Alternative Investments prior to the HFS Client Account's investment in such Alternative Investments, which may result in worse liquidity and/or performance of the HFS Client Account's indirect investment in the Portfolio Fund than had the HFS Client Account invested in the Portfolio Fund directly. Furthermore, performance-based compensation charged by an Adviser on the appreciation of the net assets of a Portfolio Fund will generally be shared pro rata by all investors in the Alternative Investments (including an HFS Client Account), regardless of the amount of appreciation (if any) since the HFS Client Account's investment in such vehicle. An HFS Client Account also may invest in a Portfolio Fund indirectly by purchasing or entering into derivatives. Indirect investments through derivatives carry with them the credit risk associated with the applicable counterparty. In addition, a derivative may be structured in a manner that provides greater leverage than a direct investment in the Portfolio Fund.

As a result of, among other factors, differences in the assets, leverage, liquidity, investment guidelines and restrictions (including regulatory or other requirements applicable to Goldman Sachs and/or internal policies of Goldman Sachs relating to regulatory or other requirements), and the terms, costs, structure and operations of certain Alternative Investments, the performance of such Alternative Investments could differ significantly from, and could materially underperform, the performance of a comparable investment fund managed by the same Adviser.



HFS may also place HFS Client assets with an Adviser by opening a managed account. It is possible, given the leverage at which certain Advisers will trade, that allocations of HFS Client Account assets to an Adviser through a managed account could result in losses that exceed the amount HFS has allocated to such Adviser to invest.

**Transactions Between and Among HFS Client**

**Accounts**—HFS may determine that it is advisable to reduce some or all of an HFS Client Account's interest in one or more Portfolio Funds in order to achieve the HFS Client Account's investment objective. In certain cases, such Portfolio Funds may be appropriate investments for one or more other HFS Client Accounts. Rather than redeeming the HFS Client Account's interests in such Portfolio Funds, HFS may attempt to transfer such interests to one or more other HFS Client Accounts. Any such transfer generally would be effected at a price equal to the redemption price that otherwise would have been payable to the HFS Client Account in respect of such Portfolio Fund upon redemption of such interests (or at a price equal to the reported value of such interests if all or a portion of such interests are not redeemed on such transfer date). The transfer price will not take into account any value associated with the transfer of the HFS Client Account's investment holding period, if any, in a Portfolio Fund, or the prior high net asset value associated with the transferred interests.

HFS Client Accounts may reallocate interests in Portfolio Funds that invest in assets that are difficult to value, including investments that have been “side pocketed” or otherwise segregated by an Adviser. If an HFS Client Account transfers or receives interests in such Portfolio Funds, such interests generally will be valued in accordance with the terms of the Portfolio Fund's governing agreement, as such valuations are reported to the HFS Client Account. However, given the nature of such investments, such valuations may not represent the actual amount that would be realized by the Portfolio Fund upon a disposition of such investments. If such difficult-to-value assets are not valued accurately by the Portfolio Fund, any transfer of interests in such Portfolio Fund may adversely affect the performance of the HFS Client Accounts involved in the cross transaction. In addition, to the extent that an HFS Client Account receives through a cross transaction an interest in a Portfolio Fund that includes one or more investments that have been “side pocketed” or otherwise segregated by an

Adviser, the HFS Client Account will generally have a greater portion of its assets invested in such “side pocketed” or segregated investments following such cross transaction than it did beforehand, which will generally decrease the overall liquidity of the HFS Client Account's investments. The HFS Client Account generally would not have received an interest in such “side pocketed” or segregated investments had it made a new investment in the applicable Portfolio Fund rather than obtaining an interest therein by means of a cross transaction.

**Secondary Investments**—An HFS Client Account may sell interests in Portfolio Funds (or interests in specific assets held by such Portfolio Funds) through secondary market transactions. Valuation of assets sold in a secondary market transaction may be difficult, as there generally will be no established market for these assets. In addition, these assets may be sold at a discount to the current net asset value because of liquidity or other considerations, and such discount may be significant. The value of any interests in Portfolio Funds (or interests in specific assets held by such Portfolio Funds) sold through secondary market transactions may fluctuate, and the sale price of such interests may not reflect the actual amount that will be realized in connection with a disposition (or, on the eventual liquidation) of such interests.

**Conflicts of Interest**—Goldman Sachs is a worldwide, full-service investment banking, broker-dealer, asset management and financial services organization and a major participant in global financial markets. As such, Goldman Sachs provides a wide range of financial services to a substantial and diversified client base. Goldman Sachs advises clients in all markets and transactions and purchases, sells, holds and recommends a broad array of investments. Goldman Sachs has direct and indirect interests in the global fixed income, currency, commodity, equities, bank loan and other markets, and the securities and issuers, in which HFS Client Accounts may directly and indirectly invest. As a result, Goldman Sachs' activities and dealings may affect HFS Client Accounts in ways that may disadvantage or restrict HFS Client Accounts and/or benefit Goldman Sachs or other Accounts (including other HFS Client Accounts). A description of certain of such potential conflicts of interest is set forth under Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Similarly, Advisers generally will advise clients in addition to, and will engage in activities other than activities related to the management of, the funds and accounts to which HFS allocates HFS Client Account assets. As a result, Advisers will have other interests and relationships which may create a variety of conflicts similar to or different from the conflicts of interest described herein in relation to the funds and accounts they manage.

*Additional information about risks associated with certain types of securities and investment techniques is available in Appendix A and, in respect of Advisory Clients invested directly in Portfolio Funds, in the prospectuses, offering memorandums and constituent documents of the Portfolio Funds.*

Advisers may, from time to time, utilize additional investment strategies and sub-strategies, and/or remove, substitute or modify their investment strategies and sub-strategies or any of the types of investments then being utilized. Any such addition or change may result in the Advisers investing in other markets, securities and instruments than those described in their offering or governing documents. HFS generally will not have an opportunity to evaluate such decisions or an opportunity to withdraw an HFS Client Account's assets with any Adviser prior to any such decision.

## Item 9 – Disciplinary Information

This Item requests information relating to HFS. There are no reportable material legal or disciplinary events related to HFS. In the ordinary course of their business, HFS and its investment management affiliates and their employees have in the past been, and may in the future be, subject to formal and informal regulatory inquiries, subpoenas, investigations, and legal or regulatory proceedings involving the SEC, other regulatory authorities, or private parties. In the past ten years, HFS and its investment management affiliates have not had an order or sanction issued against them by a regulatory body, apart from an improvement order issued in December 2005 to an investment management affiliate in Japan and a September 2007 Institutional Warning issued to another investment management affiliate in Korea, prior to its acquisition by GSAMLP, by the Financial Supervisory Commission in Korea. Additional information about HFS's investment management affiliates is contained in Part 1 of HFS's Form ADV.

For information relating to other Goldman Sachs affiliates, please visit [www.gs.com](http://www.gs.com) and refer to the public filings of The Goldman Sachs Group, Inc.

## Item 10 – Other Financial Industry Activities and Affiliations

### BROKER-DEALER REGISTRATION

Certain of HFS's management persons may be registered representatives of GS&Co., a registered broker-dealer, if necessary or appropriate to perform their responsibilities.

### COMMODITY POOL OPERATOR, COMMODITY TRADING ADVISER, FUTURES COMMISSION MERCHANT REGISTRATION

HFS is registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator ("CPO") and a commodity trading advisor ("CTA"). HFS is a registered swap firm with the National Futures Association. In addition, certain of HFS's management persons may be registered as associated persons and swap associated persons to the extent necessary or appropriate to perform their responsibilities.

### OTHER MATERIAL RELATIONSHIPS WITH AFFILIATED ENTITIES

HFS may use, suggest or recommend its own services or those of affiliated Goldman Sachs entities. HFS may manage HFS Client Accounts in which such affiliated Goldman Sachs entities have an interest, which may create potential conflicts of interest related to HFS's determination to use, suggest or recommend the services of such entities. The particular services involved will depend on the types of services offered by the affiliate. The arrangements may involve sharing or joint compensation, or separate compensation, subject to the requirements of applicable law. Particular relationships may include, but are not limited to, those discussed below. HFS Clients pay for custody services performed by HFS's affiliates in addition to the advisory fee paid to HFS. HFS's affiliates will retain any compensation received from HFS Clients.

### Broker-Dealer; Derivatives Dealer

Subject to HFS Client consent, HFS may use, or suggest or recommend that HFS Clients use, the custody or other services offered by HFS's affiliates. These may include

(but are not limited to) GS & Co., Goldman Sachs International (“GSI”), Montague Place Custody Services, Goldman Sachs (Asia) Securities Limited, Goldman Sachs Japan Co., Ltd., Goldman Sachs (Russia), Goldman Sachs Bank AG, Goldman Sachs Financial Markets, L.P., Goldman Sachs Saudi Arabia, Goldman Sachs Execution & Clearing, L.P., OOO Goldman Sachs, Qian Kun Futures Co., Ltd. and Redi Global Technologies LLC.

HFS may also receive distribution, record keeping, administrative, support and other services from its broker-dealer affiliates.

In addition, Goldman Sachs may have ownership interests in trading networks, securities, or derivatives indices, trading tools, settlement systems and other assets.

### **Investment Companies and Other Pooled Investment Vehicles**

HFS or its affiliates act in an advisory or sub-advisory capacity, including as adviser, administrator and/or distributor, to a variety of U.S. and non-U.S. investment companies as well as other pooled investment vehicles, including collective trusts and alternative investment funds. Certain HFS Personnel are also directors, trustees and/or officers of these investment companies and other pooled investment vehicles.

### **Other Investment Advisers**

HFS has investment advisory affiliates in Australia, Canada, China, India, Brazil, England, Germany, Hong Kong, Ireland, Italy, Japan, Singapore, Korea and the United States. These affiliates include: Goldman Sachs Asset Management Australia Pty Ltd, Goldman Sachs Asset Management Brazil LTDA, Goldman Sachs (China) L.L.C., Beijing Gao Hua Securities Company Limited, Goldman Sachs Asset Management (India) Private Limited, Goldman Sachs (India) Securities Private Limited, Goldman Sachs Services Pvt. Ltd., Goldman Sachs (Malaysia) Sdn Bhd, GSAMI, Goldman Sachs (Asia) L.L.C. (“GS Asia”), Goldman Sachs (Russia), Goldman Sachs Do Brasil Banco Multiplo S/A, Goldman Sachs Saudi Arabia, Goldman Sachs Asset Management Co. Ltd. (“GSAMC”), Goldman Sachs (Singapore) Pte. (“GSSP”), GS&Co., Goldman Sachs Realty Management, L.P. (formerly known as Archon Group, L.P.) (“GSRM”), The Ayco Company, L.P. (“Ayco”), GSAM SV, GSI, GSGAP, GSAMLP, Goldman Sachs Investment Advisory Korea Co., LTD (“GSAMK”),

GS Investment Strategies Canada Inc. (“GSIS Canada”), Goldman Sachs Asset Management Global Services Limited and GSIS.

Among HFS’s investment advisory affiliates, GSAMI, GS&Co., GSRM, Ayco, GSAM SV, GSAMLP, GSGAP, and GSIS are registered with the SEC as investment advisers. Goldman Sachs Asset Management Australia Pty Ltd, Goldman Sachs Asset Management Brazil LTDA, Goldman Sachs (China) L.L.C., Beijing Gao Hua Securities Company Limited, Goldman Sachs Asset Management (India) Private Limited, Goldman Sachs (India) Securities Private Limited, Goldman Sachs Services Pvt. Ltd., Goldman Sachs Asset Management (Singapore) Pte. Ltd, Goldman Sachs Representações Ltda, GS Asia, GSAMC, GSI, GSAMK, GSIS Canada and GSSP are not registered with the SEC as investment advisers but are foreign affiliated advisers that may provide advice or research to HFS for use with HFS’s U.S. clients (in such capacity, “Participating Affiliates”). The Participating Affiliates will act according to a series of SEC no-action relief letters mandating that Participating Affiliates remain subject to the regulatory supervision of both HFS and the SEC. HFS has or intends to have co-advisory or sub-advisory relationships with affiliates, and/or participating affiliate relationships with the Participating Affiliates. HFS may, in its discretion, delegate all or a portion of its advisory or other functions to any affiliate that is registered with the SEC as an investment adviser or to any Participating Affiliate. To the extent HFS delegates its advisory or other functions to affiliates that are registered with the SEC as investment advisers, a copy of the brochure of each such affiliate is available on the SEC’s website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) and will be provided to HFS Clients or prospective clients upon request. Certain services may be performed for affiliates by HFS employees who are also employees of such affiliates or through delegation or other arrangements. Clients that want more information about any of these affiliates should contact HFS.

In addition, HFS may participate in sub-advisory, co-advisory or other joint projects related to pooled investment vehicles with institutions not a part of Goldman Sachs.

### **Financial Planner**

HFS’s related affiliate, Ayco, provides financial planning services, investment management and other services to publicly traded companies and privately held firms and their

respective executives and employees. Ayco's personnel may recommend HFS's investment advisory services to its clients and may receive fees from HFS.

#### **Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser**

HFS has affiliates registered with the CFTC as a futures commission merchant, CPO and/or CTA, swap firm and swap dealer. These firms include: GS&Co., GSAMI, GSAMLP, Goldman Sachs Management Partners, L.P., GSIS and Goldman Sachs Execution & Clearing, L.P. If permitted by law and applicable regulations, HFS may utilize its CFTC-registered affiliates in connection with the purchase or sale of futures on behalf of certain HFS Clients and these affiliates may receive commissions.

HFS or HFS Clients may utilize the services of HFS affiliates in connection with foreign exchange hedging in respect of HFS Client Accounts.

#### **Bank or Thrift Institution**

The Goldman Sachs Group, Inc. is a bank holding company registered with the Federal Reserve. The Goldman Sachs Group, Inc. is subject to supervision and regulation by the Federal Reserve.

The Goldman Sachs Trust Company, a limited trust company licensed by the State of New York, and its affiliates, may provide custody services to HFS Clients at the request of HFS Clients and may receive compensation directly from HFS Clients or from HFS.

The Goldman Sachs Trust Company, N.A., a national bank limited to fiduciary activities ("GSTC"), was established in order to provide personal trust and estate administration and related services to its high net worth clients on a nationwide basis. GSTC is a wholly owned subsidiary of The Goldman Sachs Group, Inc. As a national bank, GSTC is subject to regulation by the Office of the Comptroller of the Currency and is a member bank of the Federal Reserve System. Certain employees of HFS or its affiliates may have been cross-designated by GSTC as officers of GSTC.

#### **Sponsor or Syndicator of Limited Partnerships**

HFS and its affiliates may create and/or distribute unregistered privately-placed vehicles and may receive fees.

#### **Insurance Company or Agency**

Goldman Sachs' affiliates, Global Atlantic Financial Group Limited, Commonwealth Annuity and Life Insurance Company and First Allmerica Financial Life Insurance Company, engage in the insurance business for the purpose of insuring and reinsuring life and annuity contracts including, but not limited to, variable life and variable annuity contracts.

#### **Management Persons; Policies and Procedures**

Certain of HFS's management persons may also hold positions with the affiliates listed above. In these positions, those management persons of HFS may have some responsibility with respect to the business of these affiliates and the compensation of these management persons may be based, in part, upon the profitability of other parts of Goldman Sachs. Consequently, in carrying out their roles at HFS and these other entities, the management persons of HFS may be subject to the same or similar potential conflicts of interest that exist between HFS and these affiliates.

HFS has established a variety of restrictions, policies, procedures, and disclosures designed to address potential conflicts that may arise between HFS, its management persons and its affiliates. These policies and procedures include: information barriers designed to prevent the flow of information between HFS, HFS Personnel and certain other affiliates; policies and procedures relating to trading with affiliates or investing in products managed or sponsored by affiliates; and allocation policies applicable to Accounts. Additional information about these conflicts and the policies and procedures to address them is available in Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

#### **RECEIPT OF COMPENSATION FROM INVESTMENT ADVISERS**

HFS primarily acts as a manager of funds of hedge funds, which means that it manages HFS Client Accounts that allocate assets to Advisers through various means. The interests and business relationships of Goldman Sachs (including HFS) and its personnel may create potential conflicts in the selection of Advisers for, or the determination to increase allocations of assets to or withdraw assets from Advisers on behalf of, HFS Client Accounts. For example, HFS will be incentivized to

allocate assets to, and refrain from withdrawing assets from, Advisers that are themselves (or whose principals or employees are) HFS Clients or in respect of which HFS receives fees or other compensation, such as “breakpoints.” HFS makes determinations regarding which Advisers to make available to HFS Clients consistent with its fiduciary duties and the investment processes described in Item 8, Methods of Analysis, Investment Strategies and Risk of Loss. Goldman Sachs may derive benefits from certain decisions made in respect of Advisers. It is expected that Goldman Sachs may receive various forms of compensation, commissions, payments, rebates, remuneration, investment activity, services or other benefits from Advisers to which HFS Client Accounts allocate assets, or may have interests in such Advisers or their businesses and provide a variety of products and services to them, including prime brokerage and research services. For example, HFS will be incentivized to allocate assets to, and refrain from withdrawing assets from, Advisers for whom Goldman Sachs acts as prime broker or to whom Goldman Sachs provides brokerage or other services and research because of such relationships, including because payments to Goldman Sachs in respect of such activities and services will generally increase as the size of the assets that the Adviser manages increase. The amount of such compensation, commissions, payments, rebates, remuneration, investment activity, services or other benefits to Goldman Sachs may be greater if HFS selects such Advisers than it would have been had other Advisers been selected that might also have been appropriate for the HFS Client Accounts.

HFS acts as investment adviser under the Advisers Act in accordance with fiduciary standards. HFS will face potential conflicts in making determinations as to whether HFS Client Accounts should invest or withdraw funds from Advisers with which HFS or Goldman Sachs has other business relationships. For example, Goldman Sachs, HFS Client Accounts or other Accounts may have equity, profits or other interests in Advisers or may have entered into arrangements with such Advisers in which such Advisers would share with Goldman Sachs, an HFS Client Account or other Account a material portion of such Adviser’s fees or allocations (including, without limitation, fees earned by such Advisers as a result of the allocation of HFS Client Account assets to such Advisers). Payments to Goldman Sachs (either directly from such Advisers or in the form of fees or allocations payable by HFS Client Accounts or other

Accounts) will generally increase as the amount of assets that such Advisers manage increases. Therefore, investment by HFS Client Accounts with such Advisers where Goldman Sachs, HFS Client Accounts or other Accounts have a fee and/or profit sharing arrangement or other interest in the equity or profits of such Advisers may result in additional revenues to Goldman Sachs and its personnel. The relationship that Goldman Sachs, HFS Client Accounts and other Accounts have with such Advisers may also result in HFS being incentivized to increase HFS Client Accounts’ investments with such Advisers or to retain their investments with such Advisers.

Goldman Sachs (including, without limitation, HFS) may receive notice of, or offers to participate in, investment opportunities from unaffiliated Advisers, their affiliates or other third parties. Such investment opportunities may be offered to Goldman Sachs for various reasons, which may include business relationships with the Advisers or their affiliates or other reasons, including that one or more HFS Client Accounts have made investments with such Advisers, but such opportunities may not be allocated to such HFS Client Accounts. Therefore, investment (or continued investment) by particular HFS Client Accounts with such Advisers may result in additional investment opportunities to Goldman Sachs or other Accounts. An HFS Client Account will not be entitled to compensation in connection with investments that are not allocated to such HFS Client Account (or not fully allocated to such HFS Client Account) and are allocated to Goldman Sachs (including HFS) or other Accounts (including other HFS Client Accounts).

In addition, although HFS typically allocates client assets to Advisers that are unaffiliated with Goldman Sachs, in certain circumstances HFS Funds of Funds (other than HFS Program Funds) may also directly or indirectly allocate assets to investment funds managed by Affiliated Advisers (including money market funds managed by Goldman Sachs). HFS Funds of Funds will pay all fees of such Affiliated Advisers, and fees to HFS in its capacity as manager of such HFS Funds of Funds will not be reduced by any fees payable to such Affiliated Advisers (i.e., there could be “double fees” involved in making any such investment, which would not arise in connection with the direct allocation of assets to Affiliated Advisers). Because Goldman Sachs will on an overall basis receive higher fees, compensation and other benefits if the assets of HFS Funds of Funds are allocated to Affiliated Advisers rather than

solely to unaffiliated Advisers, HFS will be incentivized to allocate the assets of HFS Funds of Funds to Affiliated Advisers. Furthermore, HFS will have an interest in allocating HFS Client Account assets to Affiliated Advisers that impose higher fees than those imposed by other Affiliated Advisers. Correspondingly, HFS may be disincentivized to consider the removal of assets from an Affiliated Adviser or the modification of allocations to Affiliated Advisers where doing so would decrease the fees, compensation and other benefits to Goldman Sachs.

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

### **CODE OF ETHICS AND PERSONAL TRADING**

HFS has adopted a Code of Ethics (the “Code”) under Rule 204A-1 of the Advisers Act designed to provide that HFS Personnel, and certain additional personnel of Goldman Sachs who support HFS, comply with applicable federal securities laws and place the interests of clients first in conducting personal securities transactions. The Code imposes certain restrictions on securities transactions in the personal accounts of covered persons to help avoid conflicts of interest, including restrictions on the purchase and sale of publicly traded equity securities. Subject to the limitations of the Code, covered persons may buy and sell securities or other investments for their personal accounts, including investments in HFS Funds of Funds, and may also take positions that are the same as, different from, or made at different times than, positions taken directly or indirectly for HFS Client Accounts. HFS will provide a copy of the Code to HFS Clients or prospective clients upon request.

Additionally, all personnel of Goldman Sachs, including HFS Personnel, are subject to firm-wide policies and procedures regarding confidential and proprietary information, information barriers, private investments, outside business activities and personal trading.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

HFS acts as investment adviser under the Advisers Act in accordance with fiduciary standards. Goldman Sachs is a worldwide, full-service investment banking, broker-dealer, asset management and financial services organization and a major participant in global financial markets. As such,

Goldman Sachs provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments and high net-worth individuals. Goldman Sachs acts as an investment banker, research provider, investment manager, financier, advisor, market maker, prime broker, derivatives dealer, lender, counterparty, agent and principal. In those and other capacities, Goldman Sachs advises clients in all markets and transactions and purchases, sells, holds and recommends a broad array of investments, including securities, derivatives, loans, commodities, currencies, credit default swaps, indices, baskets and other financial instruments and products for its own accounts and for the accounts of clients and of its personnel, through client accounts and the relationships and products it sponsors, manages and advises (such Goldman Sachs or other client accounts, relationships and products, including HFS Client Accounts, collectively, the “Accounts”). Goldman Sachs has direct and indirect interests in the global fixed income, currency, commodity, equities, bank loan and other markets, and the securities and issuers, in which HFS Client Accounts may directly and indirectly invest. As a result, Goldman Sachs’ activities and dealings may affect HFS Client Accounts in ways that may disadvantage or restrict HFS Client Accounts and/or benefit Goldman Sachs or other Accounts (including HFS Client Accounts). The following are descriptions of certain conflicts of interest and potential conflicts of interest that may be associated with the financial or other interests that HFS and Goldman Sachs may have in transactions effected by, with, and on behalf of HFS Client Accounts.

### **Principal Trading and Cross/Agency Cross Transactions with HFS Client Accounts**

When permitted by applicable law and HFS policy, HFS, acting on behalf of its HFS Client Accounts, may enter into transactions in securities and other instruments with or through Goldman Sachs or in Affiliated Products (as defined below), and may cause HFS Client Accounts to engage in principal transactions, cross transactions and agency cross transactions. There may be potential conflicts of interest or regulatory issues relating to these transactions which could limit HFS’s decision to engage in these transactions for HFS Client Accounts. Principal transactions occur if HFS, on behalf of HFS Client Accounts, engages in a transaction in securities or other instruments with Goldman Sachs or in Affiliated Products

acting as principal. Goldman Sachs may earn compensation (such as a spread or mark-up) in connection with these transactions. Cross transactions occur if HFS causes an HFS Client Account to buy securities or other instruments from, or sell securities or other instruments to, another HFS Client Account or the advisory account of one of its investment advisory affiliates. For example, HFS may cause an HFS Client Account to sell assets, including illiquid or difficult-to-value assets, to another Account (including an Account advised by another area of Goldman Sachs for its clients). Transactions in respect of illiquid assets may be effected at a discount to the net asset value of the illiquid assets provided by the applicable Adviser. An agency cross transaction occurs if Goldman Sachs acts as broker for, and receives a commission from, an HFS Client Account on one side of the transaction and a brokerage account on the other side of the transaction in connection with the purchase or sale of securities by the HFS Client Account. Goldman Sachs may have a potentially conflicting division of loyalties and responsibilities to the parties in such transactions, and has developed policies and procedures in relation to such transactions and conflicts. Cross transactions may disproportionately benefit some HFS Client Accounts relative to other HFS Client Accounts due to the relative amount of market savings obtained by the HFS Client Accounts. Any principal, cross or agency cross transactions will be effected in accordance with fiduciary requirements and applicable law.

#### **Certain Effects of the Activities of HFS and Other Goldman Sachs Entities on HFS Client Accounts**

Goldman Sachs engages in various activities in the global financial markets. Goldman Sachs, acting in various capacities (including investment banker, market maker, lender, investor, broker, advisor and research provider), may take actions or advise on transactions in respect of Accounts (including HFS Client Accounts) or companies or affiliated or unaffiliated investment funds in which HFS Client Accounts have an interest that may have potential adverse effects on HFS Client Accounts.

HFS provides advisory services to HFS Client Accounts through a variety of investment products and arrangements. HFS's decisions and actions on behalf of an HFS Client Account may differ from those on behalf of other HFS Client Accounts. Advice given to, or investment or voting decisions made for, one or more HFS Client Accounts may compete with, affect, differ from, conflict with, or involve

timing different from, advice given to or investment decisions made for other HFS Client Accounts.

Goldman Sachs (including HFS), the clients it advises, and its personnel have interests in and advise Accounts (including HFS Client Accounts) that have investment objectives or portfolios similar to or opposed to those of particular HFS Client Accounts and the Advisers to which they allocate assets, and/or which engage in and compete for transactions in the same types of securities and other instruments as particular HFS Client Accounts and the Advisers, including Accounts that may provide greater fees or other compensation, including performance-based fees, to Goldman Sachs. These interests may involve the same or related securities or other instruments as those in which particular HFS Client Accounts and the Advisers invest. Transactions by such Accounts may dilute or otherwise negatively affect the investments of HFS Client Accounts. For example, actions taken by Goldman Sachs may result in adverse performance of an Adviser's investments, which could cause the Adviser to be in default or to take actions to avoid being in default under any applicable lending arrangements, including where Goldman Sachs is the lender (e.g., where Goldman Sachs provides prime brokerage services to the Adviser). Moreover, such Accounts may engage in a strategy while an HFS Client Account or an Adviser is undertaking the same or a differing strategy, any of which could directly or indirectly disadvantage the HFS Client Account. For example, an Adviser may buy a security and Goldman Sachs may establish a short position in that same security or in similar securities. This short position may result in the impairment of the price of the security that the Adviser holds or may be designed to profit from a decline in the price of the security. A particular HFS Client Account on the one hand, and Goldman Sachs or an Account (including an HFS Client Account) on the other hand, may also vote differently on or take or refrain from taking different actions with respect to the same security, which may be disadvantageous to the HFS Client Account. In addition, Goldman Sachs or Accounts (including HFS Client Accounts), on the one hand, and a particular HFS Client Account, on the other hand, may invest in or extend credit to different classes of securities or different parts of the capital structure of the same issuer and as a result one may take actions that adversely affect the other.

In addition, Goldman Sachs (including HFS) may advise Accounts with respect to different parts of the capital

structure of the same issuer, or classes of securities that are subordinate or senior to securities, in which a particular HFS Client Account or Adviser invests. As a result, Goldman Sachs may pursue or enforce rights or activities on behalf of Accounts (including HFS Client Accounts), or refrain from pursuing or enforcing rights or activities, with respect to a particular Portfolio Fund or issuer in which an HFS Client Account or Adviser has invested. HFS Client Accounts may be negatively affected by these activities and decisions, and an Adviser's transactions may be effected at prices or terms that may be less favorable than would otherwise have been the case. Particular HFS Client Accounts could sustain losses during periods in which Goldman Sachs and other Accounts (including HFS Client Accounts) achieve profits. The negative effects described above may be more pronounced in connection with transactions in, or HFS Client Accounts that allocate assets to Advisers utilizing, small capitalization, emerging market, distressed or less liquid strategies.

Goldman Sachs may make loans to, or enter into asset-based or other credit facilities or similar transactions with, clients, companies or individuals that may (or may not be) secured, including by a client's assets or interests in an HFS Client Account or assets in which an HFS Client Account has an interest. Goldman Sachs may also make loans to HFS Client Accounts and Advisers at rates and on other terms arranged with Goldman Sachs (including in connection with prime brokerage arrangements between Portfolio Funds and Goldman Sachs). In connection with its rights as lender, Goldman Sachs may act to protect its own commercial interest and may take actions that adversely affect the borrower. The borrower's actions may in turn adversely affect HFS Client Accounts (e.g., if the borrower liquidates a large position in a security rapidly, the value of such security may decline and HFS Client Accounts with a direct or indirect interest in such security may in turn decline in value).

Subject to applicable law, Goldman Sachs (including HFS) or Accounts (including HFS Client Accounts and Accounts formed to facilitate investment by personnel of Goldman Sachs) may also invest in or alongside particular HFS Funds of Funds. Such investments may be on terms more favorable than those of an investment by other HFS Client Accounts in the HFS Funds of Funds and may constitute substantial percentages of the assets of the HFS Funds of Funds. Unless provided otherwise by agreement to the

contrary, Goldman Sachs or Accounts may redeem interests in these HFS Funds of Funds at any time without notice to or regard to the effect on the portfolios of HFS Client Accounts invested in the HFS Funds of Funds, which may be adverse.

Goldman Sachs (including HFS) may create, write, sell, issue, invest in or act as placement agent or distributor of derivative instruments related to HFS Client Accounts such as HFS Funds of Funds, or with respect to underlying securities or assets of an HFS Client Account, including interests in funds or accounts managed by Advisers, or which may be otherwise based on or seek to replicate or hedge the performance of an HFS Client Account or its underlying securities or assets, including interests in funds or accounts managed by Advisers. Such derivative transactions, and any associated hedging activity, may differ from and be adverse to the interests of HFS Client Accounts and Advisers. For example, derivative transactions could represent leveraged investments in a Portfolio Fund, and the leveraged characteristics of such investments could make it more likely, due to events of default or otherwise, that there would be significant redemptions of interests from such Portfolio Fund more quickly than might otherwise be the case. Goldman Sachs, acting in commercial capacities in connection with such derivative transactions, may in fact cause such a redemption. Activities in respect of derivative transactions, and any associated hedging activity, may occur as a result of Goldman Sachs' adjustment in assessment of an investment or Adviser based on various considerations, and Goldman Sachs will not be under any obligation to provide notice to HFS Client Accounts in respect of any such adjustment in assessment.

Goldman Sachs (including, as applicable, HFS) and its personnel, when acting as an investment banker, market maker, investor, broker, advisor or research provider, may advise on transactions, make investment decisions or recommendations, provide differing investment views or have views with respect to research or valuations that are inconsistent with, or adverse to, the interests and activities of HFS Client Accounts. HFS Client Accounts may be offered access to advisory services through several different Goldman Sachs advisory businesses (including GS&Co. and GSAM). Different advisory businesses within Goldman Sachs manage HFS Client Accounts according to different strategies and may also apply different criteria to the same or similar strategies and may have differing investment



views in respect of an investment. Moreover, research, analyses or viewpoints may be available to clients or potential clients at different times. Goldman Sachs will not have any obligation to make available to HFS Client Accounts any research or analysis prior to its public dissemination. Goldman Sachs, on behalf of one or more Accounts (including HFS Client Accounts), may implement an investment decision or strategy ahead of, or contemporaneously with, or behind similar investment decisions or strategies made for HFS Client Accounts (whether or not the investment decisions emanate from the same research analysis or other information). The relative timing for the implementation of investment decisions or strategies for particular HFS Client Accounts, on the one hand, and other Accounts, on the other hand, may disadvantage the HFS Client Accounts. Certain factors, for example, market impact, liquidity constraints, or other circumstances, could result in HFS Client Accounts receiving less favorable trading results or incurring increased costs associated with implementing such investment decisions or strategies, or being otherwise disadvantaged.

Goldman Sachs has established certain information barriers and other policies to address the sharing of information between different businesses within Goldman Sachs. As a result of information barriers, HFS generally will not have access, or will have limited access, to information and personnel in other areas of Goldman Sachs, and generally will not be able to manage HFS Client Accounts with the benefit of information held by these other areas. Goldman Sachs, due to its access to and knowledge of funds, markets and securities based on its prime brokerage and other businesses, may make decisions based on information or take (or refrain from taking) actions with respect to interests in investments of the kind held directly or indirectly by HFS Client Accounts in a manner that may be adverse to HFS Client Accounts, and will not have any obligation to share information with HFS. Goldman Sachs operates a business known as Goldman Sachs Securities Services ("GSS"), which provides prime brokerage, administrative and other services to clients which may involve funds, markets and securities in which HFS Client Accounts invest. As a result, GSS and many other parts of Goldman Sachs will have broad access to the current status of certain markets, investments and funds and detailed knowledge about fund operators that is not available to HFS. There may be circumstances in which, as a result of information held by

certain portfolio management teams in HFS, HFS limits an activity or transaction for HFS Client Accounts, including HFS Client Accounts managed by portfolio management teams other than the team holding such information. In addition, Goldman Sachs may act as a prime broker to one or more funds in which HFS Client Accounts may invest, in which case Goldman Sachs will have direct knowledge concerning the investments and transactions of such funds that is not available to HFS. As a result of these and other activities, parts of Goldman Sachs may be in possession of information in respect of markets, investments, Advisers and Portfolio Funds, which, if known to HFS, might cause HFS to seek to dispose of, retain or increase interests in investments held by HFS Client Accounts or acquire certain positions on behalf of HFS Client Accounts, or take other actions. Goldman Sachs will be under no obligation or fiduciary or other duty to make any such information available to HFS or personnel involved in decision-making for HFS Client Accounts. Information barriers may also exist between businesses within HFS. In addition, Goldman Sachs will not have any obligation to make available any information regarding its trading activities, strategies or views, or the activities, strategies or views used for other Accounts, for the benefit of HFS Client Accounts. Different portfolio management teams within HFS may make decisions based on information or take (or refrain from taking) actions with respect to HFS Client Accounts they advise in a manner that may be adverse to other HFS Client Accounts.

Goldman Sachs may provide various services to HFS Client Accounts or to Portfolio Funds, which may result in fees, compensation and remuneration, as well as other benefits, to Goldman Sachs. For example, Goldman Sachs may be hired by HFS on behalf of an HFS Client Account or directly by an HFS Client Account, or by a Portfolio Fund, to provide investment advisory, custody, distribution, transfer agency, administrative, lending or other services (including legal, accounting and other back office services) to the HFS Client Account or Portfolio Fund. In addition, Goldman Sachs may act as broker, dealer, agent, lender or advisor or in other commercial capacities for HFS Client Accounts or Portfolio Funds. For example, a Portfolio Fund in which an HFS Client Account has an interest may hire Goldman Sachs to provide placement agency, brokerage services or other services to the Portfolio Fund. In connection with providing such services, Goldman Sachs may take commercial steps in its own interests, or may

advise the parties to which it is providing services to take actions or engage in transactions, which may have an adverse effect on HFS Client Accounts. For example, Goldman Sachs may advise a company to make changes to its capital structure the result of which would be a reduction in the value or priority of a security in which one or more HFS Client Accounts have a direct or indirect interest. Actions taken or advised to be taken by Goldman Sachs in connection with other types of transactions may also result in adverse consequences for HFS Client Accounts. Providing such services to the HFS Client Accounts and Portfolio Funds may enhance Goldman Sachs' relationships with various parties, facilitate additional business development and enable Goldman Sachs to obtain additional business and generate additional revenue. HFS Client Accounts will not be entitled to compensation related to any businesses of Goldman Sachs or HFS. Goldman Sachs may also derive benefits from certain decisions made by Advisers.

HFS ordinarily values HFS Client Accounts based upon valuations of underlying investments provided by the Advisers (i.e., HFS is a "price taker"). To the extent HFS performs valuation services related to securities and assets in HFS Client Accounts (e.g., in respect of difficult-to-value assets and assets not valued by the Advisers, such as fee or profit sharing arrangements), HFS values such securities and assets according to its valuation policies. HFS may value an identical asset differently than another division or unit within Goldman Sachs values the asset, including because such other division or unit has information regarding valuation techniques and models or other information that it does not share with HFS. This is particularly the case in respect of difficult-to-value assets. HFS may also value an identical asset differently in different HFS Client Accounts, including because different HFS Client Accounts are subject to different valuation guidelines (e.g., in connection with certain regulatory restrictions applicable to different HFS Client Accounts). HFS will face a conflict with respect to such valuations as they affect HFS's compensation. In addition, to the extent HFS utilizes third party vendors to perform certain valuation functions, these vendors may have interests and incentives that differ from those of the HFS Client Accounts.

HFS Client Accounts will generally not be provided investment opportunities sourced by Goldman Sachs businesses other than HFS. Opportunities not allocated to

HFS Client Accounts may be undertaken by Goldman Sachs (including HFS) or other Accounts.

For a discussion of side-by-side management of HFS Client Accounts, please refer to Item 6, Performance-Based Fees and Side-By-Side Management and Item 17, Voting Client Securities.

#### **Financial Incentives in Selling and Managing HFS Client Accounts**

Goldman Sachs and its personnel, including HFS Personnel, may receive benefits and earn fees and compensation for services provided to HFS Client Accounts and in connection with its distribution of separately managed accounts and pooled vehicles managed by HFS or its affiliates ("Affiliated Products"). HFS will have a financial incentive to allocate HFS Client Account assets to Affiliated Products rather than to accounts or funds managed by third parties. Any differentials in compensation will create a financial incentive for HFS and its personnel to recommend or select advisory products or investment strategies that will result in greater compensation and profit to HFS and, indirectly, to its personnel. Please also refer to Item 6, Performance-Based Fees and Side-By-Side Management.

#### **Firm Policies and Regulatory Restrictions Affecting HFS Client Accounts**

HFS may restrict its investment decisions and activities on behalf of an HFS Client Account in various circumstances, including as a result of applicable regulatory requirements, information held by Goldman Sachs, Goldman Sachs' internal policies and/or potential reputational risk in connection with Accounts (including HFS Client Accounts). In addition, HFS operates a program reasonably designed to ensure compliance with all economic sanctions-related obligations applicable directly to its activities (although such obligations are not necessarily the same obligations that an HFS Client Account itself may be subject to). As a result, HFS might not engage in transactions for, or recommend transactions to, an HFS Client Account in consideration of Goldman Sachs' activities outside the HFS Client Account. For example, HFS may restrict or limit the amount of an HFS Client Account's investment where exceeding a certain aggregate amount could require a filing or a license or other regulatory or corporate consent, which could, among other things, result in additional costs and disclosure obligations for Goldman Sachs, including HFS. HFS may also reduce a particular HFS Client Account's

interest in an investment opportunity that has limited availability so that other HFS Client Accounts that pursue similar investment strategies may be able to acquire an interest in the investment opportunity. In addition, Goldman Sachs may determine that an HFS Client Account is precluded from transferring an interest in a Portfolio Fund to another Account. Furthermore, HFS is not permitted to obtain or use material non-public information in effecting purchases and sales in public securities transactions for HFS Client Accounts. HFS may also limit an activity or transaction engaged in on behalf of the HFS Client Accounts, and may limit its exercise of rights on behalf of an HFS Client Account, including as a result of information held by Goldman Sachs (including information held by a portfolio management team in HFS other than the team managing the HFS Client Account), for reputational or other reasons, including where Goldman Sachs is providing (or may provide) advice or services to a Portfolio Fund, Adviser or other entity involved in such activity or transaction, where Goldman Sachs or an Account is or may be engaged in the same or a related transaction to that being considered on behalf of an HFS Client Account, where Goldman Sachs or an Account has an interest in a Portfolio Fund, Adviser or other entity involved in such activity or transaction, or where such activity or transaction or the exercise of such rights on behalf of or in respect of an HFS Client Account could affect Goldman Sachs or HFS. In addition, HFS operates a program reasonably designed to ensure compliance with all economic sanctions-related obligations applicable directly to its activities (although such obligations are not necessarily the same obligations that an HFS Client Account itself may be subject to). HFS may restrict its investment decisions and activities on behalf of particular HFS Client Accounts and not other Accounts (including other HFS Client Accounts).

In order to engage in certain transactions on behalf of HFS Client Accounts, HFS will be subject to (or cause HFS Client Accounts to become subject to) the rules, terms and/or conditions of any venues through which it trades securities, derivatives or other instruments. This includes, but is not limited to, where HFS and/or the HFS Client Accounts may be required to comply with the rules of certain exchanges, execution platforms, trading facilities, clearinghouses and other venues, or may be required to consent to the jurisdiction of any such venues. The rules, terms and/or conditions of any such venue may result in HFS (and/or the HFS Client Accounts) being subject to,

among other things, margin requirements, additional fees and other charges, disciplinary procedures, reporting and recordkeeping, position limits and other restrictions on trading, settlement risks and other related conditions on trading set out by such venues.

From time to time, an Adviser, an HFS Client Account, HFS or its affiliates and/or their service providers or agents may be required, or may determine it is advisable to, disclose certain information about an HFS Client Account, including, but not limited to, investments held by the HFS Client Account, and the names and percentage interest of beneficial owners thereof, to third parties, including local governmental authorities, regulatory organizations, taxing authorities, markets, exchanges, clearing facilities, custodians, brokers and trading counterparties of, or service providers to, the Adviser, HFS or the HFS Client Account. Unless agreed in the agreement governing the HFS Client Account or otherwise directed by a client, HFS will comply with such requests to disclose such information, including through electronic delivery platforms. If HFS is not permitted to make certain required disclosures in respect of an HFS Client Account, HFS may determine to cause the sale of certain assets for the HFS Client Account, and such sale may be at a time that is inopportune from a pricing standpoint.

#### **Conflicts of Interest Associated with Advisers**

Advisers have interests and relationships that may create conflicts of interest related to their management of the Portfolio Funds to which HFS Client Account assets are allocated. Such conflicts of interest may be similar to, different from or supplement those conflicts described herein relating to HFS. For example, because HFS primarily acts as a funds of hedge funds manager while Advisers engage in direct trading strategies, Advisers may have potential conflicts of interest related to the investment of client assets in securities and other instruments that may not apply to HFS, or may apply to HFS in a different or more limited manner. Such conflicts may relate to the Advisers' trading and investment practices, including their selection of broker-dealers, aggregation of orders for multiple clients or netting of orders for the same client and the investment of client assets in companies in which they have an interest. With respect to Advisory Clients invested directly in Portfolio Funds, additional information about conflicts of interest that may arise in connection with the activities of Advisers of those Portfolio Funds is available in

the prospectuses, offering memorandums and constituent documents of the Portfolio Funds.

## Item 12 – Brokerage Practices

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### BROKER-DEALER SELECTION

HFS will not have oversight over broker-dealer selection by Advisers for Portfolio Funds.

If HFS allocates assets to an Adviser through a separately managed account or similar structure, the Adviser will have the authority to select prime brokers (including affiliates of HFS) through which to clear transactions, subject to a set of objective criteria established by HFS. HFS generally allows these Advisers to select executing brokers as long as the prime broker can accommodate and properly clear such transactions. Advisers generally are expected to execute trades on a best execution basis considering price, commissions and commission equivalents, other transaction costs, quality of brokerage services, financing arrangements, creditworthiness and financial stability, financial responsibility and strength and clearance and settlement capability. Subject to the Advisers' best execution obligations, and to the extent permitted by applicable law and their internal policies, Advisers may choose to execute transactions with or through one or more entities within Goldman Sachs.

Advisers may select entities within Goldman Sachs to act as a broker or dealer over the accounts of their clients. However, HFS does not recommend, require or otherwise seek to influence Advisers to use entities within Goldman Sachs as a broker or dealer for HFS Clients.

In limited circumstances, HFS may be required to open a brokerage account with a broker (including an affiliate of HFS) to hold HFS Fund of Funds assets received from a Portfolio Fund or Adviser in connection with a distribution in kind. In these cases, HFS will seek to sell these assets through one or more brokers (including affiliates of HFS) on a best execution basis considering price, commissions and commission equivalents, other transaction costs, quality of brokerage services, financing arrangements, creditworthiness and financial stability, financial responsibility and strength and clearance and settlement capability.

### RESEARCH AND OTHER SOFT DOLLAR BENEFITS

In the future, HFS may receive brokerage and research services from brokers and dealers that provide services to HFS Clients. These brokers and dealers may execute transactions directly for HFS Clients, or may execute them indirectly through the Advisers. To date, however, HFS has not received any such brokerage and research services.

In the context of HFS Funds of Funds, Advisers may engage in client commission sharing and similar arrangements and those arrangements may raise conflicts of interest.

### BROKERAGE FOR CLIENT REFERRALS

HFS does not allocate brokerage in return for client referrals.

In the context of HFS Funds of Funds, Advisers may allocate brokerage in return for client referrals, which may raise conflicts of interest.

### DIRECTED BROKERAGE

As a manager of funds of hedge funds, HFS generally does not purchase or recommend securities that are sold through broker-dealers. As a result, HFS would not typically recommend, request or require an HFS Client to execute transactions through a specified broker-dealer. In addition, HFS generally will not direct Advisers to execute transactions through a specified broker-dealer.

## Item 13 – Review of Accounts

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### GENERAL DESCRIPTION

A committee comprised of HFS Managing Directors, who lead oversight of HFS's portfolio management teams, is primarily responsible for reviewing HFS Client Accounts and determining whether any further allocations to or redemptions from Advisers are necessary. Such senior members conduct such reviews periodically as a group. These reviews may include consideration of the account's performance, investment objectives, portfolio guidelines, liquidity requirements and other investment opportunities that might be appropriate for the account. HFS may undertake additional reviews at its discretion.

Compliance with investment guidelines for HFS Client Accounts is generally judged at time of purchase, however,

from time to time there may exist certain circumstances when compliance with applicable investment guidelines will be tested as of the next occurring post-trade compliance check conducted in the local jurisdiction of the HFS Client Account (e.g. transactions executed in multiple time zones).

## FACTORS TRIGGERING A REVIEW

In addition to periodic reviews, HFS may perform reviews of Advisory Clients as it deems appropriate or as otherwise required. Additional reviews may be undertaken for reasons including changes in market conditions, changes in security positions or changes in an HFS Client's investment objective or policies.

## CLIENT REPORTS

Investors in HFS Funds of Funds generally receive monthly net asset value statements, annual audited financial statements and cash flow statements, when applicable.

HFS generally provides Advisory Clients with written reports on a quarterly basis or more frequently upon agreement between HFS and the Advisory Client. These reports may include, among other things, a summary of all activity in the client account, including all purchases and sales of securities (which generally will reflect subscriptions for, and redemptions of, interests in underlying investment funds), and any debits and credits to the account, a summary of holdings including a portfolio valuation, and the change in value of the account during the reporting period.

## Item 14 – Client Referrals and Other Compensation

### COMPENSATION FOR CLIENT REFERRALS

From time to time, HFS may make cash payments for client referrals to persons other than employees of HFS and its affiliates pursuant to applicable laws, including Rule 206(4)-3 under the Advisers Act, when applicable. In addition, from time to time, HFS may also compensate employees of HFS and its affiliates for client referrals pursuant to applicable laws.

### Intermediaries and Other Third Parties

Goldman Sachs or the HFS Client Accounts may make payments to authorized dealers and other financial intermediaries and to salespersons (collectively, "Intermediaries") to promote HFS Client Accounts or other

products. These payments may be made out of Goldman Sachs' assets or amounts payable to Goldman Sachs. These payments may create an incentive for an Intermediary to highlight, feature or recommend HFS Client Accounts. Subject to applicable law and regulations, such payments may compensate Intermediaries for, among other things: marketing the HFS Client Accounts and other products (which may consist of payments resulting in or relating to the inclusion of HFS Client Accounts and other products on preferred or recommended fund lists or in certain sales programs sponsored by the Intermediaries); access to the Intermediaries' registered representatives or salespersons, including at conferences and other meetings; assistance in training and education of personnel of Goldman Sachs; fees for directing investors to the HFS Client Accounts and other products; "finders fees" or "referral fees" or other fees for providing assistance in promoting HFS Client Accounts and other products (which may include promotions in communications with the Intermediaries' customers, registered representatives and salespersons); various non-cash and cash incentive arrangements to promote certain products, as well as sponsor various educational programs, sales contests and/or promotions; travel expenses, meals, lodging and entertainment of Intermediaries and their salespersons and guests in connection with educational, sales and promotional programs; subaccounting, administrative and/or shareholder processing or other investor services that are in addition to the fees paid for these services by the HFS Client Accounts or products; and other specified services intended to assist in the distribution and marketing of the HFS Client Accounts and other products.

These payments may differ by Intermediary and are negotiated based on a range of factors, including but not limited to, ability to attract and retain assets, target markets, customer relationships, quality of service and industry reputation.

Goldman Sachs and its personnel, including employees of HFS, may have relationships with, and purchase, or distribute or sell, services or products from or to, distributors, consultants, and others who recommend HFS Client Accounts, or who engage in transactions with or for HFS Client Accounts. Consultants and such other parties may receive compensation from Goldman Sachs or HFS Client Accounts in connection with such relationships. In accordance with internal policies and procedures, Goldman

Sachs may also pay a fee for membership in industry-wide or state and municipal organizations or otherwise may help sponsor conferences and educational forums for investment industry participants including, but not limited to, trustees, fiduciaries, consultants, administrators, state and municipal personnel and other clients. Goldman Sachs' membership in such organizations allows Goldman Sachs to participate in these conferences and educational forums and helps Goldman Sachs interact with conference participants and to develop an understanding of the points of view and challenges of the conference participants. HFS may pay fees to third parties (e.g., service providers to potential clients, such as record-keepers or administrators) in exchange for the right to include information regarding HFS Client Accounts and other products on portals or databases to which such potential clients will have access for purposes of considering potential investment alternatives. Personnel, including employees of HFS, may have board, advisory, brokerage or other relationships with issuers, distributors, consultants and others that may have (or may have interests in) HFS Client Accounts or that may recommend HFS Client Accounts or portfolio transactions for HFS Client Accounts. As a result of these relationships and arrangements, consultants, distributors and other parties may have conflicts associated with their promotion of HFS Client Accounts or other dealings with HFS Client Accounts that create incentives for them to promote HFS Client Accounts or portfolio transactions. Goldman Sachs, including HFS, and its personnel may make charitable contributions to institutions, including those that have relationships with clients or personnel of clients and personnel may have board relationships with charitable institutions. In accordance with internal policies and procedures, personnel may also make political contributions to clients. The individuals and entities with which Goldman Sachs and its personnel have these relationships may have (or have an interest in) or recommend HFS Client Accounts.

## Item 15 – Custody

### ADVISORY CLIENTS

HFS does not hold assets of Advisory Clients. HFS may be deemed to have custody of assets of Advisory Clients where HFS has discretion over an Advisory Client's account or an affiliate of HFS acts as custodian of the Advisory Client's account. The cash and assets of Advisory Client accounts

are held by a qualified custodian appointed by the Advisory Clients pursuant to a separate custody agreement or are held by the Advisory Client itself. **Advisory Clients will receive account statements directly from their custodian and should carefully review those statements. In addition, clients are urged to compare the account statements that they receive from their qualified custodian with any that they receive from HFS.**

### HFS FUNDS OF FUNDS

HFS is generally deemed to have custody of the accounts of HFS Funds of Funds and sends audited financial statements to investors in the funds. Assets of the HFS Funds of Funds are maintained by qualified custodians to the extent required by applicable law.

## Item 16 – Investment Discretion

HFS accepts discretionary authority to manage accounts on behalf of certain HFS Clients. Advisory Clients for which HFS has investment discretion are required to sign an investment advisory agreement that authorizes HFS to supervise and direct the investment and reinvestment of assets in the advisory account, with discretion on the Advisory Client's behalf and at the Advisory Client's risk. HFS's discretionary authority is limited by the terms of its investment advisory agreements and the investment guidelines agreed between HFS and each Advisory Client. The investment guidelines or other account documents generally include any limitations the Advisory Clients place on HFS's discretionary authority, including any reasonable restrictions on the concentration or liquidity of the account. For additional information about risks related to HFS's discretionary authority, please see Item 8, Methods of Analysis, Investment Strategies and Risk of Loss.

## Item 17 – Voting Client Securities

### PROXY VOTING POLICIES – AUTHORITY TO VOTE

When HFS engages Advisers to manage the assets of Advisory Clients pursuant to a discretionary investment advisory agreement, such Advisers generally will be responsible for taking all action with respect to the underlying securities held in the applicable HFS Client Account. In addition, when HFS invests HFS Funds of Funds' assets in Portfolio Funds, HFS generally has no

ability to take any action with respect to the securities held in Portfolio Funds. However, HFS may be responsible for voting with respect to the interests in Portfolio Funds held by HFS Funds of Funds. HFS has adopted policies and procedures (the "Proxy Voting Policy") for the voting of such proxies on behalf of HFS Clients for which HFS has voting discretion. A copy of the Proxy Voting Policy will be provided to HFS Clients upon request.

### **Guiding Principles**

In exercising votes on behalf of clients that participate directly or indirectly in non-public entities, HFS seeks to apply two primary guiding principles: (1) to make decisions that are in the best interests of HFS Clients' long term investment returns, and (2) to make decisions that minimize the impact of conflicts of interest. In evaluating investor-voting proposals, HFS may consider information from a variety of sources, including, without limitation, management of the entity presenting a proxy proposal, shareholder groups, the Adviser of the Portfolio Fund, and independent proxy research services.

### **General Procedures**

Decisions on whether and how to vote a proxy are generally made by HFS, and are generally based upon a number of factors which may vary depending on a proxy's subject matter. HFS will provide information regarding how securities were voted to HFS Clients upon request.

### **Subject Matter Considerations**

When determining how to vote proxies, HFS will be guided by the general policies set forth in the Proxy Voting Policy. Determinations on how to vote proxies will depend largely on the subject matter at issue.

Under certain circumstances, HFS may elect to cause an HFS Client Account to waive voting rights including, without limitation, in order to allow other HFS Client Accounts to avoid becoming subject to certain regulatory restrictions.

### **Resolving Conflicts of Interest**

HFS has implemented processes designed to prevent real or apparent conflicts of interests from affecting fiduciary decision-making for HFS Client Accounts. For example, in situations where HFS is aware of potential conflicts of interest, HFS may select, among other options, to fully

disclose the potential conflict to the relevant HFS Clients, abstain from voting or otherwise defer to the voting recommendation of an independent third party, or take such other action in good faith and in consultation with legal counsel that would protect the interests of the HFS Client Accounts. HFS will make all voting decisions for HFS Client Accounts in accordance with these processes. Nevertheless, the effects of certain proxy voting decisions made by HFS with respect to securities held by a particular HFS Client Account may benefit the interests of Goldman Sachs and/or Accounts other than the HFS Client Account.

### **Client-Directed Votes**

In certain circumstances, Advisory Clients may delegate voting responsibility to HFS with respect to their HFS Client Account. Such Advisory Clients may contact their client representative if they would like to direct HFS to vote in a particular solicitation. HFS will use its commercially reasonable efforts to vote according to the Advisory Client's request in these circumstances.

### **PROXY VOTING POLICIES – NO AUTHORITY**

As noted above, HFS is not delegated proxy voting authority on behalf of all HFS Client Accounts. For HFS Client Accounts in respect of which HFS does not have authority to vote proxies, Advisory Clients should work with their custodians to ensure they receive their proxies and other solicitations for securities held in their HFS Client Account. These Advisory Clients may contact their client service representative if they have a question on a particular solicitation.

### **Item 18 – Financial Information**

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This item is not applicable.

### **Item 19 – Miscellaneous**

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#### **ACCOUNT ERRORS AND ERROR RESOLUTION**

HFS has policies and procedures to help it assess and determine, consistent with applicable standards of care and client documentation, when reimbursement is due by it to a client because HFS has committed an error. Pursuant to HFS's policies, an error is generally compensable from HFS to a client when it is a mistake (whether an action or inaction) in which HFS has, in HFS's reasonable view,

deviated from the applicable standard of care in managing the client's assets, subject to materiality and other considerations set forth below.

Consistent with the applicable standard of care, HFS's policies and its investment management agreements generally do not require perfect implementation of investment management decisions, processing or other functions performed by HFS or its affiliates. Therefore, not all mistakes will be considered compensable errors. Imperfections, including without limitation, imperfection in the implementation of investment decisions, quantitative methods, financial modeling, trade execution, cash movements, portfolio rebalancing or processing instructions; imperfection in processing corporate actions; or imperfection in the generation of cash or holding reports resulting in trade decisions, are generally not considered by HFS to be violations of standards of care regardless of whether implemented through programs, tools or otherwise. As a result, imperfections, including, without limitation, incidents involving a mistaken amount or timing of an investment, may not be compensable errors.

For example, HFS investment professionals are typically expected to exercise discretion to generally effect the portfolio management team's investment intent in the best interests of the client including, without limitation, with respect to the execution of trade requests or the implementation of quantitative methods. Regardless of whether the portfolio management team specifies a fixed quantity of a particular security to be purchased or sold, or provides a date by which a trade is to be completed, instances in which an investment professional executes a trade that results in a portfolio position that is different from the exposure intended by the portfolio management team (whether specified on a trade ticket or not) will generally not be considered compensable errors unless the transaction results in a portfolio position that violates investment guidelines of the client or is substantially inconsistent with the portfolio management team's investment intent. Similarly, imperfections in the implementation of investment strategies, including when using quantitative methods (e.g. coding errors), that do not result in material departures from the intent of the portfolio management team will generally not be considered compensable errors. In addition, in managing accounts, HFS may establish non-public, formal or informal internal targets, guidelines or other parameters that may be used to manage risk, manage

sub-advisers or otherwise guide decision-making, and a failure to adhere to such internal parameters will not be considered an error. A failure on HFS's part to recognize a client cash flow will generally not be considered a compensable error unless HFS fails to recognize the cash flow within a reasonable period of time from the delivery date specified in the client's notification to HFS. The purchase of a security for which the client is ineligible under the issuer's prospectus, offering documents or other issuer-related rules or documentation generally will not be considered a compensable error to the extent that the purchase does not also violate a client guideline, regardless of whether HFS maintains or exits the position after becoming aware of the ineligibility. Mistakes may also occur in connection with other activities that may be undertaken by HFS and its affiliates, such as net asset value calculation, transfer agent activities (i.e., processing subscriptions and redemptions), fund accounting, trade recording and settlement and other matters that are non-advisory in nature and may not be compensable unless they deviate from the applicable standards of care. Incidents resulting from the mistakes of third parties are generally not compensable from HFS to a client.

Incidents may result in gains as well as losses. In certain circumstances, HFS may determine that the gains or losses associated with these incidents will be treated as being for a client's account (i.e., clients will bear the loss or benefit from the gain). In other circumstances, however, HFS may determine that it is appropriate to reallocate or remove gains from the client's account that are the result of an incident.

HFS makes its determinations pursuant to its error policies on a case-by-case basis, in its discretion, based on factors it considers reasonable. Relevant facts and circumstances HFS may consider include, among others, the nature of the service being provided at the time of the incident, whether intervening causes, including the action or inaction of third parties, caused or contributed to the incident, specific applicable contractual and legal restrictions and standards of care, whether a client's investment objective was contravened, the nature of a client's investment program, whether a contractual guideline was violated, the nature and materiality of the relevant circumstances, and the materiality of the resulting losses. The determination by HFS to treat (or not to treat) an incident as compensable, and any calculation of compensation in respect thereof for any one fund or account sponsored, managed or advised by HFS



may differ from the determination and calculation made by HFS in respect of one or more other funds or accounts.

When HFS determines that reimbursement by HFS is appropriate, the client will be compensated as determined in good faith by HFS. HFS will determine the amount to be reimbursed, if any, based on what it considers reasonable guidelines regarding these matters in light of all of the facts and circumstances related to the incident. In general, compensation is expected to be limited to direct and actual losses, which may be calculated relative to comparable conforming investments, market factors and benchmarks and with reference to other factors HFS considers relevant. Compensation generally will not include any amounts or measures that HFS determines are speculative or uncertain, including potential opportunity losses resulting from delayed investment or sale as a result of correcting an error or other forms of consequential or indirect losses. In calculating any reimbursement amount, HFS generally will not consider tax implications for, or the tax status of, any affected client. HFS expects that, subject to its discretion, losses will be netted with an account's gains arising from incidents and will not exceed amounts in relation to an appropriate replacement investment, benchmark or other relevant product returns. Losses may also be capped at the value of the actual loss, particularly when the outcome of a differing investment would in HFS's view be speculative or uncertain or in light of reasonable equitable considerations. As a result, compensation is expected to be limited to the lesser of actual losses or losses in relation to comparable investments, benchmarks or other relevant factors. Furthermore, HFS expects to follow a materiality policy with respect to client accounts. Therefore, in certain circumstances, mistakes that result in losses below a threshold will not be compensable.

HFS may also consider whether it is possible to adequately address a mistake through cancellation, correction, reallocation of losses and gains or other means.

In general it is HFS's policy to notify clients of incidents corrected post settlement that violate a client guideline and certain errors that result in a loss to the client. Generally, HFS will not notify clients of non-compensable incidents. In addition, Advisory Clients will not be notified of incidents that result in losses of less than \$1,000. Investors in HFS Funds of Funds will generally not be notified of the occurrence of an incident or the resolution thereof.

More information about resolution of and compensation for incidents is available upon request and may be set forth in the prospectuses or other relevant offering documents of HFS Funds of Funds. HFS may at any time, in its sole discretion and without notice to investors, amend or supplement its policies with respect to account errors and error resolution.

## Glossary

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As used in this Brochure, these terms have the following meanings.

**“Accounts”** means Goldman Sachs' own accounts, accounts in which personnel of Goldman Sachs have an interest, accounts of Goldman Sachs' clients and pooled investment vehicles that Goldman Sachs sponsors, manages and advises. For the avoidance of doubt, the term “Accounts” includes HFS Client Accounts.

**“Advisers”** means investment advisers to which HFS allocates HFS Client assets.

**“Advisers Act”** means the Investment Advisers Act of 1940, as amended.

**“Advisory Clients”** means clients for which HFS manages advisory accounts.

**“Affiliated Advisers”** means Advisers that are affiliated with Goldman Sachs.

**“Affiliated Products”** means separately managed accounts and pooled vehicles managed by HFS or its affiliates.

**“Alternative Investments”** means the various means by which HFS may allocate assets to Advisers other than through Portfolio Funds, including by investing in intermediate investment vehicles (for example, feeder funds) formed or managed by HFS or an affiliate.

**“Ayco”** means The Ayco Company, L.P.

**“BHCA”** means the Bank Holding Company Act of 1956, as amended.

**“Brochure”** means this Form ADV, Part 2A for HFS.

**“CFTC”** means the Commodity Futures Trading Commission.

**“Code”** means the HFS Code of Ethics.

**“CPO”** means commodity pool operator.

**“CTA”** means commodity trading advisor.

**“Dodd-Frank Act”** means the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended.

**“Federal Reserve”** means the Board of Governors of the Federal Reserve System.

**“Goldman Sachs”** means, collectively, The Goldman Sachs Group, Inc., HFS, GS&Co. and their respective affiliates, directors, partners, trustees, managers, members, officers and employees.

**“GS&Co.”** means Goldman, Sachs & Co.

**“GSAM”** means the Goldman Sachs Asset Management business of Goldman Sachs, which today is comprised of GSAML, GSAMI, GSGAP, GSIS, HFS, GSAM SV and various locally regulated affiliates around the world.

**“GSAMC”** means Goldman Sachs Asset Management Co. Ltd.

**“GSAMI”** means Goldman Sachs Asset Management International.

**“GSAMK”** means Goldman Sachs Investment Advisory Korea Co., LTD.

**“GSAML”** means Goldman Sachs Asset Management, L.P.

**“GSAM SV”** means GSAM Stable Value LLC.

**“GS Asia”** means Goldman Sachs (Asia) L.L.C.

**“GSGAP”** means Goldman Sachs Global Advisory Products LLC.

**“GSI”** means Goldman Sachs International.

**“GSIS”** means GS Investment Strategies, LLC.

**“GSIS Canada”** means GS Investment Strategies Canada Inc.

**“GSS”** means Goldman Sachs Securities Services.

**“GSSP”** means Goldman Sachs (Singapore) Pte.

**“GSRM”** means Goldman Sachs Realty Management, L.P. (formerly known as Archon Group, L.P.).

**“GSTC”** means The Goldman Sachs Trust Company, N.A.

**“HFS”** means Goldman Sachs Hedge Fund Strategies LLC.

**“HFS Client Accounts”** means accounts of HFS Clients.

**“HFS Clients”** means Advisory Clients, HFS Funds of Funds and HFS Program Funds.

**“HFS Funds of Funds”** means investment funds formed and managed by HFS that allocate their assets to Advisers.

**“HFS Personnel”** means personnel of HFS.

**“HFS Program Funds”** means feeder funds managed by HFS that invest substantially all of their assets in separate Portfolio Funds managed by third party Advisers.

**“Intermediaries”** means, collectively, authorized dealers and other financial intermediaries and salespersons.

**“Investment Company Act”** means the U.S. Investment Company Act of 1940, as amended.

**“Participating Affiliate”** means affiliated advisers that are not registered with the SEC as investment advisers.

**“Portfolio Funds”** means underlying hedge funds managed by Advisers in which HFS Clients invest.

**“Proxy Voting Policy”** means the policies and procedures HFS has adopted for the voting of proxies on behalf of HFS Clients for which HFS has voting discretion.

**“SEC”** means the Securities and Exchange Commission.

**“Volcker Rule”** means the Volcker rule contained within the Dodd-Frank Act.

## Appendix A – Information on Significant Strategy Risks

The following provides information on risks associated with certain types of securities and investment techniques that may be used by Advisers and, in certain cases, HFS, as discussed in Item 8, Methods of Analysis, Investment Strategies and Risk of Loss. Additional information is available upon request. Investors in HFS Funds of Funds should review the prospectuses, offering memoranda and constituent documents for additional information relating to the risk associated with investments in HFS Funds of Funds.

- **Market Risk**—The market value of the instruments in which an Adviser invests may go up or down in response to the prospects of individual companies, particular sectors or governments, and/or general economic conditions throughout the world due to increasingly interconnected global economies and financial markets. In addition, governmental and quasi-governmental organizations have taken a number of unprecedented actions designed to support the markets. Such conditions, events and actions may result in greater market risk.
- **Volatility Risk**—The prices of an Adviser's investments can be highly volatile. Price movements of an Adviser's assets are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, developments or trends in any particular industry the financial condition of the issuers of such assets, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.
- **Leverage Risk**—There may be few, if any, limitations or restrictions on the ability of the Advisers to utilize leverage. Certain Advisers are generally expected to utilize significant leverage in their investment programs, increasing the volatility of their performance and the risk of investment loss. The use of leverage can substantially increase the volatility of an HFS Client Account's investments and adverse impact to which the HFS Client's investment portfolio may be subject. A high degree of leverage necessarily entails a high degree of risk. In addition, the level of interest rates generally, and the rates at which the HFS Client Accounts, the Portfolio

Funds and the Advisers can borrow in particular, can affect the operating results of the HFS Client Accounts. The risks involved in the use of leverage are increased to the extent that an HFS Client Account itself leverages its capital. Leverage may take the form of borrowing funds, trading on margin, derivative instruments that are inherently leveraged, including among others forward contracts, futures contracts, options, swaps (including total return financing swaps and interest rate swaps), repurchase agreements and reverse repurchase agreements, or other forms of direct and indirect borrowings, and other instruments and transactions that are inherently leveraged. Any such leverage, including leverage that takes the form of instruments and transactions that are inherently leveraged, may result in an HFS Client Account's market value exposure being in excess of the net asset value of the HFS Client Account. A Portfolio Fund or HFS Client Account will incur expenses, which may include interest charges and commitment fees, in connection with any leverage that it utilizes, which could be significant. Depending upon the form of leverage utilized by an Adviser or an HFS Client Account, a lender may require a Portfolio Fund or an HFS Client Account to reduce its leverage ratio by requiring the liquidation of assets when it otherwise would not have done so. In addition, lenders may impose restrictions or requirements on the operations of a Portfolio Fund or the HFS Client Account including, without limitation, investment guidelines and restrictions relating to permitted investments and redemptions, strategy limits, leverage and borrowing restrictions, liquidity and diversification guidelines, requirements with respect to valuation procedures, and reporting, notification and other remediation requirements. There can be no assurance that financing will be available at any time, on terms available to any other Accounts or to competitors, or on terms favorable to the Portfolio Funds and HFS Client Accounts. A Portfolio Fund or HFS Client Account may not be able to liquidate assets quickly enough to repay its borrowings, which could increase the losses incurred by the Portfolio Fund or HFS Client Account. Lenders may also have the right under certain circumstances to cause the sale of assets held in a Portfolio Fund or HFS Client Account at times that may be inopportune from a pricing standpoint. Further, in the case of an HFS Client Account that invests in Portfolio Funds utilizing leverage, the rights

and claims of any lenders to receive payments of interest or repayments of principal from the Portfolio Fund will generally be senior to the rights of the HFS Client Account to withdraw its investment from the Portfolio Fund.

- **Concentration Risk**—The risk that if an Adviser concentrates its investments in issuers within the same country, state, geographic region, industry or economic sector, an adverse economic, business, political or other development may affect the value of the Adviser's investments more than if its investments were not so concentrated. For example, if an Adviser holds a large position in a particular investment that declines in value and the investment cannot be liquidated without adverse market reaction, the HFS Client Account invested directly or indirectly with the Adviser may be subject to significant losses. Also, concentration of the investments of an Adviser in issuers located in a particular country or region will subject an Adviser, to a greater extent than if investments were less concentrated, to the risks of adverse securities markets, exchange rates and social, political, regulatory or economic events which may occur in that country or region. To the extent an Adviser invests all or a large percentage of its assets in a single or a relatively small number of issuers, investments, industries or markets, it may be subject to greater risks than a more diversified account. That is, a change in the value of any single investment held by the Adviser may affect the overall value of the account more than it would affect an account that holds more investments. In particular, the Adviser may be more susceptible to adverse developments affecting any single issuer held by the Adviser and may be susceptible to greater losses because of these developments.
- **Currency Risk**—Advisers may hold investments denominated in currencies other than the currency in which the HFS Client Account is denominated. Currency exchange rates can be extremely volatile, particularly during times of political or economic unrest or as a result of actions taken by central banks, which may be intended to directly affect prevailing exchange rates, and a variance in the degree of volatility of the market or in the direction of the market from the Adviser's expectations may produce significant losses to an Adviser. An Adviser may or may not attempt to hedge all or any portion of its currency exposure.
- **Non-Hedging Currency Risk**—An Adviser may purchase or sell currencies through the use of forward contracts or other instruments based on the Adviser's judgment regarding the direction of the market for a particular currency or currencies for speculative purposes. Currency exchange rates can be extremely volatile, and a variance in the degree of volatility of the market or in the direction of the market from the Adviser's expectations may produce significant losses to an Adviser.
- **Cash Management Risk**—To the extent HFS has the authority to manage cash for an HFS Client Account for various reasons, including for temporary or defensive positions or to meet the liquidity needs of such HFS Client Account, HFS may, at certain times and subject to the investment guidelines for such HFS Client Account, if any, invest some of its assets temporarily in money market funds or other similar types of investments. During any period in which its assets are not substantially invested in accordance with its principal investment strategies, an HFS Client Account may be prevented from achieving its investment objective, which may adversely affect that HFS Client Account's performance.
- **Investments in Certain Jurisdictions**—Advisers may invest directly or indirectly in securities of certain issuers (including certain government issuers) who operate in jurisdictions that involve special risks, including without limitation the risks of: (i) expropriation and nationalization, currency devaluation, debt default, regime change, confiscatory taxation, and the potential difficulty of repatriating funds or enforcing contractual or other legal rights; (ii) general social, political and economic instability and adverse diplomatic

developments; (iii) the imposition of trading controls, import duties or other protectionist measures; (iv) the possibility of the imposition of withholding or other taxes on dividends, interest, capital gain or other income; (v) the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; (vi) fluctuations in the rate of exchange between currencies and costs associated with currency conversion; (vii) certain government policies that may restrict an Adviser's investment opportunities; and (viii) more or less government regulation of the securities markets in certain countries, including with respect to settlement or custody. In addition, there may be less information available to investors in companies located in such jurisdictions. The issuers of sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due, and an Adviser may have limited recourse in the event of a default.

- Investing in Europe—While an Adviser may invest only in U.S. dollar-denominated obligations, the prices of certain of the Adviser's holdings may nevertheless be sensitive to changes in value of the euro and the underlying events that affect its value. The euro requires participation of multiple sovereign states forming the Euro zone and is therefore sensitive to the credit, general economic and political position of each such state, including each state's actual and intended ongoing engagement with and/or support for the other sovereign states then forming the European Union, in particular those within the Euro zone. Changes in these factors might materially adversely impact the value of securities that an Adviser, and consequently an HFS Client Account, has invested in.

- Emerging Markets and Growth Markets Risk—In addition to the risks described under "Investments in Certain Jurisdictions" above (which risks may be heightened in emerging markets), securities traded in certain emerging markets may be subject to considerations not usually associated with investing in developed markets due to, among other things, (i) the inexperience of financial intermediaries, (ii) the lack of modern technology, (iii) the lack of a sufficient capital base to expand business operations, (iv) the possibility of temporary or permanent termination of trading, (v) rapid

development of political and economic structures, (vi) inflation, (vii) the uncertainty around the efficacy and enforcement of such regulation, (viii) inflation, and (ix) custody and settlement risk. Moreover, financial intermediaries may be inexperienced, and counterparties may be subject to weaker safekeeping frameworks. Trading platforms in these markets may be new, and the relevant regulations may be untested and subject to change. There is no assurance that the systems and controls of such trading platforms will be adequate or that such platforms would continue in existence. Further, the economies, industries, securities and currency markets in emerging markets or growth markets may be adversely effected by protectionist trade policies, a slow U.S. economy, regional and global conflicts and terrorism and war, including actions that are contrary to the interests of the U.S.

- Trading on Non-U.S. Exchanges—Advisers may trade, directly or indirectly, futures and securities on exchanges located outside the United States. Some non-U.S. exchanges, in contrast to U.S. exchanges, are "principals' markets" in which performance is solely the individual member's responsibility with whom the Adviser has entered into a contract and not that of an exchange or its clearinghouse, if any. In the case of trading on non-U.S. exchanges, the Advisers and, consequently, the HFS Client Accounts, will be subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to contracts. Moreover, since there is generally less government supervision and regulation of non-U.S. exchanges, clearinghouses and clearing firms than in the United States, the Advisers and, consequently, the HFS Client Accounts, are also subject to the risk of the failure of the exchanges on which their positions trade or of their clearinghouses or clearing firms, and there may be a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls. The HFS Client Accounts may not be afforded certain of the protections that apply to U.S. transactions, including with respect to margin. In addition, such trades may be affected by any fluctuation in the foreign exchange rate.
- Frequent Trading and Portfolio Turnover Rate Risk—Advisers may make frequent trades in securities and other investments. Frequent trades typically result in high transaction costs, potentially including substantial

brokerage commissions, fees and other transaction costs. In addition, frequent trading is likely to result in short-term capital gains tax treatment. As a result, high turnover and frequent trading in an HFS Client Account could have an adverse effect on the performance of the HFS Client Account.

- **Hedging Risk**—Hedging techniques could involve a variety of derivatives, including futures contracts, exchange-listed and over-the-counter put and call options on securities, financial indices, forward foreign currency contracts, and various interest rate transactions. To the extent Advisers utilize hedging techniques, such hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of hedging instruments and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of the positions held by such Advisers or that losses on the hedge will occur at the same time as losses in the value of the positions held by such Advisers. In addition, certain hedging instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, an HFS Client Account may not be able to close out a transaction in certain of these instruments without incurring losses substantially greater than the initial deposit. Although the contemplated use of these instruments is intended to minimize the risk of loss due to a decline in the value of the hedged position, the use of such instruments may limit any potential gain which might result from an increase in the value of such position. HFS may also engage in hedging on behalf of HFS Client Accounts. The ability of HFS or an Adviser to hedge successfully cannot be assured.
- **Government Investigations**—In the event that an Adviser or any current or former personnel or affiliate thereof becomes the subject of (or is otherwise involved in) any formal or informal investigation by a governmental or regulatory agency or is otherwise suspected to have engaged in or be involved in any wrongdoing (including through reports in the press), such event may have a material adverse effect on the Adviser and its operations, regardless of whether such Adviser or other person is ultimately charged or found to have engaged in any wrongdoing, including as a result of reputational harm and the diversion of the Adviser's attention from its investment management responsibilities.
- **Operational Risk**—An Adviser may suffer a loss arising from shortcomings or failures in internal processes, people or systems, or from external events. Operational risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures.
- **Performance-Based Compensation Risk**—HFS and Advisers may receive performance-based compensation from HFS Client Accounts and Portfolio Funds based upon the net capital appreciation of HFS Client Account or Portfolio Fund assets. Such compensation arrangements may create an incentive for HFS or the Adviser to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. Since such performance-based compensation is generally calculated on a basis that includes unrealized appreciation of assets, such compensation may be greater than if it were based solely on realized gains and losses. See Item 6, Performance-Based Fees and Side-By-Side Management.
- **Liquidity Risk**—Investments that are illiquid may be more difficult to value. Liquidity risk may be the result of, among other things, the reduced number and capacity of traditional market participants to make a market, particularly in fixed income securities, or the lack of an active market. Additionally, market participants may attempt to sell fixed income holdings at the same time as the Adviser, which could cause downward pricing pressure and contribute to illiquidity. Advisers may invest in private investments and other less liquid or illiquid assets, which may include debt or equity investments in operating and holding companies, investment funds, joint ventures, royalty streams, commodities, physical assets and other similar types of investments that are highly illiquid and long-term. An HFS Client Account must be prepared to retain its interests with such Advisers until such investments are liquidated, which may take a substantial amount of time. In addition, an HFS Client Account's ability to transfer and/or dispose of such investments is expected to be highly restricted.
- **Interest Rate Risk**—Interest rates may fluctuate significantly at any time and from time to time. As a

result of such fluctuations, the value of securities or instruments held by an Adviser (which may include inflation protected securities) may increase or decrease in value. For example, when interest rates increase, fixed income securities or instruments will generally decline in value. Long-term fixed income securities or instruments will normally have more price volatility because of this risk than short-term fixed income securities or instruments. A wide variety of market factors can cause interest rates to rise, including central bank monetary policy, rising inflation and changes in general economic conditions.

- **Floating and Variable Rate Obligations Risk**—Advisers may invest in instruments that have floating and/or variable rate obligations. For floating and variable rate obligations, there may be a lag between an actual change in the underlying interest rate benchmark and the reset time for an interest payment of such an obligation, which could harm or benefit the Adviser, and, consequently, an HFS Client Account, depending on the interest rate environment or other circumstances. In a rising interest rate environment, for example, a floating or variable rate obligation that does not reset immediately would prevent an Adviser from taking full advantage of rising interest rates in a timely manner. However, in a declining interest rate environment, an Adviser may benefit from a lag due to an obligation's interest rate payment not being immediately impacted by a decline in interest rates. Certain floating and variable rate obligations have an interest rate floor feature, which prevents the interest rate payable by the security from dropping below a specified level as compared to a reference interest rate. Such a floor protects Advisers from losses resulting from a decrease in the reference rate below the specified level. However, if the reference rate is below the floor, there will be a lag between a rise in the reference rate and a rise in the interest rate payable by the obligation, and Advisers may not benefit from increasing interest rates for a significant amount of time.

- **Failure of Brokers, Counterparties and Exchanges Risk**—An Adviser will be exposed to the credit risk of the counterparties with which, or the brokers, dealers and exchanges through which, it deals, whether it engages in exchange-traded or off-exchange transactions. An HFS Client Account may be subject to risk of loss of its assets on deposit with a broker in the event of the broker's

bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions on behalf of the Adviser, or the bankruptcy of an exchange clearing house. In the case of a bankruptcy of the counterparties with which, or the brokers, dealers and exchanges through which, the Adviser deals, the Adviser might not be able to recover any of its assets held, or amounts owed, by such person, even property specifically traceable to the Adviser, and, to the extent such assets or amounts are recoverable, the Adviser might only be able to recover a portion of such amounts. Further, even if the Adviser is able to recover a portion of such assets or amounts, such recovery could take a significant period of time.

- In addition, although the U.S. Commodity Exchange Act, as amended, requires a commodity broker to segregate the funds of its customers, if a commodity broker fails to properly segregate customer funds, an Adviser may be subject to a risk of loss of its funds on deposit with such broker in the event of such broker's bankruptcy or insolvency. Also, to the extent an Adviser has exposure to foreign broker-dealers it may also be subject to risk of loss of its funds because foreign regulatory bodies may not require such broker-dealers to segregate customer funds.

To the extent an Adviser invests in swaps, derivatives or synthetic instruments, or other over-the-counter transactions in these markets, the Adviser may take a credit risk with regard to parties with which it trades and also may bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions, which generally are characterized by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries.

- **Equity and Equity-Related Securities and Instruments**—Advisers may take long and short positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced



periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

- **Fixed Income Securities Risk**—Advisers may invest in fixed income securities. Investment in these securities may offer opportunities for income and capital appreciation, and may also be used for temporary defensive purposes and to maintain liquidity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and 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 or by a non-U.S. government or one of its agencies or instrumentalities; 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 or a guarantor's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity (i.e., market risk). The credit quality of securities may deteriorate rapidly, which may impair an Adviser's liquidity and cause significant value deterioration.

Advisers may also invest in high yield debt securities, which have historically experienced greater default rates than investment grade securities. The ability of holders of high yield debt to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. In addition, high yield debt may also be subject to additional liquidity and volatility risk. In addition, certain types of fixed income securities may be subject to additional risks. For example, mortgage-backed securities and asset-backed securities may also be subject to call risk, extension risk and prepayment risk, as well as substantial structural, legal, operational and liquidity risks.

- **Equity Investments by Certain Portfolio Funds in which HFS Client Accounts Invest**—After its purchase, a non-equity investment held by a Portfolio Fund in which an HFS Client Account invests (such as a convertible debt obligation) may convert to an equity security. Alternatively, certain Portfolio Funds in which an HFS Client Account invests may acquire equity securities in connection with a restructuring event related to one or more of its non-equity investments. If this occurs, the Portfolio Fund may continue to hold the investment if its Adviser believes it is in the best interest of the Portfolio Fund, which may adversely affect the HFS Client Account's portfolio.
- **Corporate Event Risks**—Substantial transaction failure risks are involved in companies that are the subject of publicly disclosed mergers, takeover bids, exchange offers, tender offers, spin-offs, liquidations, corporate restructuring, and other similar transactions. Thus, there can be no assurance that any expected transaction will take place. Certain transactions are dependent on one or more factors to become effective, such as market conditions which may lead to unexpected positive or negative changes in a company profile, shareholder disapproval, regulatory and various other third party constraints, changes in earnings or business lines or shareholder activism as well as many other factors. Certain investments may need to be held for a considerable period of time before they will show any return. No assurance can be given that the transactions entered into will result in profitable investments for an Adviser (and therefore, an HFS Client Account) or that an HFS Client Account will not incur substantial losses.
- **Short Selling/Position Risk**—Short selling occurs when an Adviser borrows a security from a lender, sells the security to a third party, reacquires the same security and returns it to the lender to close the transaction. The Adviser profits if the price of the borrowed security declines in value from the time the Adviser sells it to the time the Adviser reacquires it. Conversely, if the borrowed security has appreciated in value during this period, the Adviser will suffer a loss. The potential loss on a short sale is unlimited because the price of the borrowed security may rise indefinitely. Short selling also involves the risks of: increased leverage, and its accompanying potential for losses; the potential inability to reacquire a security in a timely manner, or at an

acceptable price; the possibility of the lender terminating the loan at any time, forcing the Adviser to close the transaction under unfavorable circumstances; the additional costs that may be incurred; and the potential loss of investment flexibility caused by the Adviser's obligations to provide collateral to the lender and set aside assets to cover the open position. An Adviser may also enter into a short derivative position through a futures contract, an option or swap agreement.

- **Forward Contracts Risks**—The Advisers may enter into forward contracts and options thereon which are not traded on exchanges and are generally not regulated and there are no limitations on daily price moves of forward contracts. In addition, an Adviser may be exposed to credit risks with regard to counterparties with whom it trades as well as risks relating to settlement default. Such risks could result in substantial losses to an Adviser.
- **Futures Risks**—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.” It is also possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, implement retroactive speculative position limits, or order that trading in a particular contract be conducted for liquidation only. The circumstances described above could prevent Advisers from liquidating unfavorable positions promptly and subject an Adviser to substantial losses.
- **Risks of Derivative Investments**—Certain Advisers may invest in derivative instruments including options on futures, interest rate caps and floors and collars, participation notes, swaps, options on swaps, structured securities, forward contracts and other derivatives relating to foreign currency transactions. To the extent Advisers invest in these types of derivative instruments through OTC transactions, there may be less governmental regulation and supervision of the OTC markets than of transactions entered into on organized exchanges. Investments in derivative instruments may be for both hedging and non-hedging purposes (that is, to seek to increase total return), although suitable derivative instruments may not always be available for these purposes. Losses to an Adviser from investments in derivative instruments can result from the potential

illiquidity of the markets for derivative instruments, the failure of the counterparty to perform its contractual obligations, or the risks arising from margin requirements and related leverage factors associated with such transactions. Losses may also arise if an Adviser receives cash collateral under the transaction and some or all of that collateral is invested in the market. To the extent that cash collateral is so invested, such collateral will be subject to market depreciation or appreciation, and an Adviser may be responsible for any loss that might result from its investment of the counterparty's cash collateral. HFS may also utilize derivative instruments in connection with hedging techniques. The use of these management techniques also involves the risk of loss if HFS or the Adviser is incorrect in its expectation of the timing or level of fluctuations in securities prices, interest rates, currency prices or other variables. In addition, subject to jurisdictional limits, the Dodd-Frank Act establishes a new regulatory framework for oversight of over-the-counter derivatives transactions by the CFTC and the SEC and heightens the existing regulation of futures markets. There can be no certainty as to the final form of the requirements, and the full extent of the impact such requirements will have on the Accounts is unclear. Investments in derivative instruments may be harder to value, subject to greater volatility and more likely to be subject to changes in tax treatment than other investments. For these reasons, attempts by HFS or an Adviser to hedge portfolio risks through the use of derivative instruments may not be successful, and HFS or an Adviser may choose not to hedge certain portfolio risks. Investing for non-hedging purposes presents even greater risk of loss.

- **Call and Put Options Risks**—There are risks associated with the sale and purchase of call and put options. The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of

an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

- **Speculative Position Limits Risk**—The CFTC and some exchanges have rules limiting the maximum net long or net short positions which any person or group may own, hold or control in any given futures contract or option or swap on such futures contract. Any such limits may prevent an Adviser from acquiring positions that might otherwise have been desirable or profitable. In addition, in applying such limits, the CFTC and some exchanges will require aggregation of an Adviser's positions in futures with positions owned, held or controlled by other funds and accounts managed by the Adviser. Under such circumstances, Advisers may utilize available position limits for funds and accounts other than a Portfolio Fund and, as a result, the Portfolio Fund, and not the Adviser, could be required to limit its use of futures or liquidate its positions.
- **Swaps Risks**—The use of swaps is a highly specialized activity which involves investment techniques, risk analyses and tax planning different from those associated with ordinary portfolio securities transactions. Swaps may be subject to various types of risks, including market risk, liquidity risk, structuring risk, legal risk, tax risk, and the risk of non-performance by the counterparty. Swaps can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swaps may increase or decrease an HFS Client Account's exposure to commodity prices, equity or debt securities, long-term or short-term interest rates (in the United States or abroad), foreign currency values, mortgage-backed securities, corporate borrowing rates, or other factors such as security prices, baskets of securities, or inflation rates and may increase or decrease the overall volatility of the HFS Client Account's portfolio.