

FORM ADV, PART 2A

FIRM BROCHURE



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This brochure provides information about the qualifications and business practices of Common Sense Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (503) 639-6551 or clientservices@csimllc.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Common Sense Investment Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Common Sense Investment Management, LLC is registered with the SEC as an investment adviser. Common Sense Investment Management, LLC is registered as a commodity pool operator and is a member of the National Futures Association. Being a “registered investment adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.

Item 2. Material Changes

This Item 2 discusses only specific material changes that are made to this brochure since the last annual update of our Brochure on March 31, 2014. It does not describe other modifications to this brochure, such as updates to dates and numbers, stylistic changes or clarifications. Generally, we revised and expanded certain information to help clients better understand our firm and the investment products we offer, the business issues we face and the risks associated with investing and with our investment process. The changes primarily apply to Item 4 (Advisory Business); Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and Item 10 (Other Financial Industry Activities and Affiliations), as we are now registered as a Commodity Pool Operator with the Commodity Futures Trading Commission.

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Privacy Policy

Item 4. Advisory Business

Common Sense Investment Management, LLC (“CSIM”, “us” or “we”) is a Delaware limited liability company that was established in 1996. We provide investment management services to privately offered pooled investment funds (the “Funds”) which have different investment objectives and strategies. CSIM operates three primary business lines; Hedge Fund Strategies, Liquid Strategies, and Custom Strategies. In addition to the Funds, we currently provide investment advice to a single investor fund and may, from time to time in the future, provide investment advice to additional single investor funds (the “Private Vehicles”). The Funds include “master funds” into which certain other Funds invest. The primary focus of CSIM is to invest the assets of the Funds in hedge funds (“Portfolio Funds”) and managed accounts (the “Managed Accounts”) that are managed by unaffiliated third parties.

Investment Strategies

Hedge Fund Strategies (“HFS”)	Engage Portfolio Funds that invest primarily in equity securities, both long and short
Liquid Strategies (“LS”)	Hire third party managers to trade through managed accounts in managed futures and commodities
Custom Strategies	For certain clients CSIM will develop a customized investment through a Private Vehicle where the clients may employ a variety of investment strategies

For a further description of CSIM’s investment strategies, please see Items 7 and 8 below.

Jonathan Gane is our Chief Executive Officer, Scott A. Thompson is our Chief Investment Officer of HFS, Ted Gutierrez and Mel Meinhardt are Co-CIOs of LS, Marc Lorin is President, Michael Wieteki is our Chief Operating Officer, General Counsel, and Chief Compliance Officer, and Kristie Leake is our Chief Financial Officer. The Management Committee consisting of Mr. Gane, Mr. Thompson, Mr. Wieteki, Mr. Lorin and Ms. Leake are the principal owners of CSIM. Mr. Gane and Janet Louise Bisenius each own in excess of 25% of the equity interests of CSIM.

Our only clients are the Funds and the Private Vehicle. We provide investment advice to each Fund and the Private Vehicle in a manner that is consistent with the investment objectives and strategies of each Fund and the Private Vehicle, which are set forth in the applicable offering and/or governing documents of each Fund and the Private Vehicle. We tailor our investment advisory services to the Fund and not to the needs of any underlying investor therein. However, the beneficial owner of a Private Vehicle can impose limitations on our ability to invest the Private Vehicle’s assets in Portfolio Funds

and Managed Accounts that are typically understood to be “long only”, “private equity”, “venture capital”, “real assets”, “commodities,” “natural resources” or “infrastructure” funds.

We manage all client assets on a discretionary basis. As of March 1, 2015, the aggregate net asset value of the Funds and the Private Vehicle was approximately \$116,000,000.

Item 5. Fees and Compensation

CSIM receives compensation in the form of management fees from all of the Funds and the Private Vehicle and performance based allocations from certain classes of interests or share classes of the Funds.

Management Fees: Management fees are charged to each Fund and the Private Vehicle, either pursuant to an investment management agreement, partnership agreement or limited liability company agreement applicable to each particular Fund and the Private Vehicle and to which CSIM is a party. The management fees for each Fund and the Private Vehicle are paid at the beginning of each calendar quarter or month and are calculated based on the net asset value of each investor’s investment in such Fund or the Private Vehicle, as of the first day of such quarter or month, as applicable. The applicable percentage charged to investors in each Fund and the Private Vehicle are up to 1.5% per annum. . In the event a Fund or the Private Vehicle is not in existence for the entire quarter or month, the management fee for that quarter is prorated. If investments are made to a Fund or the Private Vehicle on any day other than the first day of a quarter or month, the applicable management fee is prorated for the remaining portion of the quarter or month and charged at the time of such investment.

Performance Based Allocations: Some or all of the classes of interest of a Fund may be subject to a performance allocation. At the end of each fiscal year or for certain Funds at the end of a fiscal quarter , CSIM or its affiliate receives as an allocation a percentage of any net profits allocated to an investor’s capital accounts in such Fund (each a “performance allocation”). The performance allocation ranges between 5% and 12.5% of net profits and is generally subject to a high water mark as detailed below. The terms of the performance allocation are described in the offering documents for each applicable Fund and are set forth in the governing documents of each Fund in which a performance allocation may be taken. In the event that an investor withdraws or is required to withdraw capital at any time from a Fund other than at the end of a fiscal quarter or year, as applicable, the performance allocation will be made at such time with respect to the amount withdrawn as though it were being made at the end of a fiscal quarter or year, as applicable. No performance allocation shall be reallocated from an investor’s capital account with respect to a fiscal quarter or year until any net

losses previously allocated to the capital account of such investor (subsequent to the most recent fiscal year in which a performance allocation was made) has been offset by subsequent net profits allocated to the capital account of such investor. Any such “loss carryforward” will be reduced proportionately to account for withdrawals of capital by the investor, but will not be affected in the event of additional capital contributions made by such investor.

Certain of the Funds may invest all or substantially all of their assets in other Funds (so-called “Master Funds”). Investors in such Feeder Funds will only pay management fees and performance allocations at one level. CSIM may waive, reduce or modify management fees and/or performance allocations, as the case may be, for certain investors in the Funds or the Private Vehicle, and currently does waive management fees and performance allocations with respect to investments made in any Fund by certain other Funds managed by CSIM, and for investors that are principals, employees or affiliates of CSIM. Additional details regarding the calculation of management fees and performance allocations are disclosed in each Fund’s respective offering documents.

Management fees and performance allocations for each Fund and Private Vehicle are accrued and deducted from the respective Fund or the Private Vehicle. In addition to the management fees and the performance allocations, each Fund and the Private Vehicle (and, indirectly, the investors therein) will pay such additional expenses as are disclosed in its applicable offering documents. The expenses to be paid by each Fund and the Private Vehicle vary and may include, but are not limited to, any extraordinary expenses incurred in connection with such Fund and the Private Vehicle (including but not limited to the defense or initiation of lawsuits) and expenses relating to such Fund’s or the Private Vehicle’s investment activities such as commissions, research fees, interest on margin accounts and other indebtedness (including liquidity facility fees), borrowing charges on securities sold short, custodial fees, bank service fees, legal, accounting, auditing and administrative expenses, directors’ fees, fees paid for operational and compliance support service, publications and subscriptions, expenses incurred in managing or liquidating any in kind distributions received from Portfolio Funds in which such Fund or the Private Vehicle is invested, and any other reasonable expenses related to the purchase, sale or transmittal of Fund or the Private Vehicle assets which may be incurred in connection with the Fund’s or the Private Vehicle’s investment in another entity. Each Fund and the Private Vehicle will also incur their respective pro rata share of fees and expenses charged by the Portfolio Funds in which a Fund or the Private Vehicle invests. Feeder Funds will also be responsible for their *pro rata* portion of the costs and expenses borne by the underlying Master Fund(s) through which they invest.

As described further in each Fund’s offering documents, with respect to certain investors admitted to certain HFS Funds prior to January 1, 2014, CSIM will pay certain expenses incurred by such Funds. In addition, CSIM has agreed to pay for certain ordinary expenses of the Funds that exceed a percentage of such Fund’s net assets, provided that CSIM will be reimbursed for such expenses in future fiscal periods if actual ordinary expenses during such period are less than the expense cap for such period.

The HFS Funds and the Private Vehicle generally will not incur brokerage or other transaction costs except as otherwise described above. However, as investors in underlying Portfolio Funds, the HFS Funds and the Private Vehicle will bear their pro rata share of any brokerage or other transaction costs incurred by the Portfolio Funds. LS Funds, due to their managed account structure, will directly incur brokerage costs including clearing and execution fees.

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

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

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

CSIM is entitled to receive performance allocations from certain of the Funds, as disclosed in further detail in Item 5 above. The performance allocation percentage for certain Funds is different than for other Funds that charge a performance allocation. Furthermore, the management fee percentage for certain Funds is different than for other Funds. Conflicts of interest may arise in that we may have an incentive to favor accounts for which we receive a performance allocation or for which the performance allocation percentage or management fee percentage may be higher than for other Funds. We maintain allocation policies and procedures that are designed to ensure that investments made by each Fund and Private Vehicle are made in a fair and equitable manner and do not result in one or more Funds or Private Vehicles being favored over other Funds or Private Vehicles due to different fee structures or for any other reasons. To manage these potential conflicts:

- All Funds or Private Vehicles are managed to the Clients' and accounts' individual strategy.
- CSIM monitors each Client's actual holdings versus its investment strategy for consistency with stated objectives and strategy.

Item 7. Types of Clients

We currently provide investment advice to the Funds listed below (although for the Feeder Funds, the investment advice is provided only at the Master Fund in which the Feeder Fund invests). The investors in the Funds may include pension and profit sharing plans, endowments, charitable organizations, financial institutions, trusts, family offices, business entities, separate accounts of life insurance companies and/or high net worth individuals. We also provide investment advice to a Private Vehicle and may in the future provide investment advice to other Private Vehicles. Any such clients may have

increased portfolio transparency and may have negotiated other terms that are not available to the co-mingled funds.

We currently provide investment advice to the following Funds within HFS:

- Common Sense Partners, L.P. (“CSP”), a Delaware limited partnership
- Common Sense Long-Biased, L.P. (“CSL”), a Delaware limited partnership

We currently provide investment advice to the following entities within LS:

- Common Sense Evergreen Partners, LP (“CEP”), a Cayman Islands limited partnership which serves as the Master Fund for Common Sense Evergreen Fund, LP, a Delaware limited partnership (“CSEFLP”), and Common Sense Evergreen Fund, Ltd. a Cayman Islands exempted company (“CSEFLTD”).

We also currently provide investment advice to one Private Vehicle: CM Opportunistic Fund LP, a Nevada limited partnership.

Investors in CSP, CSL, and the Private Vehicle must each be an “accredited investor” as defined in Regulation D under the U.S. Securities Act of 1933, as amended (“Securities Act”), and a “qualified client” as that term is defined in Rule 205-3 under the U.S. Investment Advisers Act of 1940, as amended (“Advisers Act”).

Interests in CSEFLP and CSEFLTD will generally only be sold to qualified investors who are “accredited investors” as defined under Rule 501 of Regulation D of the Securities Act, “qualified eligible person” as defined in Rule 4.7 under the Commodity Exchange Act of 1936, as amended (“CEA”), and “qualified clients” as that term is defined in Rule 205-3 of the Advisers Act.

The required minimum initial investments in each Fund, which CSIM (or the Board of Directors of CSEFLTD) can waive at any time for any prospective investor is \$1,000,000 minimum investment for investments in the HFS Funds and LS Funds provided that the minimum initial investment amount may not be less than \$100,000 for CSEFLTD.

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

For each Fund (except as otherwise described below), CSIM will seek to achieve the Fund’s investment objectives by investing such Fund’s assets, directly, or indirectly through a Master Fund, in a portfolio of Portfolio Funds or Managed Accounts that employ different investment styles and strategies. CSIM will have discretion to invest

each Fund's assets in Portfolio Funds and Managed Accounts in a manner that it considers will best achieve the objectives of such Fund, subject to the availability of Portfolio Funds or Managed Accounts in which to invest, cash flows and other factors. For HFS CSIM seeks to assemble a "team" of managers of Portfolio Funds (each, a "Portfolio Manager") to achieve complimentary diversification by style, strategy and certain other factors. However, each Portfolio Fund itself may range from broadly diversified to highly concentrated. Certain Portfolio Funds may employ multiple strategies, while others may focus on one sector or geographic region. For LS, CSIM utilizes its proprietary technologies to allocate capital to a select group of commodity trading advisors, managed futures strategies and currency managers that trade a variety of commodity interests and foreign exchange contracts.

While CSIM retains the power to directly invest the assets of the Funds in other types of securities and financial instruments, CSIM does not typically exercise this power, except in certain circumstances where securities are distributed in-kind from a Portfolio Fund to a Fund that CSIM manages. CSIM may also invest a portion of a Fund's assets in cash and cash equivalents (i) for temporary defensive purposes, (ii) for the purpose of maintaining cash to pay withdrawal proceeds, or (iii) for other reasons determined by CSIM.

HFS and the Private Vehicle:

CSIM's due diligence process focuses on numerous factors with respect to a Portfolio Manager's investment process, operations, risk management, and personnel. Emphasis is placed on qualitative factors, although quantitative factors are also considered. CSIM will also consider, among other factors, fund size, the liquidity of a fund's portfolio and its withdrawal terms, portfolio exposure (e.g., sectors, market capitalization and number of positions), composition of a fund's investor base, and the portfolio decision making process of the manager of the applicable Portfolio Fund. CSIM selects Portfolio Funds that it believes will best achieve a Fund's or Private Vehicle's applicable investment objective, while considering the overall fit of the Portfolio Fund in that Fund's or Private Vehicle's portfolio. After Portfolio Funds are selected and allocation decisions are made, CSIM monitors each Portfolio Manager to determine if the factors considered important to CSIM in initially making the allocation still exist or to determine the reasons for any changes. CSIM will also monitor the performance of each Portfolio Fund and evaluate its performance relative to its stated goals and objectives and relevant market indices. CSIM will seek to terminate or reduce a Fund's or Private Vehicle's allocations to a Portfolio Fund for a number of reasons, which may include the performance of the Portfolio Fund or the ongoing fit of the Portfolio Fund in such Fund's or Private Vehicle's portfolio.

Each Portfolio Manager will make the actual investment decisions with respect to the Portfolio Fund it manages. CSIM will select the Portfolio Funds into which each Fund's or Private Vehicle's assets will be allocated and may reallocate such assets upon evaluating the performance and other aspects of the Portfolio Managers and the Portfolio

Funds they manage. CSIM's ability to make such reallocations may be constrained by the limited withdrawal rights of the Portfolio Funds.

LS:

For LS, CSIM will allocate capital among a select group of commodity trading advisors, managed futures strategies and currency managers (the "Managers") that trade in a variety of "commodity interests" and foreign exchange contracts that include but are not limited to: (i) exchange-traded derivatives such as futures contracts on and for physical commodities, currencies, money market instruments, obligations of and guaranteed by the U.S. government or foreign governments and any other financial instruments, securities, stock, financial and economic indices and items which are now, or may hereafter be, the subject of futures contract trading; (ii) options on futures contracts and other commodity interests; (iii) over-the-counter ("OTC") foreign exchange contracts including: spot, forward, swaps, plain vanilla options, first generation exotic options and non-deliverable forwards; (iv) deferred delivery contracts and leverage contracts and (v) any other commodity-related contracts, agreements, and transactions, and securities (such as United States Treasury bills) approved by the U.S. Commodity Futures Trading Commission ("CFTC") or non-U.S. regulators for investment of customer funds.

Fund Investment Objectives

The particular investment objectives of each of the Funds that are offered are described below and are disclosed in further detail in each Fund's applicable offering documents.

- Hedge Fund Strategies:
 - Common Sense Long-Biased, L.P.: The investment objective of Common Sense Long-Biased, L.P. is to outperform the United States equity markets over full market cycles with less volatility than the equity markets (*i.e.*, measured using standard deviation) while maintaining an overall long-biased equity market exposure of generally between twenty percent (20%) to eighty percent (80%) net long. The Portfolio Funds CSIM will select for CSL are expected to utilize primarily equity long/short strategies. These Portfolio Funds will generally be a mix of net long and balanced funds, although certain Portfolio Funds may be net short from time to time.
 - Common Sense Partners, L.P.: The investment objective of CSP is to generate a superior long-term return with less risk than the market, including during down market periods. CSP will seek to achieve this objective by investing in Portfolio Funds that employ a variety of

investment styles and strategies and that focus primarily on investing long and short in publicly traded equity securities. CSP primarily selects Portfolio Funds that employ a balanced portfolio, although it is anticipated that certain Portfolio Funds may from time to time be long-biased or short-biased, CSIM will seek to assemble and maintain a portfolio of Portfolio Funds that in the aggregate is relatively balanced (e.g. typically between 10% net long and 10% net short exposure).

- Custom Strategies:
 - CM Opportunistic Fund LP: The “CM Fund” is a Private Vehicle and is not offered. The CM Fund is what is commonly called a “Fund-of-One” and as such its strategy and fee structure is a result of negotiation with the beneficial owner.
- Liquid Strategies:
 - Common Sense Evergreen: CSE includes Common Sense Evergreen Fund, L.P. and Common Sense Evergreen Fund, Ltd. The investment objective of CSE is to seek capital appreciation while seeking to protect principal through active risk management and a portfolio having a globally diversified risk profile. The investment objective can be considered absolute return in that CSE seeks returns independent of both traditional benchmarks and market direction.

Material Risks

Investment in the Funds presents potentially significant risks and is not intended as a complete investment program. Investing in securities involves risk of loss that investors should be prepared to bear. The following material risks relate generally to the investment strategy and methods of analysis for each Fund. Not all of these risks will be equally relevant to each Fund that we manage at any time. Additional risks relating to certain specific strategies of certain Funds are described below. For purposes of this material risk section, use of the term “Fund” shall include the term “Private Vehicle” and the term “Portfolio Fund” shall be deemed to include the term “Managed Account,” unless the context requires otherwise.

Nature of Securities Investments. Each HFS Fund and Private Vehicle, through the Portfolio Funds, will be investing substantially all of its assets in securities, some of which may be particularly sensitive to economic, market, industry, interest rate movements and other variable conditions. The markets in which each HFS Fund and the Portfolio Funds expect to invest have in recent years experienced losses and may continue to experience significant volatility. No

assurance can be given as to when or whether adverse events might occur that could cause significant and immediate losses to the Funds.

Risks of the Multi-Manager Strategy and Technique. The success of a Fund depends on the ability of CSIM to select and allocate among individual Portfolio Funds and upon each Portfolio Fund's ability to select individual securities or commodities, correctly interpret market data, predict future market movements and otherwise implement its investment strategy. No assurance can be given that the investment strategies to be used by a Portfolio Fund will be successful under all or any market conditions. CSIM will not have any control over the investments made by the managers of the Portfolio Funds (the "Portfolio Managers"). CSIM may, however, reallocate a Fund's investments among the Portfolio Funds, but CSIM's ability to do so may be constrained by the withdrawal limitations imposed by the Portfolio Funds. These withdrawal limitations will prevent a Fund from reacting rapidly to market changes should a Portfolio Manager fail to effect portfolio changes consistent with such market changes and the expectations of CSIM. Such withdrawal limitations will also restrict CSIM's ability to terminate investments in Portfolio Funds that are poorly performing or have otherwise had adverse changes. In addition, at times when Portfolio Funds offer limited availability to investors, CSIM may allocate such limited availability among and between multiple entities and series managed by it or an affiliate, resulting in a Fund's portfolio that differs from the portfolio that might result if CSIM only managed the Fund. Not all of the entities managed by CSIM will invest, whether on a pro rata basis or otherwise, in all of the Portfolio Funds invested in by a Fund.

The multi-manager approach may also limit CSIM's access to information about a Fund's investments on a regular basis. Investors in the various Portfolio Funds typically have no right to demand such information of the Portfolio Managers. Nevertheless, CSIM will use commercially reasonable efforts to periodically gather quantitative and qualitative information from the Portfolio Managers. There is no guarantee that the information will be accurate or timely. Moreover, the information may be proprietary and may not be provided. Although CSIM employs a due diligence process to review each Portfolio Manager's back office and accounting systems, there is no assurance that such efforts will detect fraud, malfeasance, inadequate back office systems or other flaws or problems with respect to the Portfolio Manager's operations and activities.

Risks of Portfolio Manager Strategies and Execution. A Portfolio Manager may use proprietary investment strategies that are based on considerations and factors that are not fully disclosed to CSIM. These strategies may involve risks under some market conditions that are not anticipated by the Portfolio Manager, CSIM or a Fund. The Portfolio Managers may use investment strategies that differ from those typically employed by traditional managers of portfolios of stocks and bonds, or may diverge from the strategy disclosed to CSIM. The strategies

employed by the Portfolio Managers may involve significantly more risk and higher transaction costs than more traditional investment methods. In addition, Portfolio Managers may not execute their strategy efficiently or consistent with past practices or its disclosure, leading to underperformance or losses to a Fund. A Fund will seek to reduce these risks by spreading the exposures of the Fund among a variety of different Portfolio Managers. However, it is possible that the performance of the Portfolio Managers may be closely correlated in some market conditions, resulting (if those returns are negative) in significant losses to the Fund and its investors. Many of the Portfolio Managers are dependent on the services of a small number of persons and the loss of any such person's services could have a materially adverse effect on a Fund's investment with such Portfolio Manager. Furthermore, many of the Portfolio Managers will typically manage a relatively small asset base when compared to traditional money managers of mutual funds and many private funds, who often manage billions of dollars. Accordingly, many of the Portfolio Managers may have limited resources in connection with the operation of their businesses and the investment management of their portfolios.

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

Portfolio Funds often use short-term margin borrowing in purchasing securities positions. Trading securities on margin will result in interest charges to the Portfolio Fund and, in turn, to the applicable Funds. Such borrowing may result in certain additional risks to the Portfolio Funds. For example, should the securities pledged to brokers to secure a Portfolio Fund's margin accounts decline in value, the Portfolio Fund could be subject to a "margin call," pursuant to which

the Portfolio Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Portfolio Fund's assets, the Portfolio Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

From time to time CSIM may utilize a line or lines of credit for the HFS Funds to assist with cash flow management. CSIM does not intend to employ such lines of credit as a leverage overlay for the HFS Funds but such use may have that effect from time to time.

CSIM employs leverage for LS Funds. In particular, CSIM will employ financial leverage through margin necessary for a Manager's trading. The use of financial leverage and trading in commodity interests and OTC foreign exchange contracts involves risk as detailed below.

In addition, each class of interests in CSE employs financial leverage in order to obtain the desired maximum targeted drawdown exposure for the class. Classes that have a higher maximum loss target will deploy more financial leverage than a class with a lower minimum target. As allocations of performance will be based on the financial leverage deployed for a class, gains and losses will be magnified for classes that seek higher maximum loss targets.

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

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

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Portfolio Manager from promptly liquidating unfavorable positions and subject the Portfolio Fund to substantial losses. In addition, the Portfolio Manager may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. A Portfolio Manager may also be subject to CFTC and other regulators position limits which may impair a Portfolio Manager from executing its investment strategy.

Under the CEA, futures commission merchants are required to maintain customers’ assets in a segregated account. To the extent that a Portfolio Fund engages in futures and options contract trading and the futures commission

merchants with whom a Portfolio Fund maintains accounts fail to segregate such assets, the Portfolio Fund will be subject to a risk of loss in the event of the bankruptcy of one of these futures commission merchants.

Short Sales. A Portfolio Manager may engage in short sales as part of hedging transactions for a Portfolio Fund or when it believes an investment is overvalued. Short sales are sales of securities the Portfolio Fund borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and a Portfolio Fund will be able to make a profit by purchasing the securities at a later date at the lower prices. A Portfolio Fund will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss. Short sale transactions have been subject to increased regulatory scrutiny in response to recent market events, including the imposition of restrictions on short selling certain securities and reporting requirements. A Portfolio Fund’s ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Portfolio Fund. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

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

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

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

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

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

counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher on foreign markets than in the U.S.

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

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

Distressed Securities. Some of the Portfolio Funds may take long and short positions in below-investment-grade securities and obligations of U.S. and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems or extraordinary liabilities, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investment in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies.

Investments in Fixed-Income Securities. Some of the Portfolio Funds may invest a portion of their capital in bonds or other fixed income securities, including, without limitation, notes and debentures issued by corporations; debt

securities issued or guaranteed by governments or agencies or instrumentalities thereof; commercial paper; and “higher yielding” (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity indexed to foreign currency or inflation. These and other risks are particularly prevalent with fixed income securities of issuers in foreign markets. It is likely that a major economic recession or other event could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

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

Forward Trading. Forward trading involves contracting for the purchase or sale of a specific quantity of, among other things, a financial instrument at the current price thereof, with delivery and settlement at a specified future date. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward trading is mostly unregulated and therefore there are no requirements with respect to record keeping, segregation of funds or financial responsibility. The principal risks relating to the use of forwards are: (a) when used for hedging purposes, the possible imperfect correlation between the prices of the forwards and the market value of the securities or currencies in the Portfolio Fund’s portfolio intended to be hedged by the forwards; (b) possible lack of a liquid secondary market for closing out a forwards position; (c) losses on forwards resulting from interest rate or currency movements not anticipated by the Portfolio Manager; and (d) the risk

of counterparty defaults. It is expected that the Managers for the LS Funds will engage in forward trading of currencies and commodity interests.

Illiquid Securities; Special Situation Investments. Although CSIM does not currently anticipate that the Funds will invest in Portfolio Funds that will purchase assets that are illiquid, restricted or difficult to value, in certain circumstances, general economic or market conditions may adversely affect the liquidity of, or ability to value, certain investments held by one or more Portfolio Funds. Therefore, from time to time, a Fund may indirectly or directly hold securities (including as a result of in-kind distributions by Portfolio Funds and interests in the Portfolio Funds themselves) that are illiquid, restricted or difficult to value. In such event, CSIM may designate such securities as “Special Situation Investments”, and all investors in such Fund at the date of such designation will participate on a pro rata basis in such Special Situation Investments. Such Special Situation Investments may have to be held for a substantial period of time before they can be liquidated, if at all. Market prices for such Special Situation Investments are often volatile and may not be ascertainable. The resale of restricted and illiquid securities often may have higher brokerage charges. Special Situation Investments represent capital not available for withdrawal by such Fund’s investors.

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

Hedging. The Portfolio Funds may utilize certain financial instruments for both investment and risk management purposes. These instruments could include writing or buying options and other derivatives, as well as shorting securities, funds, indices, or swaps, and combining long and short positions in securities and instruments to reduce overall risk. The success of a Portfolio Fund’s hedging strategy will depend on the Portfolio Manager’s ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. The

change in the correlation may also result in the hedge increasing the overall risk of the portfolio. There is also a risk that such correlation will change over time rendering the hedge ineffective. Since the characteristics of many securities and commodities change as markets change or time passes, the success of a Portfolio Fund's hedging strategy may also be subject to the Portfolio Manager's ability to correctly readjust and execute hedges in an efficient and timely manner. In addition, the lack of futures and derivatives markets or high transaction costs in certain foreign markets may reduce or eliminate the Portfolio Fund's ability to hedge certain exposures. Even when the underlying values may have the predicted correlation, pricing imperfections may become worse and thus the hedge could increase risk over the time period until the underlying values are realized. Many Portfolio Funds may not seek to hedge all or a portion of their assets.

Small and Mid-Cap Risks. A portion of some Portfolio Funds' assets may be invested in securities of small-cap and mid-cap issuers. While the securities of a small or mid-cap issuer may offer the potential for greater capital appreciation than investments in securities of large-cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, (i) some small and mid-cap issuers often have limited product lines, markets, or financial resources, (ii) they may be dependent for management on one or a few key persons, and can be more susceptible to losses and risks of bankruptcy, and (iii) their securities may be thinly traded and may be more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

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

Fund's assets or in a significant delay in the Portfolio Fund having access to its indirect interest in those assets.

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

Lack of Liquidity; Limitations on Withdrawals from Portfolio Funds. The financial markets in the United States and other countries have recently experienced a variety of difficulties and changed conditions. These difficulties and conditions, coupled with other recent challenges affecting the economies of certain countries, may result in reduced demand for the securities and other assets in which the Portfolio Funds invest, and may affect the valuations assigned to such securities and assets, and similar securities and assets, by the Portfolio Funds and other market participants. Further, the Portfolio Funds and such other market participants may not always value these investments at the same prices or in the same manner. Such reduced demand and affected valuations may in turn decrease the value of securities and assets held by the Portfolio Funds, and may prevent the Portfolio Funds from liquidating such securities or other assets at any price, or at prices deemed favorable to the Portfolio Funds, during certain periods, which periods may be substantial and prolonged and which may include periods during which investors in such Portfolio Funds are seeking to withdraw substantial amounts from the relevant Portfolio Fund. In addition, a decrease in the net asset value of a Portfolio Fund could lead to a default under some or all of such Portfolio Fund's credit and loan facilities, as well as the repurchase, reverse repurchase, securities lending, swap and/or similar agreements to which such Portfolio Fund is a party, and force such Portfolio Fund to sell its securities or other assets at reduced prices to satisfy its obligations to its lenders and counterparties.

A Portfolio Fund affected by such market conditions or for other reasons may seek to impose certain limitations on withdrawals from such Portfolio Fund for prolonged periods by, for example: (1) suspending the determination of the Portfolio Fund's net asset value, (2) suspending withdrawals in whole or in part, (3) imposing "gates" or restrictions on withdrawal amounts above a certain level, and/or (4) extending the period for payment of withdrawal proceeds. In addition, such Portfolio Fund may seek to, among other things, (i) wind up the Portfolio Fund, including at times and under conditions where the disposition of its securities and other assets may not be at prices deemed favorable to the applicable Funds and other investors therein, (ii) assign certain illiquid or similar assets held

by the relevant Portfolio Fund to “special situation” or “side pocket” accounts, from which redemptions are prohibited, (iii) distribute certain securities or other assets held by the relevant Portfolio Fund into a liquidating trust or similar account or vehicle, in which case payment to the applicable Funds and other investors in such Portfolio Fund of the portion of their withdrawals attributable to the securities or other assets held in such liquidating trust or similar account or vehicle may be delayed until such time as such securities and other assets are liquidated or become freely tradable, and/or (iv) distribute certain securities and other assets held by such Portfolio Fund in-kind to the applicable Funds and other investors therein, in which case such Funds may not be able to liquidate such securities and other assets during certain periods and/or at prices deemed favorable to its investors, including the Funds.

The occurrence of any one or more of the events described above may render the Funds’ investment in a Portfolio Fund illiquid and/or may substantially impair the value of one or more investments of the Funds, including any investment in a Portfolio Fund. This, in turn, may have a material and adverse effect on the investors in the Funds, including without limitation by rendering some or all of their interests illiquid or substantially impairing the value of some or all of their Interests, in each case for prolonged periods.

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

Transaction Costs and Portfolio Managers Use of “Soft Dollars.” In selecting brokers to effect portfolio transactions, Portfolio Managers may consider, among other things, such factors as price, the ability of the brokers to effect the transaction, their facilities, reliability and financial responsibility and any products or services provided by such brokers. Such products and services may be of benefit generally to the Portfolio Fund but may not directly relate to transactions on behalf of the Portfolio Fund or any investment fund in which a Fund is invested. Accordingly, the Portfolio Manager may incur transaction costs greater than the amount that might be incurred if another broker was used. “Soft dollar” payments or rebates of amounts paid to brokers and dealers may arise from OTC principal transactions, as well as exchange traded agency transactions. Many of the Portfolio Funds may emphasize active management of the Fund’s portfolio. Consequently, such Portfolio Fund’s portfolio turnover and brokerage commissions may exceed those of other investment entities of comparable size. CSIM may not be provided with sufficient information from the Portfolio Managers to monitor best execution, transaction costs and soft dollars.

Separately Managed Accounts. A Fund may invest some of its assets in Managed Accounts, whereby Portfolio Managers manage a portion of the Fund's assets directly, rather than through a pooled investment vehicle. The LS Funds exclusively use Managed Accounts to effectuate their investment strategy. Although there are certain advantages associated with Managed Accounts, there are also certain risks, including, without limitation, the potential that the actions of the Portfolio Manager could expose all of the Fund's assets to liability and the requirement that the Fund itself be a party to prime broker agreements, FCM agreements, clearing agreements and other trading agreements utilized by the Portfolio Manager in pursuing its investment strategy. In addition, although CSIM may have greater visibility with respect to the securities or other investments held in Managed Accounts, the management of such investments will still reside with the applicable Portfolio Managers of such accounts.

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

Concentration of Investments. A Fund may from time to time have a material percentage of its assets in one or more Portfolio Funds or concentrated in one or more investment strategies and a loss in any investment could have a material adverse impact on the Fund's capital. There is also a risk that the Fund's investments will not be diversified in all market conditions. In addition, because a Fund may allocate its assets to multiple Portfolio Managers who make their trading decisions independently, and, in particular, because the investment strategies of many of the selected Portfolio Managers will principally be long and short equity strategies, it is possible that Portfolio Managers may on occasion take substantial positions in the same security or group of securities at the same time. The possible lack of diversification caused by these factors may subject the investments of a Fund to more rapid change in value than would be the case if the assets of the Fund were more widely diversified.

General Economic and Market Conditions. The success of the investments by the Portfolio Funds and, therefore, each Fund's performance, will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws

(including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These and other factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Portfolio Fund's investments and the availability of certain securities and investments. Volatility or illiquidity could impair each Fund's profitability or result in significant losses. The Portfolio Funds may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets — the larger the positions, the greater the potential for loss.

The Portfolio Funds and therefore, each Fund may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to each of the Portfolio Funds and each Fund from their respective banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Portfolio Funds and therefore, such Fund. Market disruptions may from time to time cause dramatic losses for such Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act. The global financial markets have in recent years gone through pervasive and fundamental disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, certain of these interventions have been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

Dependence Upon CSIM and Portfolio Managers. The success of each Fund will depend upon the ability of CSIM and Portfolio Managers to develop and implement investment strategies that achieve the Fund's investment objectives. Decisions made by CSIM and/or the Portfolio Managers may cause the Fund to incur losses or to miss profit opportunities on which it would otherwise have capitalized. If any member of CSIM's Investment Committee were to become unable to participate in the management of a Fund, the consequences to the Fund could be material and adverse. The past performance of each Fund, CSIM, the Portfolio Managers and their respective affiliates is no guarantee of the future

performance of a Fund. There can be no assurance that a Fund will achieve its investment objectives or provide a return to its investors.

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

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

Credit Facilities. A Fund may enter into one or more liquidity facilities or similar arrangements pursuant to which the Fund will grant security over all or a portion of its assets in order to borrow or otherwise have access to funds, generally on a short term basis. Generally, such funds will be utilized to help manage cash flows relating to the Fund's investments and withdrawal requests. The Fund will bear all of the costs and expenses incurred in connection therewith, including any interest expense or fees relating to funds borrowed. There is no assurance that the Fund will be able to obtain such borrowed funds. If the Fund enters into a liquidity

facility, it will be charged interest on borrowed funds and may be required to pledge all or a portion of its underlying assets as collateral. Not all such assets may be eligible collateral. The lender providing the borrowed funds may require that the borrowed amounts be repaid, pursuant to an event of default or otherwise, at a time when the Fund has little or no liquidity and such lender will thereafter have certain rights with respect to the collateral. If CSIM determines that a Fund has any excess capacity under a liquidity facility, such Fund may borrow under the facility and relend all or a portion of the excess capacity (up to agreed upon amounts with the provider of such facility) to certain other funds managed by CSIM and its affiliates.

Liquidity and Transferability of Fund Interests. Certain Funds offer their investors only limited liquidity and interests are generally not freely transferable. In addition to other liquidity restrictions, the Funds generally offer only monthly or quarterly liquidity following prior notice for investors. Private Vehicles may offer more or less liquidity depending upon the structure and investment objectives. Investments in Portfolio Funds may offer liquidity at infrequent times (i.e., monthly, quarterly, annually or less frequently). Accordingly, investors in the Funds should understand that they may not be able to liquidate their investment in the event of an emergency or for any other reason.

Item 9. Disciplinary Information

Item 9 is not applicable to us as we have no reportable material legal or disciplinary events.

Item 10. Other Financial Industry Activities and Affiliations

CSIM is registered with the CFTC as a commodity pool operator and is a member of the NFA.

We currently provide investment advice to the Funds listed in Item 7 above and to the Private Vehicle. We also serve as the general partner to each Fund that is organized as a limited partnership.

CSIM and its members, affiliates and employees may engage in other activities, including providing investment management and advisory services to other investment funds, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort of any of their officers, directors or employees to a Fund and its affairs. Additional investment funds and

accounts may be established in the future by CSIM and its affiliates with substantially the same or different investment strategies.

Certain of the Funds and the Private Vehicle may pursue an investment strategy that is substantially similar to each other. In addition, certain of the Funds and the Private Vehicle will invest in some of the same Portfolio Funds. CSIM may give advice or take action with respect to one or more Funds and/or the Private Vehicle that differs from the advice given with respect to other Funds and/or the Private Vehicle, including with respect to the same investment opportunities. Certain of the Funds have different terms, fees (including incentive allocations and fees) and investment objectives. If it is appropriate for more than one Fund and/or the Private Vehicle to invest in a Portfolio Fund with limited capacity, such Funds and the Private Vehicle may not be able to invest the full amount that they desire to invest. As a result, a conflict may exist because CSIM may have an incentive to allocate a substantial portion of such investments to the Funds and the Private Vehicle that charge higher fees than other Funds. CSIM intends to allocate investment opportunities among the Funds and the Private Vehicle in a fair and equitable manner based on such factors as it deems important from time to time, which may include, investment objectives, cash availability and the risk profile of each of the Funds and the Private Vehicle. However, CSIM will determine such allocation in its sole and absolute discretion. CSIM may also give advice or take action with respect to certain Funds or the Private Vehicle that differs from the advice given with respect to other Funds and/or the Private Vehicle, including with respect to the same investment opportunities, and with respect to the Funds or the Private Vehicle in which CSIM may have a greater financial interest.

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

Michael Wietrecki, COO of CSIM, and Jonathan Gane, CEO of CSIM each serve on the board of directors of the Offshore Fund. Mr. Wietrecki and Mr. Gane may have a conflict of interest (i) between their responsibilities to CSIM and to each Fund on which they serve on the Board of Directors and (ii) among such Funds.

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

For the LS Funds, CSIM employees were previously employed by the prime broker for the Funds.

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

We have adopted a written code of ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940. Our code of ethics primarily governs the personal securities transactions of our employees. We have adopted policies and procedures governing personal trading by all of our employees, which are designed to avoid conflicts of interest. Generally, all of our employees are required to pre-clear personal securities transactions that are not otherwise exempt under the Code. Our employees are required to provide duplicate trade confirmations after each non-exempt trade is completed and brokerage account statements at least quarterly to our Chief Compliance Officer. In addition, CSIM employees are required to report their personal securities transactions and significant business activities to the Chief Compliance Officer. CSIM will provide a copy of our code of ethics to any client or prospective client upon request.

Our owners, officers, managers and employees and their family members may trade in securities and invest in Portfolio Funds for their own accounts, subject to restrictions and reporting requirements as may be required by law or otherwise determined from time to time by CSIM. Certain of such owners, officers, managers, employees and family members (individually and through CSIM's retirement plan), currently invest in certain of the Funds that we manage and may do so in the future. There are no restrictions on the ability of such persons to invest in a Fund (other than eligibility requirements under applicable law and as may be set forth in the applicable Fund's offering documents), and such persons may not be subject to the same management fee, incentive allocation and withdrawal or redemption restrictions as are other investors in such Fund.

In addition, certain Funds managed by CSIM may invest their assets through different underlying Funds managed by CSIM, in master-feeder structures.

Item 12. Brokerage Practices

HFS Funds and Private Vehicle:

We invest almost all of the assets of the HFS Funds and the Private Vehicle in Portfolio Funds. Such investments are not executed through broker-dealers. Accordingly, we do not generally select or recommend broker-dealers for client transactions. If we do execute client transactions through broker-dealers, it will be done primarily on the basis of obtaining best execution. We do not consider whether we or a related person receives

any client referrals from a broker or dealer. We do not aggregate the purchase or sale of securities for various Fund accounts. Each investment made by a Fund or the Private Vehicle in a Portfolio Fund will be considered independently and each Fund and the Private Vehicle will complete and execute separate subscription documents and agreements in connection with such investments.

LS Funds:

Because of the nature of investing through Managed Accounts, the LS Funds pay brokerage charges, OTC dealer spreads, and other transactional costs in all cases regardless of whether their activities are profitable. CSIM has established prime brokerage relationships in order to enable the Managers to trade for each LS Fund. However, the LS Funds may have little control over the brokerage practices, commissions and costs incurred by the Managers as the Managers may not always execute trades with the LS Funds' prime broker. As a general matter, the Managers are not required to aggregate trades amongst each other within an LS Fund. That being said, the Managers may aggregate their trades with their other clients and the LS Funds.

Client Referrals:

CSIM does not select or recommend brokers or dealers based on whether the broker or dealer refers clients to CSIM.

Directed Brokerage:

CSIM does not routinely request, require, or recommend that its clients direct brokerage transactions with a specific broker-dealer. As described above, clients may specify the broker-dealers with which CSIM must trade. If a client directs its brokerage activity to a specific broker-dealer, CSIM may be unable to obtain the most favorable execution or the lowest commission for the clients.

Soft Dollars:

While it is not CSIM's current practice, CSIM may in the future determine whether to effect brokerage transactions of a client through broker-dealers who provide CSIM with "brokerage or research services" as that term is used in Section 28(e)(3) of the Securities Exchange Act of 1934. Those services, if provided, could benefit all of the clients, and not only those having brokerage transactions. In the event that CSIM in the future should elect to do so, CSIM will determine in good faith that the amount of the commission mark-up/mark-down paid is reasonable in relation to the value of the products and brokerage and research services received from such broker-dealer, viewed in terms of either that particular transaction or CSIM's overall responsibilities to all of its clients.

Item 13. Review of Accounts

HFS:

Our HFS Research Team reviews each CSP, CSL and the Private Vehicle's investments in Portfolio Funds, including performance attribution, at least monthly to determine, among other things, if each Portfolio Fund is performing in a manner that is consistent with its investment objectives and our expectations and if the fund's or the Private Vehicle's portfolio as a whole is performing in a manner that is consistent with its investment objectives. We periodically monitor and perform due diligence on the Portfolio Funds in which the funds and the Private Vehicle invest and their managers, which include on-site meetings with each portfolio manager (typically annually, but more or less frequently depending on such factors as the size of the Portfolio Fund and risk) and senior administration personnel (typically annually but more or less frequently as determined necessary), conference calls with each manager, review of written reports and correspondence received from each Portfolio Fund, annual review of each Portfolio Fund's audited financial statements and review of certain publicly available information with respect to each Portfolio Fund, including regulatory filings. On a quarterly basis, we review Portfolio Funds for concentration, liquidity and return attribution based upon the information that we receive from the Portfolio Funds and public filings. We perform certain additional reviews of Portfolio Funds at least semi-annually and prior to meeting with each Portfolio Fund. Certain of the ongoing monitoring is conducted by our Operational Due Diligence Team.

LS:

After allocations have been made our LS Research Team continues to review each Manager and Managed Account on a daily, monthly and quarterly basis to (i) daily, identify early warnings of portfolio stress, (ii) monthly, re-optimize manager allocations, and (ii) quarterly, to reassess the Manager universe for possible candidates for inclusion in the portfolio. More information on the LS Research Team's ongoing monitoring of the portfolio can be found in the LS Funds' offering materials.

Investors in each Fund generally receive a written statement from the administrator of the Fund following the end of each month setting forth the unaudited performance of the Fund and the unaudited value of its investment in the Fund. Each investor in a Fund will also receive year-end financial statements that are audited by a firm of independent certified public accountants selected by us or, if applicable, the Fund's Board of Directors. We may also provide additional reports and information to certain investors as well as to consultants and advisers to investors and prospective investors at our discretion, without notice to other investors. The beneficial owner of the Private Vehicle receives such written reports and information following the end of each month and each year as have been agreed to between such beneficial owner and CSIM.

Item 14. Client Referrals and Other Compensation

No persons that are not investors in the Funds provide us with an economic benefit for providing investment advice or other advisory services to our Funds and investors in the Funds.

CSIM has, however, entered into agreements with broker-dealers that are referred to as “Solicitation Agreements” or “Placement Agent Agreements.” Pursuant to these agreements, CSIM may agree to pay a percentage of the management fee and/or incentive allocation collected from investors in its Funds to the referring broker-dealer. However, Fund investors that are referred under these agreements will not be charged fees higher than the fees described in Items 5 and 6.

Additionally, the Funds and/or CSIM may in the future enter into agreements with one or more third parties (including to persons who introduce investors to one or more Funds) providing for, among other things, (i) payments to such third parties of a fully disclosed sales charge, which may be paid from the investments of certain investors that agree thereto, or (ii) payments by CSIM to one or more of such third parties of a one-time or ongoing fee based upon the capital contributions of certain investors.

Item 15. Custody

CSIM does not generally maintain physical custody of any client assets. All client assets are held in custody by unaffiliated broker-dealers or banks. However, CSIM may be considered to have custody or access to those assets held in certain client accounts under certain circumstances, such as when CSIM or an affiliate serves as the general partner or sponsor of the Funds. In these cases, the investors in the Funds generally do not receive statements directly from their custodians. Instead, the Funds are audited on an annual basis in accordance with generally accepted accounting principles (“GAAP”) and the financial statements are distributed to each investor within the requirements under applicable CFTC or SEC guidance.

For Private Vehicles, accounts statements may be provided by the custodian directly to the client. Clients are urged to compare the custodial statements to any statements provided by the Private Vehicle’s administrator.

Item 16. Investment Discretion

We have discretionary authority to manage the assets of each Fund and the Private Vehicle either pursuant to an investment management agreement or a partnership agreement applicable to such Fund or the Private Vehicle and to which we are a party.

These agreements generally include an explicit grant of discretionary authority to manage the applicable Fund's or the Private Vehicle's assets. There are no specific limitations placed on this authority with respect to the Funds, provided that we will exercise our discretionary authority in accordance with the investment objectives and strategy set forth in applicable offering documents of each Fund. There are certain limitations and guidelines imposed on us with respect to the management of the assets of the Private Vehicle: including without limitation, guidelines and limitations on the number of Portfolio Funds in which the Private Vehicle may be invested, concentration limitations, and limitations on the types of Portfolio Funds in which the assets of the Private Vehicle may be invested.

Item 17. Voting Client Securities

As part of the investment authority granted to us by the Funds, we will vote, on behalf of the applicable Funds, on matters proposed by the Portfolio Funds in which the Funds invest or as required for any Managed Account holdings. Additionally, on rare occasions, a Fund may receive individual securities from a Portfolio Fund upon its withdrawal from such vehicle. We will vote proxy proposals, amendments, consents or resolutions (collectively, a "Proxy" or "Proxies") in a prudent and diligent manner intended to enhance the economic value of the assets of the particular Fund. We will consider relevant factors, including, but not limited to:

- The impact on the value of the particular Fund;
- The anticipated costs and benefits associated with the proposal;
- The effect on liquidity; and
- Customary industry and business practices.

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

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

Investors may obtain, free of charge, a copy of our proxy voting policies and procedures and information about how we voted Proxies by contacting our Chief Compliance Officer as follows:

Common Sense Investment Management, LLC
15350 SW Sequoia Parkway, Suite 250
Portland, Oregon 97224

Attention: Michael J. Wietecky – Chief Compliance Officer
Telephone: (503) 639-6551
Email: mike@csimllc.com

Item 18. **Financial Information**

We do not believe that there is any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

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

This Item is not applicable to us.

PRIVACY POLICY

Common Sense Investment Management, LLC (“CSIM”) believes that protecting the privacy of investors’ nonpublic personal information (“personal information”) is of the utmost importance. Personal information is nonpublic information about a natural person that is personally identifiable and that CSIM obtains in connection with providing a financial product or service to the person. For example, personal information includes information regarding an investor’s account balance and investment activity. This policy describes the personal information that CSIM collects about investors, and CSIM’s treatment of that information.

CSIM collects personal information about investors from the following sources: (i) information CSIM receives from an investor on managed account agreements or fund subscription documents and related forms (for example, name, address, Social Security number, birth date, assets, income, and investment experience); and (ii) information about an investor’s transactions with CSIM, its affiliates or others (for example, account activity and balances). CSIM does not disclose any personal information it collects, as described above, about its customers or former customers other than in connection with the administration, processing and servicing of customer accounts and funds or to CSIM’s accountants, attorneys and auditors, or otherwise as permitted by law. CSIM restricts access to personal information it collects about an investor to its personnel who need to know that information in order to provide products or services to such investor. CSIM maintains physical, electronic and procedural controls in keeping with U.S. federal standards to safeguard investors’ nonpublic personal information.