



## **Evanston Capital Management, LLC**

1560 Sherman Ave., Suite 960

Evanston, IL 60201

Phone: (847) 328-4961

Fax: (847) 328-4676

<http://www.evanstoncap.com>

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**This Form ADV, Part 2A (the “Brochure”) provides information about the qualifications and business practices of Evanston Capital Management, LLC (“ECM”). If you have any questions about the contents of this Brochure, please contact ECM at (847) 328-4961 or [investorrelations@evanstoncap.com](mailto:investorrelations@evanstoncap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any U.S. state securities authority.**

**ECM is registered with the SEC as an investment adviser. SEC registration does not imply a certain level of skill or training. Additional information about ECM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**This Brochure does not constitute an offer to sell or a solicitation of an offer to purchase interests in or shares of any investment fund advised or sponsored by ECM. Such an offer may be made to qualified investors solely by way of such investment fund’s offering materials approved for use by ECM, and only in jurisdictions in which such an offer would be lawful.**

## **Item 2 – Material Changes**

ECM previously updated this Brochure on January 15, 2015. This Brochure is being amended in connection with ECM's annual update and does not contain any material changes.

ECM's Brochure may be requested by contacting Melanie Lorenzo, Managing Director, Associate General Counsel and Chief Compliance Officer of ECM, at (847) 563-5273 or [mlorenzo@evanstoncap.com](mailto:mlorenzo@evanstoncap.com).

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#### **Item 4 – Advisory Business**

ECM, a Delaware limited liability company, was established in 2002. ECM provides investment supervisory services to U.S. and non-U.S. commingled private funds of hedge funds (“Commingled Funds”), and to a customized single investor fund (together with any customized investor fund formed in the future, the “Customized Fund,” and collectively with the Commingled Funds, the “Private Funds”). At least one of the Commingled Funds also invests a portion of its assets in longer-term, illiquid private investment vehicles, such as private equity funds and/or other committed capital style funds. The Private Funds are exempt from registration under the Investment Company Act of 1940, as amended (“Company Act”). ECM also provides investment advisory services to a closed-end investment company that is registered under the Company Act, and which launched in July 2014 (the “Registered Fund,” and collectively with the Private Funds, the “Funds”). The Funds are advised based on the investment objectives set forth in each Fund’s relevant confidential explanatory memorandum, confidential private placement memorandum, registration statement, or similar disclosure document (“Offering Document”). As of January 31, 2015, ECM manages, on a discretionary basis, approximately \$5,235,952,770 in client assets. ECM does not manage any client assets on a non-discretionary basis.

A majority of ECM’s equity is owned by employees of ECM and ECM’s initial “seed” investor. TA Associates, L.P., through TA XI ECM AIV, L.P. and certain other of TA Associates, L.P.’s affiliated private equity and subordinated debt funds (collectively, “TA”), own a significant minority equity interest in, ECM. TA XI ECM AIV, L.P. is currently a principal owner of ECM as defined under the instructions to Form ADV, Part 2 because it owns at least 25% but less than 50% of the membership units of ECM. ECM is responsible for the Funds’ management.

Adam B. Blitz serves as ECM’s Chief Executive Officer and Chief Investment Officer, and is a member of ECM’s Board of Managers along with David L. Wagner, who is the Chairman of the Board of Managers. Two TA representatives serve with Mr. Blitz and Mr. Wagner on a five person Board of Managers. The fifth member of ECM’s Board of Managers is selected by the remaining Managers and is independent of TA and ECM. The number of members of the Board of Managers and its composition may be changed without notice to recipients of the Brochure. The Board of Managers is responsible for ECM’s overall corporate governance, subject to certain rights of TA to approve certain actions such as a future sale of ECM. Although TA-affiliated entities serve as general partner of investment-related limited partnerships and/or as adviser of other private funds, none of the Funds is solicited to invest in such limited partnerships or other private funds. ECM and TA do not conduct joint operations and ECM does not provide investment advice that is formulated by TA.

As noted in Item 7 below, ECM is an investment adviser to funds of private funds, and may in the future also select sub-advisers for the Funds. ECM evaluates hedge funds and other private investment vehicles (“Portfolio Funds”) and the Portfolio Funds’ independent portfolio managers (each a “Portfolio Manager,” and collectively, the “Portfolio Managers”) by using ECM’s investment process which is outlined in Item 8. Consequently, ECM generally does not participate in the selection, buying or selling of specific securities of operating issuers, except in certain limited circumstances, such as where it must sell in-

kind distributions of securities a Fund may receive from Portfolio Funds. The Funds' investment objectives, and any limitations or restrictions on investments, are described in each Fund's Offering Document.

#### **Item 5 – Fees and Compensation**

Generally, ECM's Commingled Funds charge an asset-based fee (the "Management Fee") ranging between 0.55% to 1.5% per annum that accrues over a set period of time, namely monthly or quarterly, and is payable quarterly. ECM's Commingled Funds may also pay performance-based compensation as described in Item 6 below. The Management Fee is disclosed in each Commingled Fund's Offering Document, and will vary based on the particular Commingled Fund and the type or class of interests or shares held. A Customized Fund's Management Fee will vary based on the level of services ECM provides and is negotiated with the Customized Fund investor on a case-by-case basis.

The Registered Fund's Management Fee and other fees are described in its prospectus, which may be found by searching under "Evanston Alternative Opportunities Fund" on the SEC's EDGAR database, <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

The Funds' limited partners and shareholders are collectively referred to as the "Investors" or an "Investor" in this Brochure.

ECM expects that the Management Fee may be waived in whole or in part for investments in a Commingled Fund by ECM's principals, employees, Board of Managers, members of ECM's former advisory board, any person related to the above, and certain entities whose investors primarily consist of the above. ECM may also enter into agreements with certain Investors in ECM's sole discretion granting preferential fee terms in certain circumstances, including, for example, an Investor's investment size, or as aggregated with affiliated Investor investments, without entitling any other Investor to such terms. Neither ECM nor the relevant Fund is generally obligated to disclose such agreements to, or obtain the approval of, all Investors. ECM will not enter into any such agreement if ECM determines it would have a material adverse effect on other Investors in the relevant Fund, or if it is prohibited by law.

Each Fund's third party administrator calculates the Funds' net asset value under ECM's overall supervision, and the supervision of the Registered Fund's Board of Trustees, as applicable. ECM and, as relevant, the Registered Fund's Board of Trustees, may in certain circumstances make a fair valuation recommendation for an investment, subject to ECM's Valuation Policy and Procedures, or the Registered Fund's Fair Valuation Policies and Procedures, as applicable. In doing so, a conflict of interest exists given that the Management Fee and, if applicable, performance-based compensation (as discussed in Item 6 below) ECM would receive are based on such valuation.

### The Funds' Expenses

ECM is responsible for its employees' salaries and employee benefit expenses, and those of any of its affiliates involved in the management and conduct of the Funds' business and affairs and related overhead (including rent, utilities and other similar items).

The Private Funds pay costs and expenses as ECM reasonably determines for their formation and to carry on their businesses, purposes and activities (and will reimburse ECM and its related persons for any costs and expenses incurred by them on the Private Funds' behalf). These costs and expenses may include, for example, organizational and offering, legal, audit, custodial, third party administration, line of credit, interest on borrowings, unaffiliated director, insurance, indemnification, tax preparation and other tax-related fees and expenses, government fees and extraordinary expenses (if any). The Registered Fund's expenses are described in its prospectus.

The Funds also bear their *pro rata* share of the Portfolio Funds' interest, brokerage and other transactional charges, commitment fees, insurance and fees. The fees earned by the Portfolio Managers generally include both management fees (percentage of allocated assets) and incentive compensation (percentage of profits from the allocated assets). Management fees generally range from 1% to 3% per annum of assets under management, and incentive compensation generally ranges between 15% and 35% of profits (which may be calculated as profits in excess of a hurdle amount), often calculated annually but in some cases more frequently. Incentive compensation will be paid to each Portfolio Manager individually, irrespective of each Fund's overall performance. Investors will bear their proportionate share of these fees and expenses, along with their proportionate share of the Funds' fees and expenses.

The Funds' third party administrator typically deducts Investors' share of the Management Fee, any applicable Incentive Allocation (as defined in Item 6 below), and expenses directly from an Investor's account. The Management Fee generally is accrued monthly or quarterly, and is typically paid quarterly in arrears. However, the Management Fee is paid in advance for one Commingled Fund. Such Commingled Fund will reimburse Investors who redeem on other than a calendar quarter-end the *pro rata* portion of the pre-paid Management Fee for the corresponding months of such calendar quarter. The Incentive Allocation is made annually (and upon a withdrawal of capital) and is not paid in advance.

### Layering of Fees Charged

Due to the nature of "fund of funds" limited partnerships, trusts, and corporations, the Funds will invest in Portfolio Funds and incur certain charges such as fees assessed by the Portfolio Managers. The fees charged by the Portfolio Funds will be incorporated in the Funds' net income or loss, not in the fees charged by ECM to the Funds. These fees are exclusive of and in addition to ECM's Management Fee and Incentive Allocation, as applicable (as defined in Item 6 below), and ECM will not receive any portion of such fees.

### Brokerage and Similar Commissions to Effect Client Transactions

As ECM focuses primarily on investments in Portfolio Funds, which generally are available directly from the issuers without payment of brokerage or similar commissions, ECM generally does not expect to use brokers to effect Fund transactions. Item 12 describes the factors that ECM would consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*i.e.*, commissions). If ECM determines to use brokers to effect transactions for clients in the future, any brokerage or commissions assessed would be in addition to ECM's Management Fee.

### Fees for Services ECM May Provide to Other Investment Vehicles

ECM or its affiliate may act as the general partner, investment manager, investment adviser, or sponsor to other commingled or customized investment vehicles or registered investment companies in the future, and such vehicles will pay ECM fees as described in their Offering Documents. Fees may take any number of forms, such as fees based on a percentage of capital commitments or assets under management and/or so-called "performance based fees," including so-called "carried interests," as applicable. If fees are subject to the provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), these fees will be structured to comply with the Rule's provisions.

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

### Performance-Based Fees

ECM's Private Fund Investors may pay performance-based compensation, generally ranging between 5% to 10% of any net capital appreciation of an Investor's investment (the "Incentive Allocation") in a Private Fund. The Incentive Allocation may be calculated on a "high water mark" basis, and in such cases generally includes a hurdle rate that requires performance to exceed a fixed percentage or a particular benchmark in a given year before an Incentive Allocation is made. Incentive Allocations are structured subject to Section 205(a)(1) of the Advisers Act and in compliance with the exemption in Rule 205-3 of the Advisers Act.

The Incentive Allocation is based on capital appreciation, which may create an incentive for ECM to invest the Private Funds' assets in investments that are riskier or more speculative than if ECM received only a flat percentage of capital. Furthermore, only some of a Private Fund's classes of interests or series of shares may be subject to an Incentive Allocation. Because all such classes or series invest in the same Private Fund, all Investors are subject to the risks discussed above.

### Side-by-Side Management

ECM manages the Registered Fund and at least one Commingled Fund alongside (or "side-by-side" with) the other Private Funds, and such Registered Fund and Commingled Fund are not subject to any Incentive Allocation. ECM may also offer other Funds in the future that will not be subject to an Incentive Allocation. ECM's simultaneous management of similar investment strategies where only certain Funds compensate ECM for performance may incentivize ECM to allocate what it considers to be the best investment opportunities

to those Funds that pay an Incentive Allocation. ECM takes into account its fiduciary duties to the Funds when dealing with conflicts of interest such as these, and ECM developed policies to reasonably ensure that no Fund will be treated unfairly in relation to other Funds and seeks to fairly allocate investment opportunities among all Funds over time. Please see Items 8 and 11 for details respecting ECM's policy on the allocation of investments among its client accounts.

ECM's compensation is determined on the basis of the value of the Funds' assets, including value attributable to unrealized appreciation, and ECM could earn an Incentive Allocation on gains that Investors may never realize. As noted in Item 5, ECM may value securities for which market quotations are not available at such value as ECM reasonably determines and may not be independently valued or verified by a third party. This may incentivize ECM to place the highest reasonable value on the Funds' investments. ECM addresses such conflicts by making fair valuation determinations in accordance with ECM's Valuation Policy and Procedures and the Registered Fund's Fair Valuation Policy and Procedures, as applicable.

ECM expects that the Incentive Allocation may be waived in whole or in part for capital invested directly or indirectly in a Private Fund by ECM's principals, employees, Board of Managers, members of ECM's former advisory board, any person related to the above, and certain entities whose investors primarily consist of the above. ECM may also enter into agreements with certain Investors in its sole discretion granting preferential fee terms in certain circumstances without entitling any other Investor to such terms, as noted in Item 5 above.

#### **Item 7 – Types of Clients**

ECM's clients solely comprise its Funds. The Private Funds are privately offered commingled investment vehicles and single investor vehicles that rely on the 3(c)(1) or 3(c)(7) exemption from the definition of "investment company" under the Company Act. The Registered Fund is a closed-end registered investment company. ECM may, in the future, manage separate accounts.

The Funds' Investors may include, but are not limited to, high-net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, endowments, corporations and other business entities. ECM or its affiliate, Evanston Capital GP, LLC ("Evanston GP") acts as general partner to the U.S. Private Funds, as the sponsor and/or investment manager of the non-U.S. Private Funds, and as the Registered Fund's investment adviser. ECM may also provide similar services to other collective and customized investment vehicles, registered funds, and other clients.

The Commingled Funds generally require initial minimum investments ranging between \$1 and \$3 million, and also establish minimum additional investments amounts as provided in each Commingled Fund's Offering Document. Such minimum amounts may be waived or reduced in ECM's discretion (or in the discretion of the non-U.S. Commingled Funds' board of directors). The Customized Fund's minimum investment amount will vary depending on

the Customized Fund's investment strategy, and is agreed upon with the relevant Customized Fund investor in advance. The Registered Fund generally requires an initial minimum investment of \$50,000, and minimum additional investments of \$10,000.

U.S. Private Funds that are 3(c)(7) funds accept capital from U.S. investors that are "accredited investors" as defined in Rule 501(a) ("Accredited Investors") under the Securities Act of 1933, as amended (the "Securities Act"), "qualified purchasers" within the meaning of Section 2(a)(51)(A) of the Company Act, and "knowledgeable employees." The U.S. Private Fund that is a 3(c)(1) fund accepts capital from U.S. investors that are Accredited Investors. The non-U.S. Private Funds generally accept capital from U.S. tax-exempt investors that are "accredited investors" and "qualified purchasers," non-U.S. investors that are "qualified purchasers" and are not "U.S. persons" as defined in Regulation S under the Securities Act, "employee benefit plans" as defined in and subject to the Employee Retirement Income Security Act of 1974, as amended and other qualified plan investors that are "accredited investors" and "qualified purchasers." The Registered Fund generally offers its securities to "Eligible Investors," which includes any Accredited Investor.

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

### **A. METHODS OF ANALYSIS**

ECM generally sources potential investment ideas primarily from three areas: prime brokers, other alternative investment fund investors, and Portfolio Managers (collectively, ECM's "network"). By maintaining continuous dialogue with these parties, ECM believes it can remain attuned to new Portfolio Managers' launches, given the relatively few top-tier Portfolio Fund launches that ECM believes occur every year. Portfolio Manager selection is primarily an exercise to identify and understand an investment thesis and process, combined with the assessment of human intellect and character. ECM will only select Portfolio Managers which it believes are of the highest quality.

Please note that Steps 1, 1A, and 2 as described below are primarily geared toward ECM's assessment of Portfolio Managers of hedge funds and will likely not be applied in their totality when assessing Portfolio Managers of private equity funds due to a variety of factors, including the different investment styles and processes between hedge fund and private equity fund Portfolio Managers. However, ECM will perform due diligence on prospective Portfolio Managers of private equity funds, including review of their strategy, performance history and decision-making processes, in order to evaluate them. ECM will further consider each Portfolio Manager of private equity funds in the context of such Private Fund's existing investments, including in terms of investment time horizon, sector and geography, in order to seek to build a diversified portfolio of investments.

#### **Step 1 – Initial Portfolio Manager Evaluation**

ECM meets with numerous prospective Portfolio Managers each year, and each is initially evaluated using ECM's proprietary 360° scoring system. ECM eliminates Portfolio Managers that do not meet predetermined hurdles from further consideration. ECM uses



interviews, formal presentations, one-on-one meetings and other research to complete its 360° review.

#### Step 1A – In-Depth Investment Review

ECM generally meets with the Portfolio Managers that pass the Step 1 initial evaluation and conducts a more intensive review to reevaluate and analyze each 360° factor in a more in-depth manner.

#### Step 2 –Business Partner Evaluation (i.e., Operational Due Diligence)

Following a successful Step 1A review, ECM's business due diligence team conducts a Step 2 review, which is designed to evaluate the Portfolio Manager's overall business and operational resources and to meet with functional business and operational leaders to assess their ability to organize and manage a thoughtful business enterprise. Items addressed during a Step 2 review typically include staffing and organization structure, trade operations, accounting and valuation, counterparty management, legal, compliance, and disaster recovery.

ECM or its outside legal counsel also will review each Portfolio Fund's offering documents and ECM will engage an independent third-party background check firm to check on relevant key personnel associated with the Portfolio Manager.

#### Step 3 - Portfolio Construction

After ECM has identified Portfolio Funds for potential inclusion within a Fund's portfolio, ECM seeks to build a team of Portfolio Managers in an effort to attain an optimal risk-reward tradeoff in connection with the Fund's investment objective. By seeking complementary strategies, styles and personalities, and by balancing one Portfolio Manager's relative strengths against another's relative weaknesses, ECM seeks to create the best team possible given the Portfolio Managers it has identified. ECM also continuously considers potential future Portfolio Managers who have cleared Step 1 and Step 1A. By understanding how each of those potential Portfolio Managers would complement the existing Portfolio Managers in the portfolio, ECM believes it can adjust the portfolio while retaining the optimal risk-return tradeoff.

#### Portfolio Risk Management

ECM conducts risk management analysis at the portfolio level using both quantitative and qualitative evaluation processes after it has identified a potential Portfolio Manager. ECM's qualitative approach considers how each Fund's Portfolio Managers and such Fund as a whole might perform in various "worst case" and stressed scenarios. To this end, ECM has developed proprietary methodologies and models in its ongoing effort to appropriately manage each Fund's risks. ECM's job is to understand the risks each Fund is taking and to understand the expected return such Fund is receiving to compensate for taking those risks. ECM believes the proper reaction to poor Portfolio Manager performance is first to assess whether such performance is the result of randomness or the result of some greater underlying risk that has surfaced. After such determination, ECM determines whether to allocate assets away from such Portfolio Manager or to closely monitor the underlying risk.

In the risk management process, some of the quantitative measures ECM may analyze at the portfolio level include: historical volatility, cross-manager correlation, correlation to major equity, fixed income and style indices, and historical return drawdowns to assess downside return potential. ECM's portfolio risk management process also incorporates a proprietary qualitative assessment of portfolio risk via the construction of its "Qualitative Risk Factor Correlation Matrix" (the "Risk Matrix") to consider how Portfolio Managers might behave in abnormal, or stressed, market environments. The Risk Matrix enables ECM to subjectively analyze how the performance of each Fund's Portfolio Managers may be impacted by various stressed market scenarios.

#### Portfolio Manager Transparency

ECM requires useful and appropriate levels of transparency from its Portfolio Managers, which it believes serves two critical purposes in the portfolio management process. First, it enables ECM to identify drifts from the Portfolio Manager's stated strategy, objectives, and guidelines. Second, it enables ECM to analyze exposures across a Fund's entire portfolio of Portfolio Managers, which may indicate overexposure or underexposure to certain regions, asset classes, industries, investment styles, etc. To this end, ECM will determine a different level of required transparency for each of the Fund's Portfolio Managers. In all cases, the transparency must provide substantial insight into the Portfolio Manager's risks and exposures. ECM will attempt to appropriately tailor the required transparency to each Portfolio Manager's strategy and will remove from consideration those Portfolio Managers who fail to meet these requirements.

#### Ongoing Portfolio Evaluation

On an ongoing basis, ECM will evaluate each Fund's Portfolio Fund allocations. ECM expects to have telephone conversations on a periodic basis and face-to-face meetings at least semi-annually with Portfolio Managers included in the Funds' portfolios. ECM's management also will meet monthly to, among other things, discuss each Fund's Portfolio Fund allocations, each Portfolio Fund's recent performance vis-à-vis what might be expected given the Portfolio Manager's strategy and market events, and any material organizational issues which may affect any Portfolio Manager. ECM may increase its monitoring of, or ultimately terminate, a Portfolio Manager due to, among other things: (1) investment drift; (2) unexpectedly high or low volatility; (3) reduction in transparency; (4) poor long-term performance; (5) unexplained strong or negative performance outside of expected ranges; (6) organizational turnover (both outgoing and incoming); (7) loss of confidence in a Portfolio Manager being an "enhanced business partner"; (8) unexplained changes in the "personality of the firm"; (9) untimely distribution or reduction in investor reports; (10) switch to a non-reputable service provider; and (11) increased level of redemptions and/or poor asset and liability matching.

#### Number of Portfolio Managers

While ECM will impose no explicit limitations on the number of Portfolio Managers in a Fund's portfolio, ECM believes it generally constructs more concentrated portfolios of Portfolio Funds than many other fund-of-funds managers. The Funds' Offering Documents describe expected ranges, if any, of Portfolio Managers in a Fund's portfolio.

### Leverage

While most of the Funds generally will not use leverage except to use credit facilities to provide liquidity for investments and withdrawals, at least one Fund may use borrowing or other forms of financial leverage to finance its operations or for investment purposes. Furthermore, the Funds may invest with Portfolio Managers that use leverage by purchasing securities with borrowed funds and/or purchasing options, futures or other derivatives contracts. The interest rates at which such Fund or Portfolio Fund borrows will affect its operating results, and market fluctuations and increased collateral requirements since the crisis can adversely affect such Fund's or Portfolio Fund's net asset value or the value of positions held by it.

The Registered Fund's borrowings, if any, will be subject to the limitations set forth in the Company Act. Please refer to the Registered Fund's Offering Document, which may be found by searching under "Evanston Alternative Opportunities Fund" on the SEC's EDGAR database, <http://www.sec.gov/edgar/searchedgar/companysearch.html>, for more information.

While ECM imposes no explicit rule on the aggregate total size of the positions that a Fund or Portfolio manager holds, ECM sets forth its expectations, if any, of the maximum aggregate gross market value of such positions in a Fund's Offering Document. Leverage, of course, increases the magnitude of both profits and losses, and the use of credit facilities also may cause the Funds to incur additional interest and other expenses.

### **B. INVESTMENT STRATEGIES**

The following sections set forth the Funds' principal strategies and material risks. From time to time, ECM will adjust Portfolio Fund allocations and/or adjust the amount of assets committed to each Portfolio Fund. ECM generally does not itself manage any of the Funds' assets other than allocating assets to Portfolio Funds and Portfolio Managers, except for the selection of money market investments or if short-term liquidity issues necessitate that a Fund hold securities from in-kind distributions.

Certain Funds do not have any restrictions on the types of investment strategies or styles that the Portfolio Managers may employ, and have broad discretion in the development and implementation of diverse alternative strategies across a variety of asset classes. Such strategies may include, for example, distressed, specialist credit, structured product, and short selling strategies, as well as managed futures, commodities, catastrophe insurance and reinsurance, energy trading, and other strategies as described in such Fund's Offering Document. Furthermore, the strategies employed by the Funds may change over time and the strategies described below are not intended to be an exhaustive list. A description of each Fund's investment objective and strategies may be found in such Fund's Offering Document.

The Funds allocate capital to external Portfolio Managers that generally employ one or more principal investment strategies as follows:

**(1) Long/Short Equity Strategies:**

Long/short equity strategies seek to profit by taking positions in equities and generally involve fundamental analysis in the investment decision process. Long/short equity strategies may aim to have a net long directional bias (“long-biased”), a net short directional bias (“short-biased”) or be neutral to general movements in the stock market (“market-neutral”). Portfolio Managers in these strategies tend to be “stock pickers” and typically manage market exposure by shifting allocations between long and short investments depending on market conditions and outlook.

**(2) Event Driven Strategies:**

Event driven strategies involve investing in opportunities created by significant transaction events. Whether a Portfolio Manager that employs an event driven strategy is successful in any given investment generally depends on the outcome of such event. Event Driven Portfolio Managers may focus on companies engaged in spin-offs, mergers and acquisitions, and reorganizations, and/or on companies involved in bankruptcy proceedings, reorganizations or liquidations.

**(3) Relative Value Strategies:**

Relative value strategies seek to profit by exploiting pricing inefficiencies between related instruments while remaining long-term neutral to directional price movements in any one market. Every relative value strategy consists of an exposure to some second order aspect of the market, such as the yield spread between similar-term government bonds, the yield or swap spread between government and corporate bonds, and short-term price dislocations between related securities triggered by unusual volume in one or multiple securities. The returns from these relative value strategies are derived from those second order risks.

**(4) Global Asset Allocation Strategies:**

Global asset allocation strategies seek to exploit opportunities in various global markets. Portfolio Managers employing these strategies have a broad mandate to invest in those markets and instruments which they believe provide the best opportunity. At any given time, a Portfolio Manager employing a global macro strategy may take positions in currencies, sovereign bonds, global equities and equity indices or commodities. A Portfolio Manager employing a global asset allocation strategy may elect to take outright, directional positions or it may implement a strategy where a long position or set of positions is dynamically paired off against a short position or set of positions.

**C. RISK OF LOSS**

All securities investments risk the loss of capital. An investment in any of the Funds is subject to loss, including possible loss of the entire amount invested. No guarantee or representation is made that any Fund’s investments will be successful, and the Investors should be prepared to bear such loss. The past performance of ECM and the Funds is not necessarily indicative of future results.

#### **D. MATERIAL RISKS**

The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Funds' trading. This summary does not attempt to describe all of the risks associated with an investment in the Funds, or even all of the risks associated with the Funds' strategies. Investors are urged to review the summary of risk factors set forth in each U.S. Private Fund's Offering Document, and in the Registered Fund's Offering Document, which may be found by searching under "Evanston Alternative Opportunities Fund" on the SEC's EDGAR database, <http://www.sec.gov/edgar/searchedgar/companysearch.html>.

#### **General**

##### *Reliance on ECM*

ECM or its affiliate serves as the Funds' general partner, investment manager, investment adviser, and/or sponsor. The Investors will not make decisions with respect to the management, disposition or other realization of any Fund investment, or other decisions regarding a Fund's business and affairs. The Funds' success will depend, in large part, on ECM's skill and expertise, which manages the Funds' business and affairs.

##### *Limited Regulatory Oversight*

None of the Private Funds is registered as an "investment company" under the Company Act or any comparable regulatory requirements. Accordingly, these regulations, which generally require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be maintained in segregated accounts and regulate the relationship between the investment company and its asset manager, do not apply to an investment in the Private Funds. The Private Funds are not subject to comparable regulation in any non-U.S. jurisdiction. Therefore, Investors do not have the benefit of the protections afforded by, and the Private Funds are not subject to the restrictions contained in, such registration and regulation.

ECM is not registered as a "commodity pool operator" ("CPO") or "commodity trading advisor" with the U.S. Commodity Futures Trading Commission ("CFTC"), and therefore neither the Funds nor the Investors have the benefit of the protections afforded by, nor is ECM subject to the restrictions contained in, such registrations and regulations. In the CFTC's letter No. 12-38 dated November 29, 2012, the CFTC granted temporary CPO registration relief to certain CPO fund of hedge funds managers that comply with certain requirements until six months from the date that the CFTC's Division of Swap Dealer and Intermediary Oversight issues revised guidance on the application of the de minimis thresholds of Regulation 4.5 and 4.13(a)(3). ECM will review any revised guidance issued by the CFTC and will determine whether it must register with the CFTC and become a National Futures Association member.

##### *Fund of Hedge Funds Investment Risk*

The Funds' multi-manager investment approach is subject to various investment-related types of risks, including market risk, strategy risk, and manager risk. Market risk includes unexpected directional price movements, deviations from historical pricing relationships,

changes in the regulatory environment, changes in market volatility, panicked or forced selling of riskier assets, and contraction of available credit or other financing sources.

Strategy risk relates to the failure or deterioration of an entire strategy and can result from excessive concentration by multiple Portfolio Funds in the same investment, or broad events that adversely affect particular strategies (*i.e.*, illiquidity within a given market). Certain of the Funds' Portfolio Managers will employ high risk strategies.

Portfolio Manager risk encompasses the possibility of loss due to Portfolio Manager fraud, intentional or inadvertent deviations from a predefined investment strategy, or simply poor judgment. There could be material changes in one or more of the Funds' Portfolio Managers, including changes in control, initial public offerings, and mergers. The effect of such changes on a Portfolio Manager cannot be predicted but could be material and adverse. Given the Portfolio Funds' limited liquidity, the Funds may not be able to quickly alter their portfolio allocation in response to any such changes, resulting in substantial losses from Portfolio Manager risk.

#### *No Private Equity Experience*

Although certain members of ECM's Investment Committee (as identified in Item 13) have significant experience investing in private equity funds, ECM itself has not managed funds-of-funds that invest in underlying private equity funds. There can be no assurance that ECM will be able to achieve success in investing in these products.

### **Market Risk**

#### *Lack of Liquidity for Funds of Investment Funds*

The Funds invest with Portfolio Managers that, in turn, may invest in securities and derivatives that often do not have a liquid market. For instance, a Fund may allocate a material portion of its assets to Portfolio Managers implementing distressed, credit, relative value, arbitrage, event-driven, leveraged buy-out, growth equity and venture capital strategies, each of which typically relies on investments in debt instruments, credit default swaps, large blocks of public or private equities, convertible bonds, or other illiquid debt, equity, or derivative instruments. This lack of liquidity creates several risks. First, it makes it difficult for the Portfolio Manager and ECM to determine if the Portfolio Manager is accurately valuing its positions because of the uncertainty regarding the realization of the prices that are quoted if the Portfolio Manager attempted to liquidate its portfolio at those prices. Second, it increases the risk that other investors' withdrawals from such Portfolio Funds will reduce such Portfolio Funds' net asset values merely due to selling pressure, rather than a fundamental change in the investments themselves. Third, it increases the risk that a Portfolio Fund will not honor a Fund's liquidity expectations.

Although Portfolio Funds have restrictions in their governing documents that limit a Fund's ability to withdraw funds typically to calendar quarter or year ends (or less frequently) on significant prior notice, as the recent market turmoil demonstrated, Portfolio Funds may not be able to honor these somewhat onerous liquidity provisions. The inability to withdraw from a Portfolio Fund may prevent ECM from re-allocating a Fund's assets as

dynamically as it may otherwise desire. This limitation exists even when a Portfolio Fund has not implemented a constraint on its expected liquidity. Given that, even in the best of times, Portfolio Funds permit withdrawals only infrequently and on significant advance notice, the Funds' flexibility to reallocate assets among Portfolio Funds is limited.

ECM has no control over the Portfolio Funds' liquidity and depends on the Portfolio Managers to provide appropriate valuations and liquidity in order to process Investor withdrawals and redemptions. In some cases, ECM will allocate the Funds' assets to Portfolio Funds that later impose liquidity constraints, making it impossible for ECM to terminate them. Investors must recognize that under certain circumstances, restrictions on liquidity imposed by the Portfolio Managers may materially restrict or delay their withdrawal/redemption rights. An inability to withdraw from a Portfolio Fund may expose the Funds to losses they could have otherwise avoided if such Funds had been able to withdraw from such Portfolio Fund. Furthermore, if an Investor desiring to withdraw or redeem from a Fund must remain invested during its liquidation, such Investor may experience those losses as well. It may also cause the Funds to become unbalanced as they are forced to obtain liquidity from those Portfolio Funds which provide such liquidity. In certain cases, other Portfolio Fund investors may have preferential withdrawal rights, which, if exercised, could materially adversely affect a Fund's investment(s) in such Portfolio Fund.

#### *Illiquidity of Underlying Investments*

The Portfolio Funds are unregistered, and their interests and shares are subject to legal or other transfer restrictions. It may be impossible for a Fund to withdraw its interests in such Portfolio Funds when desired or to realize its fair value in the event of such withdrawals. Certain Portfolio Funds may permit withdrawals only on a semi-annual, annual, or less frequent basis or be subject to "lock-ups" (where investors cannot withdraw their capital for a specified period following investment in such Portfolio Fund) and/or "gates" (where withdrawal at any given withdrawal date is restricted to a specified percentage of such Portfolio Fund's assets).

ECM believes that a number of private investment funds, including certain Portfolio Funds, have become increasingly composed of longer-term, illiquid investments either in an attempt to achieve returns which they do not find available in the liquid markets or because Portfolio Managers have exited liquid positions to fund withdrawals or for defensive purposes. In conjunction with this portfolio composition change and during the 2007-2009 financial market crisis, a number of private investment funds have adopted or otherwise implemented liquidity constraints, such as "gates," "side pockets," suspension of withdrawals/net asset value calculations, withdrawals in kind, special liquidity vehicles, lock-ups, withdrawal fees, and less frequent withdrawal rights. ECM has no control over the Portfolio Funds' liquidity and depends on the Portfolio Managers to provide valuations as well as liquidity in order to process withdrawals. Investors must recognize that under certain circumstances, their withdrawal or redemption rights may be materially restricted or delayed due to Portfolio Fund illiquidity. In some cases, ECM may have allocated a Fund's assets to Portfolio Funds from which ECM later intends to liquidate but cannot

promptly do so due to such Portfolio Funds' liquidity constraints. If a material portion of a Fund's assets are allocated to Portfolio Funds that take such actions, such Fund likely will not be able to withdraw from such Portfolio Funds for an extended period of time. This could expose the Funds to losses they may have avoided if they had been able to allocate away from such Portfolio Funds.

The complicated and often protracted process of withdrawing from Portfolio Funds could hinder the Funds' ability to timely meet Investors' withdrawal and redemption requests, as well as the Funds' ability to adjust their Portfolio Fund allocations. It could also cause the Funds to become unbalanced in the event they withdraw from their more liquid Portfolio Funds to fund their withdrawals or expenses. Also, to the extent that a material portion of the Funds' Portfolio Funds suspend net asset value calculations, ECM may be unable to calculate the Funds' net asset value.

#### *Competitive Markets*

Certain Funds and Portfolio Funds which have little capital may have difficulty competing in markets in which its competitors have substantially greater financial resources, larger research staffs, and more investment professionals than such Fund or Portfolio Fund has or expects to have in the future. Other firms' investment and trading activity will tend to narrow the spread between the price at which a commodity interest or investment may be purchased by such Fund or Portfolio Fund, and the prices it expects to receive when the transaction is consummated.

### **Strategy and Portfolio Manager Risk**

#### *Principal Strategy Areas*

The success of the Funds' investment objectives will depend on the Portfolio Managers' ability to successfully engage in investments based on each Fund's principal strategy or strategies as set forth in Item 8, Section B. Each of the long/short equity, event-driven, relative value, global asset allocation, and any other strategies a Fund implements may entail a specific set of risks relating to, among other things, investments in equity, fixed income, convertible, and high yield, low, or unrated securities, the credit markets, emerging markets, corporate debt obligations, structured notes, arbitrage strategies, derivatives, swaps, options, over-the-counter transactions, commodities, credit default swaps, futures, forward, and index contracts, hedging, spread trading, short sales, and volatility strategies, as applicable to a Fund's strategy, and as described in further detail in a Fund's Offering Document.

#### *Use of Portfolio Managers*

ECM evaluates and monitors each Portfolio Manager based in part on information about each Portfolio Manager's historical performance and investment strategies. ECM expects that it will not necessarily be given access to information regarding the Portfolio Funds' actual investments, as such information is often considered proprietary. At any given time, ECM may not know a Portfolio Fund's positions with respect to the degrees of hedged or directional positions, or the extent of concentration risk or exposure to specific markets.



ECM also may not learn of significant structural events, such as personnel changes, major asset withdrawals or substantial capital growth, until after the fact.

A number of Portfolio Funds might accumulate substantial positions in the same or related instruments at the same time. Because information regarding a Portfolio Fund's actual investments is generally unavailable, ECM cannot determine whether such accumulations, which could reduce diversification in the Funds' portfolios as a whole, have taken place. The Portfolio Funds will trade independently of one another and may at times hold economically offsetting positions. Portfolio Funds investing in a particular sector also may be subjected to differing or increased risks relating to that sector.

#### *Concentration by Portfolio Managers*

The Portfolio Managers are not required to follow any specific concentration restrictions and may at times (individually or collectively) accumulate substantial positions in one or more securities, thereby exposing the Funds to the possibility of substantial losses.

#### *Availability of Portfolio Funds*

A number of Portfolio Funds may significantly limit investor access due to investor demand exceeding Portfolio Fund size or capacity or for other reasons. There can be no assurance that a Fund will be permitted to invest, or to invest as much as it desires, in each Portfolio Fund, and any such failure could adversely affect the Funds' investment performance.

#### *Committed Capital Portfolio Fund Returns*

Private equity Portfolio Funds ("PE Portfolio Funds") which draw down their capital over time generally charge management fees on committed rather than invested capital. Such Portfolio Funds' investment returns in their early years are typically negative, known in the industry as the "j-curve effect" (based on a graphical representation of performance, assuming Portfolio Fund success). Accordingly, such Portfolio Fund's profitability is typically uncertain until its later years and then is highly dependent on the performance of their respective investments in those years.

#### *Use of Leverage*

Some Private Funds may use leverage for investment purposes, to provide liquidity for investments, and to fund withdrawals and pay expenses. The Portfolio Funds' investment strategies also may at times require the use of substantial leverage. Such leverage may be achieved through, for example, borrowing funds, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements and swaps. The use of leverage magnifies the degree of risk. While the majority of the Funds do not expect to incur indebtedness as part of their investment strategies, the Funds reserve the right to borrow in order to meet short term liquidity needs.

During the 2008 credit crisis and extending into 2010, banks and dealers substantially curtailed financing activities and increased collateral requirements, forcing many hedge funds to liquidate positions. Any increased collateral requirements of banks, dealers, or other counterparties may adversely affect the Portfolio Funds', and therefore the Funds',

profit potential. There can be no assurance that the Portfolio Funds will be able to obtain adequate financing to pursue their investment program and achieve their objectives.

#### *Replacement of Portfolio Managers or Portfolio Funds*

The Funds are not restricted in appointing or replacing Portfolio Managers or Portfolio Funds. Although not anticipated, the Funds' investment policies might result in substantial Portfolio Manager or Portfolio Fund turnover. Replacement of Portfolio Managers or Portfolio Funds may involve greater fees, which will be borne by the Funds.

#### *Portfolio Manager Misconduct or Bad Judgment*

When ECM allocates assets to a Portfolio Fund, the Funds will not have custody of the assets or control over their investment. A Portfolio Manager could divert or abscond with the assets, fail to follow agreed upon investment strategies, provide false reports of operations or engage in other misconduct.

#### *Limited Operating History of Portfolio Managers*

Some of the Portfolio Managers with which the Funds may invest have short performance records that may not be indicative of their longer term or future performance.

#### *Sole Principal Portfolio Managers*

Some of the Portfolio Managers may consist of only one or a limited number of principals. If the services of any of such principals became unavailable, the Funds might sustain losses.

#### *Misuse of Confidential Information*

ECM expects that the Portfolio Managers will use only public information. Portfolio Managers may be charged with misuse of confidential information or other securities law violations. If that were the case, the performance records of these Portfolio Managers could be misleading. Furthermore, if a Portfolio Manager or entity with which a Fund invests has engaged in such misuse or violations or does so in the future, such Fund could be exposed to losses.

#### *Increase in Amount of Assets Under Management*

It is not known what effect, if any, an increase in the amount of assets under management will have on the trading strategies used by the Portfolio Managers or their investment results. No assurance can be given that their strategies will continue to be successful.

#### *Other Clients of Portfolio Managers*

The Portfolio Managers manage other accounts (including other accounts in which the Portfolio Managers may have an interest) and may have financial and other incentives to favor such accounts over the Funds. In investing on behalf of other clients, as well as the Funds, Portfolio Managers must allocate their resources, as well as limited market opportunities. Doing so not only could increase the level of competition for the same trades the Funds are exposed to, including the priorities of order entry, but also could make it difficult or impossible to take or liquidate a particular position at a price indicated by a Portfolio Manager's strategy.

### *Changes in Allocations*

ECM expects from time to time to change the percentage of the Funds' assets allocated to each Portfolio Fund, as well as to terminate and retain new Portfolio Managers from time to time. These changes will be made in ECM's discretion, subject to any applicable securities law restrictions that may apply to the Registered Fund. The Funds' success will depend on ECM's ability to identify and allocate the Funds' assets among new and existing Portfolio Funds.

### *Estimates and Valuations*

The net asset values received by ECM from Portfolio Funds may be estimates only and, unless materially different from the actual valuations, generally will not be subject to revision. ECM relies on these estimates in calculating the Funds' net asset value for reporting, capital contribution, withdrawal/redemption, fee and other purposes. However, Portfolio Managers from time to time revise their valuations and valuation methods, sometimes materially. Investments for which market quotations are not available may be valued by ECM at such values as it may reasonably determine in accordance with ECM's Valuation Policy and Procedures and the Registered Fund's Fair Valuation Policy and Procedures, as applicable, and may not be independently valued or verified by a third party. Such valuations may affect the amount of the Management Fees and Incentive Allocations paid and made to ECM.

### *Multiple Portfolio Managers*

There can be no assurance that the use of a multi-manager approach will not effectively result in losses by certain of the Portfolio Managers offsetting any profits achieved by others. Such offsetting could result in significant reduction in the Funds' assets, as incentive allocations/fees may be allocable to those Portfolio Managers that recognized profits irrespective of the offsetting losses. Various Portfolio Managers will from time to time compete with others for the same positions. Conversely, opposite positions held by the Funds' Portfolio Managers will be economically offsetting. As long as Portfolio Managers hold positions that offset those held by other Portfolio Managers, the Funds as a whole will be unable to recognize any gain or loss on such open positions, while at the same time incurring brokerage commissions in respect of each of the offsetting positions and paying advisory fees.

## **Fund Structure Risk**

### *Master-Feeder Structure Risk*

The non-U.S. Commingled Funds and their respective U.S. Commingled Funds are organized as "master-feeder" structures. In the future, a U.S. Commingled Fund may be restructured to become part of a "master-feeder" structure in which trading and investment activities would occur principally or exclusively at the master fund entity level into which the Commingled Funds would invest all or a substantial part of their assets. The "master-feeder" fund structure — in particular the existence of multiple investment vehicles investing in the same portfolio — presents certain unique risks to Investors. Smaller investment vehicles investing in a master fund may be materially affected by the actions of larger investment vehicles investing in the master fund. For example, if a larger investment

vehicle withdraws from the master fund, the remaining investment vehicles may experience higher *pro rata* operating expenses, thereby producing lower returns. Similarly, the master fund may become less diverse due to a withdrawal by a larger investment vehicle, resulting in increased portfolio risk.

#### *Illiquidity and Non-Transferability of Limited Partnership Interests or Shares*

The Funds are highly illiquid investments that are only suitable for Investors who can commit their funds for an indefinite period of time. Investors cannot transfer their limited partnership interests or shares without ECM's consent, which may be withheld in its sole discretion, and the satisfaction of certain other conditions, including compliance with applicable securities laws. Investors should not expect ECM to grant its consent to transfers. There is currently no market for limited partnership interests and shares, and none is expected to develop. Investors may not be able to liquidate their investment in the event of an emergency or for any other reason, and limited partnership interests and shares may not be readily accepted as collateral for a loan. Investments in the Funds are subject to lock-up terms and other liquidity restrictions as set forth in each Fund's Offering Document.

#### *Side Pocket Investments*

Investors in one Private Fund may choose to participate in investments that allocate assets to Portfolio Funds that offer no liquidity rights ("Side Pockets"). While only a percentage of such Investor's investment would be allocated to Side Pockets, the Investor's participation in Side Pockets may exceed such percentage due to Private Fund withdrawals or losses. Furthermore, an Investor who elects to fully withdraw from such Private Fund will not have the right to voluntarily withdraw the portion of their investment that is invested in Side Pockets, and will continue to be subject to any corresponding Management Fee and may be required to pay taxes on such investment despite having received no distributions and having no right to withdraw. ECM may also hold back a portion of such Investor's withdrawal proceeds in order to pay Management Fees on such Side Pocket investment.

#### *Different Liquidity Terms for Other Investors*

ECM may provide different liquidity terms to certain Private Fund Investors. In addition, investment funds managed by ECM that may invest in the Commingled Funds, most likely "feeder" funds, or certain institutions which may invest in the Private Funds may have materially less restrictive withdrawal/redemption rights, and may require the ability to withdraw/redeem at any time and without notice to other Investors. Withdrawals or redemptions by such entities are likely to be made without regard to the best interests of the Private Funds or their Investors, may result in withdrawals or redemptions that may, in certain circumstances, impair the Private Funds' operations or their net asset value, and may occur at a time when other Investors would deem it advantageous to withdraw or redeem, as applicable, but cannot do so due to applicable notice or lock-up requirements.

#### *Fees and Expenses*

Investors may pay certain Fund fees (i.e., the Management Fee) and expenses and indirectly bear the fees (i.e., management fees to Portfolio Managers) and expenses of the Portfolio

Funds in which a Fund invests. Similarly, Investors in certain of the Private Funds may pay an Incentive Allocation to ECM. Private Fund Investors also may indirectly pay incentive compensation to Portfolio Managers.

#### *Substantial Withdrawals/Redemptions*

Substantial withdrawals and redemptions within a limited period of time could require the Funds to liquidate their investments more rapidly than would otherwise be desirable. If such Fund invests in PE Portfolio Funds, this may further restrict such Fund from funding withdrawals. A Fund may distribute any securities it receives from a PE Portfolio Fund in-kind to withdrawing investors; furthermore, substantial Fund withdrawals could also place such Fund at risk of defaulting on capital commitments it made to PE Portfolio Funds, which could lead to adverse consequences, including damage claims and forfeiture of investments in such PE Portfolio Funds.

#### *Credit Facilities*

Certain Funds may use credit facilities from time to time for short-term cash management purposes for the receipt of subscription proceeds, withdrawal requests, reallocations, payment of capital calls, financial leverage for investment purposes, or to pay expenses. Such credit facilities may be provided to a Fund at prevailing market rates by unaffiliated third parties. When a Fund uses a credit facility, it is subject to greater risk of loss, and such Fund incurs additional interest and other expenses for using such facilities. Any credit facility provider that permits a Fund to borrow may require a security interest in such Fund's assets as collateral for the credit facility and therefore (i) generally may be permitted to register such assets in the credit facility provider's or its nominee's name rather than in such Fund's name or in a custodian's or its nominee's name and (ii) generally may be permitted (subject to the same withdrawal limitations applicable to any investment held in such Fund's name) to require the withdrawal of any or all of such Fund's interests in Portfolio Funds held by it directly or indirectly through such Fund's custodial account at a custodian as collateral, after default by such Fund under its agreement with such credit facility provider. If a Fund were to commit an event of default under a credit facility, ECM may be forced to suspend withdrawals from such Fund in order to comply with the terms of such credit facility.

### **Registered Fund Risk**

#### *Special Tax Risk*

The Registered Fund has elected to, and intends to meet the requirements necessary to, qualify as a "regulated investment company" or "RIC" under Subchapter M of the Internal Revenue Code of 1986 (the "Code"). As such, the Registered Fund must satisfy, among other requirements, certain ongoing asset diversification, source-of-income and annual distribution requirements. If before the end of any quarter of its taxable year, the Registered Fund believes that it may fail the asset diversification requirement, the Registered Fund may seek to take certain actions to avert such a failure. The Registered Fund may try to acquire additional interests in Portfolio Funds to come into compliance with the asset diversification test. However, the action frequently taken by RICs to avert such a failure, the disposition of non-diversified assets, may be difficult for the Registered

Fund to pursue because the Registered Fund may redeem its interest in a Portfolio Fund only at certain times specified by the Portfolio Fund's governing documents. While relevant provisions also afford the Registered Fund a 30-day period after the end of the relevant quarter in which to cure a diversification failure by disposing of non-diversified assets, the constraints on the Registered Fund's ability to effect a redemption from a Portfolio Fund referred to above may limit utilization of this cure period. If the Registered Fund fails to satisfy the asset diversification or other RIC requirements, it may lose its status as a RIC under the Code. In that case, all of its taxable income would be subject to U.S. federal income tax at regular corporate rates without any deduction for distributions to shareholders. In addition, all distributions (including distributions of net capital gain) would be taxed to their recipients as dividend income to the extent of the Registered Fund's current and accumulated earnings and profits. Accordingly, disqualification as a RIC would have a material adverse effect on the value of the Registered Fund's shares and the amount of the Registered Fund's distributions.

#### *Non-Diversified Status of Registered Fund*

The Registered Fund is a "non-diversified" investment company. This means that a greater percentage of the Registered Fund's assets may be invested in the securities of any one issuer. ECM will follow a general policy of seeking to invest the Registered Fund's capital broadly among multiple Portfolio Funds. As a consequence of a potential large investment in a particular Portfolio Fund, losses suffered by such a Portfolio Fund could result in a higher reduction in the Registered Fund's capital than if such capital had been more proportionately allocated among a larger number of Portfolio Funds.

#### **Item 9 – Disciplinary Information**

ECM is required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of ECM or the integrity of ECM's management. As of the date of this Brochure, ECM has no information to disclose applicable to this Item.

#### **Item 10 – Other Financial Industry Activities and Affiliations**

ECM's and its executive officers' principal business is providing investment advice. ECM is not actively engaged in a business other than giving investment advice, and ECM does not sell products or services other than investment advice to clients.

ECM is registered with the SEC as an investment adviser. However, ECM's registration with the SEC does not signify that the SEC endorses ECM, nor does it imply a certain level of skill or training.

As noted in Item 7, Evanston GP serves as the general partner of a Private Fund. Any ECM persons acting on Evanston GP's behalf are subject to ECM's supervision and control in connection with any investment advisory activities. In accordance with SEC guidance, Evanston GP is registered as an investment adviser in reliance on the Form ADV filed by ECM.

As noted in Item 4, certain TA affiliates, by virtue of their role as members of ECM's Board of Managers, may be considered "management persons" of ECM. TA also may be considered to "control" ECM and further to be a "related person" of ECM. ECM and TA do not conduct joint operations. Furthermore, ECM does not provide investment advice that is formulated by TA nor are ECM's clients solicited to invest in any vehicles for which TA-affiliated entities serve as general partner and/or adviser. TA is registered as an investment adviser with the SEC. Such registration does not signify that the SEC endorses TA, nor does it imply a certain level of skill or training.

Certain ECM employees are licensed as registered representatives of the Registered Fund's distributor, Foreside Fund Services LLC, under Financial Industry Regulatory Authority rules. Certain ECM employees also serve as directors or officers of certain Funds, and do not receive compensation for such services.

Although ECM selects Portfolio Managers and/or Portfolio Funds for the Funds, ECM does not receive compensation directly or indirectly from such Portfolio Managers and/or Portfolio Funds and does not have any other business relationships with such Portfolio Managers and/or Portfolio Funds.

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

ECM has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 of the Advisers Act which describes its standards of business conduct as well as its fiduciary duty to exercise good faith and fairness in dealings with its clients. ECM takes into account its fiduciary duties to the Funds when dealing with a conflict of interest. The Code governs ECM's employees' standard of conduct, and includes ECM's policies on the prevention and detection of insider trading, gifts and business entertainment and political contributions restrictions, pre-clearance and reporting requirements, as well as certain personal securities trading prohibitions and pre-clearance requirements by ECM's "Access Persons" (as defined in the Code). All of ECM's supervised persons must acknowledge the terms of the Code upon joining ECM and annually thereafter.

Subject to satisfying applicable laws and the Code's principles, ECM's officers and employees may trade securities for their own accounts which are recommended to and/or purchased for ECM's clients. Because the Code would permit ECM's employees to invest in the same securities as clients in some circumstances as discussed in more detail below, there is a possibility, although slight— given that ECM's portfolio activity primarily consists of Portfolio Manager selection and Portfolio Fund investment— that such employees might benefit from a client's market activity in a security held by an employee. Employee trading is regularly monitored under the Code to reasonably prevent conflicts of interest between ECM's personnel and its clients.

Any Investor or prospective Investor who wishes to obtain a copy of the Code may do so by contacting Melanie Lorenzo, ECM's Chief Compliance Officer, at 847-563-5273.

Although ECM generally does not intend for the Funds to invest in vehicles in which ECM or its related persons may have a financial interest, ECM and its related persons are not prohibited from doing so, subject to applicable laws. Similarly, although ECM generally does not intend to invest in vehicles that ECM recommends to the Funds, ECM and its related persons may also purchase for themselves securities or other investments which one or more of ECM's Funds or accounts own, previously owned, or will own in the future. However, ECM's Access Persons may not purchase or acquire securities in an initial public offering or a limited offering (each as defined in the Code) without the Chief Compliance Officer's or her delegate's prior written approval, which will be granted only if the Chief Compliance Officer or her delegate determines that the purchase is not one that should be reserved for ECM's clients and the opportunity to purchase such security was not offered to the Access Person because of his or her position with ECM.

ECM, ECM's related persons and its principals and employees (collectively, the "ECM Parties"), the Portfolio Managers, and their respective principals and employees also may trade securities and other financial instruments for their own accounts, which may be in competition with the Funds. Investors will not be permitted to inspect proprietary trading records. ECM and its related persons may invest in and acquire a financial interest in such investments only as permitted by state and federal securities laws and ECM's compliance policies. Specifically, the Code provides that ECM's supervised persons (1) may not place personal interests ahead of those of any ECM client; (2) must conduct personal reportable security transactions in a manner consistent with the Code and that does not create an actual or potential conflict of interest or an abuse of such supervised person's position of trust and responsibility, (3) may not take inappropriate advantage of their position within ECM; (4) may not execute securities transactions where such a supervised person has actual knowledge that a Portfolio Manager is contemplating, or in the process of, executing a transaction, and (5) may not breach any applicable federal securities laws, including insider trading laws.

ECM Parties and their family members or family investment vehicles also may have substantial investments in certain Funds, which may create the incentive for ECM or its principals to favor such Funds over other Funds it advises. However, any Fund may outperform other Funds for a variety of reasons, including, for example, because such Fund has different volatility objectives, uses leverage, or pursues a more concentrated strategy. ECM will be guided by the investment objectives and policies set forth in the Funds' Offering Documents to manage the Funds.

The Code also provides that ECM's Access Persons may not purchase or sell, directly or indirectly, any reportable security where such person has, or acquires, direct or indirect beneficial ownership if such person knows or should have known that an ECM client intended to make such purchase or sale or there was a pending purchase or sale order. However, ECM will permit Access Persons to purchase or sell a reportable security if ECM's Chief Compliance Officer, General Counsel, or their delegate determines, in his or her judgment, that the proposed transaction will not (1) adversely affect any ECM client, (2)



position the Access Person to profit from the trade or position of such ECM client, or (3) violate the Code's five general principles set forth above.

ECM may provide investment advisory services to different clients with similar investment objectives, and certain investments may be appropriate for more than one client. ECM must use reasonable efforts to select Portfolio Funds or Portfolio Managers to ensure that no Fund or account will be treated unfairly vis á vis other Funds or accounts. ECM does not need to select the same Portfolio Funds or Portfolio Managers for all Funds and accounts with the same investment objectives; however, ECM must fairly allocate investment opportunities over time, including access to Portfolio Funds or Portfolio Managers ("Investment Opportunities"), among those Funds and accounts for which such Investment Opportunity is appropriate, as ECM determines in its discretion.

If a Portfolio Fund or Portfolio Manager has limited ability to accept capital from all of the Funds that ECM would like to invest at a particular time, ECM will endeavor to equitably allocate the limited Investment Opportunity among those Funds and accounts in a fair manner over time. ECM will give due consideration to various factors that it believes distinguish different Funds, such as: the Funds' investment objectives and constraints, and the appropriateness of making a particular allocation to a Fund in light of these; the gross exposure and/or volatility parameters of the Portfolio Fund or Portfolio Manager and how these impact the Funds' gross exposure and volatility parameters; the amount of cash in a Fund's portfolio that is available for such investment; the amount of investment capacity to be allocated; tax or other legal considerations; a Fund's liquidity position; the percentage of a Fund's portfolio, if any, that is currently invested in the Portfolio Fund or Portfolio Manager (or with other Portfolio Funds or Portfolio Managers that engage in similar investment strategies); prior non *pro rata* allocations of Portfolio Funds or Portfolio Managers to Funds based on factors such as those described above notwithstanding the fact that one or more Funds appeared to be similarly situated; and whether an allocation to a particular Fund will have a material or immaterial impact on its overall portfolio. These considerations may result in different allocation decisions depending on the particular facts and circumstances at the time the allocations are made and may or may not result in a *pro rata* allocation of limited investment capacity among all Funds or among all Funds with similar investment objectives and constraints.

In certain circumstances, such as for rebalancing purposes, ECM may recommend that a Private Fund purchase or sell an investment that is being sold or purchased, respectively, by another advisory client, in compliance with applicable laws, including U.S. securities laws and the U.S. Employee Retirement Income Security Act of 1974, as amended. ECM may recommend such a transaction so long as it determines that such transaction as a whole would be in both advisory clients' best interests. Such transactions involve a conflict of interest between acting in one advisory client's best interests, and assisting the other advisory client by selling or purchasing, as applicable, a particular Portfolio Fund interest held by such other advisory client. ECM will not receive any additional compensation specifically for such transaction, and will effect such transaction at the net asset value calculated and reported by the Portfolio Manager of such investment.

The Funds generally only invest in Portfolio Funds. However, from time to time the Funds may be paid withdrawal or redemption proceeds in kind in the form of securities or other underlying financial instruments held by a Portfolio Fund ("Direct Investments"). In such case, the Funds may need to hold and/or trade Direct Investments with a view to their orderly liquidation. In the event that ECM advises a Fund on the sale or retention of a Direct Investment, ECM's personnel may on occasion experience trade errors, which can result in a variety of situations. If it is determined that ECM caused the trade error, the trade error will be brought to the Chief Compliance Officer's and senior management's attention. Once a trade error is detected, ECM will correct it in an expeditious manner. The identification and the proper method for resolving trade errors can be complicated. For the Private Funds, it is ECM's general policy that, absent a violation of the applicable standard of care, all of the benefits and burdens of a trade error will be borne by the relevant Private Fund. All Registered Fund trade errors will be handled in accordance with its NAV Error Correction Policy.

### **Item 12 – Brokerage Practices**

As a funds of investment funds manager, ECM focuses primarily on investments in Portfolio Funds, which generally are available directly from the issuers without brokerage payments or similar commissions. ECM does not expect to use brokers to effect client transactions, or to control or direct the brokers and dealers that Portfolio Funds may use.

If ECM engages in direct trading for the Private Funds or in hedging investments for the Registered Fund, ECM will seek best execution in selecting brokers or dealers. Included in "best execution" are several factors: best price, including commissions; capital position of the broker; responsiveness; ability to consummate and clear trades in an orderly and satisfactory manner; administrative resources; consistent quality of service; expertise; industry reputation; access to market indices; creditworthiness; risks taken in positioning a block of securities; and broad market coverage resulting in a continuous flow of information regarding bids and offers. Although ECM generally will seek reasonably competitive commission rates, the Funds will not necessarily pay the lowest commission available on each transaction.

ECM does not currently receive research or other products or services from broker-dealers or a third party, although ECM reserves the right to enter into such agreements in the future. The use of "soft dollar" agreements would benefit ECM because ECM would not have to produce or pay for such research, products or services. Such agreements may also incentivize ECM to select or recommend broker-dealers based on their available research or other products or services, rather than based on ECM's clients' interest in receiving the most favorable execution. In such circumstances, so long as the services or other products provided by a particular broker-dealer qualify as "brokerage and research services" within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended and relevant SEC interpretations of Section 28(e), and so long as ECM determines in good faith that the amount of commission a broker-dealer charges is reasonable in relation to the value of such "brokerage and research services," ECM may use such broker-dealer services to execute transactions for the Funds on an agency or riskless principal basis, even if (i) the

Funds would incur higher transaction costs than they would have incurred if another broker-dealer had been used, and (ii) the Funds do not necessarily benefit from the research services or products provided by such broker-dealer.

Client transactions in publicly-traded securities, if any, ordinarily will be effected independently for each client. However, if ECM decides to purchase or sell the same securities for several clients at approximately the same time, ECM may, to the extent permitted by applicable law, but is not obligated to, combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among ECM’s clients price and commission differences or other applicable transaction costs. Under this procedure, transaction price and costs will be averaged and allocated among ECM’s clients (which may include persons associated with ECM and clients in which persons associated with ECM have invested) in proportion to the purchase and sale orders placed for each client account on any given day. ECM will not aggregate orders if, in a particular instance, ECM believes that aggregation would cause a client’s execution costs to materially increase. Please also see Item 11.

### **Item 13 – Review of Accounts**

ECM’s investment committee (“Investment Committee”) evaluates the Funds’ allocations to Portfolio Funds on an ongoing basis. The Investment Committee consists of (1) Adam Blitz, Principal, CEO, CIO and a member of ECM’s Board of Managers, (2) David Wagner, Principal and Chairman of ECM’s Board of Managers, (3) Kenneth Meister, Principal, President, and COO, (4) Ryan Cahill, Principal and CFO, (5) Donald Fehrs, Principal—Risk Management & Research, and (6) Kristen VanGelder, Principal—Investments. Other ECM employees, including Operational Due Diligence team members, also contribute to the Portfolio Funds’ initial and ongoing due diligence process.

Investment Committee members generally expect to have periodic phone conversations and semi-annual face-to-face meetings with Portfolio Managers. The Investment Committee also conducts monthly meetings to, among other things, discuss the Portfolio Funds and their recent performance vis-à-vis what might be expected given the Portfolio Managers’ strategies and market events, and any material organizational issues affecting any Portfolio Manager. ECM may determine to conduct meetings more frequently in certain circumstances, as described in Item 8 under “Ongoing Portfolio Evaluation.”

ECM’s risk management committee (“Risk Committee”) periodically monitors the Funds’ portfolio risk in consultation with the Investment Committee. The Risk Committee consists of (1) Donald Fehrs, Principal – Risk Management & Research, (2) Ryan Cahill, Principal and Chief Financial Officer, (3) Maneesh Gandhi – Managing Director, Due Diligence (4) Kenneth Meister, Principal, President, and COO, and (5) Scott Zimmerman, Principal and General Counsel. The Risk Committee reviews and evaluates the Portfolio Funds’ and the Funds’ risk characteristics and exposures based on their investment objectives, guidelines and expectations, and makes recommendations to the Investment Committee, as warranted.

ECM seeks to provide Investors with an appropriate level of transparency. Most Commingled Fund Investors generally receive, in writing: (i) a monthly unaudited “flash” report that includes estimated Commingled Fund performance, (ii) a monthly or quarterly unaudited account statement, (iii) a quarterly management letter discussing, among other things, a Commingled Fund’s and its Portfolio Funds’ performance; (iv) interim unaudited financial statements as of June 30 with an independent accountant’s review report, and (v) as noted in Item 15, annual audited financial statements delivered as soon as practicable after the end of each fiscal year. ECM’s Customized Fund Investors may receive the same or similar reporting as the Commingled Funds, or may receive more frequent reporting than Commingled Fund Investors. Registered Fund Investors will receive semi-annual and annual reports as required under the Company Act. ECM also provides annual information necessary for completion of federal income tax returns, as applicable.

ECM may also provide certain information about a Fund to certain prospective and current Investors upon request that is not proactively offered to others, or that is offered in a different format. A prospective or current Investor receiving such information may have an actual or perceived advantage in determining whether to invest in or to redeem from a Fund. ECM will not provide such information if ECM determines it would have a material adverse effect on other Investors in the relevant Private Fund.

#### **Item 14 – Client Referrals and Other Compensation**

ECM and/or certain Private Funds have entered into written selling agent agreements (“Selling Agreements”) with third parties to solicit Investors. Selling agents solicit, on a “best efforts” basis, interest among their respective customers to invest in such Private Funds. ECM pays selling agents out of ECM’s own resources; neither ECM nor a Private Fund will charge any additional fees to any Investor that is introduced to such Private Fund by a selling agent.

The Registered Fund has entered into a third-party distribution arrangement and will pay its distributor for performing distribution services. ECM may pay from its own resources compensation to broker-dealers and other intermediaries in connection with selling the Registered Fund’s shares to investors and/or investor servicing.

A conflict of interest exists for selling agents and intermediaries, as solicitation compensation may incentivize them to recommend ECM or its Funds to an Investor over another investment adviser that does not pay, or pays a lesser amount of, solicitation compensation.

Investors may use third-party consultants to recommend investment decisions regarding such Investors’ investment portfolios, such as when to subscribe in or withdraw from a Fund. While ECM does not pay these consultants for such referrals, ECM may pay to participate in consultant-sponsored conferences in order to obtain information about industry trends and Investor investment needs, among other things. ECM may also purchase products or services from these consultants and their affiliates, or may pay

membership fees in industry-related organizations for similar reasons. None of these payments are paid in connection with any Investor referrals.

No related person of ECM directly or indirectly compensates any non-supervised person for Investor referrals.

### **Item 15 – Custody**

ECM or its affiliate, in their capacity as the Private Funds’ general partner, investment manager, investment adviser, and/or sponsor, are deemed to have custody of the Private Funds’ cash, bank accounts and securities under Rule 206(4)-2 of the Advisers Act (the “Custody Rule”). However, the Private Funds’ interests in Portfolio Funds are not required to be held by a qualified custodian under the Custody Rule, because the Portfolio Fund interests held by the Private Funds are uncertificated, and are acquired directly from the issuer in transactions not involving a public offering. Furthermore, ownership of these securities is recorded in a Private Fund’s name only on the issuer’s or transfer agent’s books, and these securities are only transferable with the issuer’s prior consent. Securities that remain subject to the Custody Rule will, at all times, be held in compliance with the Custody Rule.

ECM and its affiliate are exempt from many of the Custody Rule provisions because each Private Fund is subject to audit annually by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Furthermore, ECM or its affiliate distributes audited financial statements that are prepared in accordance with U.S. generally accepted accounting principles to all Investors within 180 days of each Private Fund’s fiscal year-end or otherwise in accordance with SEC guidance.

### **Item 16 – Investment Discretion**

ECM is granted investment discretion in managing the Funds’ portfolios under the Funds’ governing documents (*i.e.*, Offering Documents, limited partnership agreements and investment management agreements). Investors generally will not take part in the Funds’ management and may not place any limitations on ECM’s discretionary authority in managing the Funds’ assets.

ECM has the authority to select, without obtaining client or Investor consent, the Funds’ Portfolio Funds and Portfolio Managers, among other things. ECM’s authority to trade securities for the Registered Fund is subject to, and may be limited by, applicable laws. In all cases, ECM will strive to exercise its discretion in a manner consistent with the Funds’ stated investment objectives and investment limitations or restrictions, if any, set forth in each Fund’s Offering Document.

ECM may, in the future, provide its services on a non-discretionary basis.

### **Item 17 – Voting Client Securities**

Rule 206(4)-6 under the Advisers Act addresses investment advisers’ fiduciary obligation to their clients when these advisers have the authority to vote proxies of securities in client

accounts. ECM has implemented Proxy Voting Policies and Procedures (the “Proxy Policy”) that are reasonably designed to ensure that ECM votes client securities in its clients’ best interests in accordance with its fiduciary duties.

In its capacity as a manager of funds of investment funds, ECM rarely, if ever, is requested to vote the proxies of traditional operating companies. None of the Funds has been formed for the purpose of holding publicly traded securities, and Portfolio Fund securities generally will not have voting rights. Rather, from time to time, ECM may be requested to vote on behalf of its Funds in their capacities as Portfolio Fund investors, and such proxies generally involve Portfolio Fund term and structure changes. In all cases, ECM will consider how its vote could affect the Funds, and will be guided by general fiduciary principles. ECM will exercise voting or consent rights in a manner it believes to be in a Fund’s best interests, and consistent with efforts to achieve the Fund’s stated objective, including maximizing portfolio value.

The Registered Fund may purchase non-voting securities of, or irrevocably waive or limit contractually the right to vote in respect of, Portfolio Funds in order to prevent the Registered Fund from becoming an “affiliated person” of the Portfolio Fund for purposes of the Company Act and becoming subject to the prohibitions on transactions with affiliated persons contained in the Company Act. Consequently, the Registered Fund may not be able to vote to the full extent of its economic interest, including matters that could adversely affect the Registered Fund’s investment. ECM will make the determination to waive voting rights pursuant to policies adopted by the Registered Fund’s Board of Trustees. Entering into voting waivers is expected to allow the Registered Fund to purchase interests in Portfolio Funds that represent attractive investment opportunities, which the Registered Fund might otherwise be restricted from holding pursuant to the prohibitions on transactions with affiliated persons under the Company Act.

If ECM determines that a conflict or potential conflict exists between ECM’s and the Funds’ interests, ECM may vote proxies despite the existence of the conflict. If ECM determines that a conflict or potential conflict of interest is material, ECM’s Chief Compliance Officer will work with appropriate personnel to agree upon a method to resolve such conflict before voting proxies affected by the conflict. Investors may obtain a copy of ECM’s Proxy Policy and may request an opportunity to review relevant proxy voting records by contacting Melanie Lorenzo at 847-563-5273.

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

ECM is required to provide you with certain financial information or disclosures about ECM’s financial condition in this Item. ECM has no financial condition that it believes will impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.