

TWO SIGMA INVESTMENTS, LLC

March 31, 2015

This brochure provides information about the qualifications and business practices of Two Sigma Investments, LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Adviser at (212) 625-5700. 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 the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

The Adviser is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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Item 4. Advisory Business

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser was formed in July 2001, commenced investment adviser operations in April 2002 and has been registered with the SEC since August 21, 2009. Two Sigma Management, LLC is the managing member of the Adviser. Trusts established by John A. Overdeck and David M. Siegel are the principal beneficial owners of the Adviser.

The Adviser specializes in process-driven, systematic investment management generally by employing quantitative analysis and techniques, including the use of mathematical models that rely on patterns inferred from historical prices and other data in evaluating prospective investments. The Adviser provides advisory services on a discretionary basis to its Clients, which include various private investment funds and commingled vehicles. The private investment funds and commingled vehicles to which the Adviser provides advisory services are referred to herein collectively as “Clients” and each, as a “Client”.

The Adviser provides advisory services with respect to a broad range of U.S. and non-U.S. securities and instruments, including, without limitation, U.S. and non-U.S. equity and equity-related securities, bonds and other fixed income securities (including, without limitation, corporate, agency, non-U.S. and U.S. municipality, treasury and insurance-linked bonds and other fixed income instruments), loan participations, futures, forward contracts, warrants, put and call options (both listed and OTC including, without limitation, caps and floors), repurchase agreements, reverse repurchase agreements, swaps (of any and all types including, among other things, equity swaps, commodity swaps, interest rate swaps, variance swaps, correlation swaps, currency swaps, credit default swaps and real estate swaps), convertible instruments, inflation protection instruments, mortgage and asset-backed instruments, swaptions, foreign exchange contracts, currencies, commodities, insurance-linked securities, private equity interests, real assets, infrastructure, real estate, venture capital interests and any derivatives on all of the instruments listed above (collectively, “Financial Instruments”).

The Adviser provides advisory services to Clients based on specific investment mandates, objectives and strategies set forth in each Client’s offering memorandum. Other than those restrictions set forth in the applicable offering memorandum, Clients may not impose restrictions on investing in certain securities or certain types of securities.

As of December 31, 2014, the Adviser had approximately \$40,128,800,000 of regulatory assets under management, all on a discretionary basis.

Item 5. Fees & Compensation

Asset-Based Compensation

The substantial majority of Clients pay the Adviser management fees for its management services (the “Management Fees”) through a deduction by the Client’s custodian of such Management Fees from the Client’s account under the Adviser’s instructions. The Management Fees are typically based on the Client’s assets under management and are determined based on an annualized rate. Currently, such rates generally range from 2% to 4%, as described in each such Client’s applicable offering memorandum (though, as noted below, such rates could be higher or lower for certain investors). The Management Fees are generally paid monthly in advance on the first day of each month.

The Adviser (or its affiliates, as applicable) may waive, reduce or modify the Management Fee for certain investors in Clients.

Performance-Based Compensation

The Adviser may also receive performance-based compensation, which is compensation that is based on a share of capital gains or capital appreciation of the assets of a Client. This compensation may be allocated to the Adviser (or a related person of the Adviser). The Adviser (or a related person of the Adviser) is entitled to receive an incentive allocation (the “Incentive Allocation”) from the substantial majority of its Clients in amounts currently ranging from 20% to in excess of 30% of the net profits, if any, allocated to each investor in such Clients for each fiscal quarter or year, as applicable, provided that certain Clients may have Incentive Allocations allocated more or less frequently. In addition, many of the Incentive Allocations are subject to adjustment for any previously unrecovered net losses allocated to each investor in prior periods, subject to certain other adjustments and provisions. The Adviser deducts the performance-based compensation from Client accounts by instructing the Client’s custodian.

The Adviser (or its affiliates, as applicable) may waive, reduce or modify the performance-based compensation for certain investors in Clients.

Other Fees and Expenses

In addition to paying investment management fees and performance-based compensation to the Adviser (or a related person to the Adviser), Clients pay all of their own operating and investment expenses including, but not limited to, brokerage, transaction costs and custodian fees; fees and expenses of any advisers and consultants to the Client; external legal, auditing, accounting, administration, tax return preparation and other professional fees and expenses; fees and expenses of the Client’s administrator; taxes, fees and governmental charges; fees and expenses of third party research, data, recommendations and/or services used by the Adviser in its investment decision making process (*e.g.*, in connection with the use, implementation and support of alpha capture systems developed by the Adviser and/or its affiliates); fees and expenses of valuation and/or pricing services and software; interest expenses; expenses of preparing and distributing reports, financial statements and notices to investors in the Client; litigation and other extraordinary expenses; certain insurance expenses; and other expenses as may be detailed in the

Client's offering memorandum. Clients also pay their pro rata share of the expenses of the underlying investment vehicles in which they invest, as applicable.

Please refer to Item 12 of this Brochure for further discussion of the Adviser's brokerage practices.

Item 6. Performance-Based Fees & Side-by-Side Management

The Adviser and its investment personnel provide investment management services to multiple Clients. The Adviser is entitled to be paid performance-based compensation from the Clients. In addition, the Adviser's investment personnel are typically compensated by the Adviser on a basis that includes a performance-based component. The Adviser and its investment personnel, including investment personnel that share in performance-based compensation, manage both Client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. Certain Clients may have higher asset-based fees or more favorable performance-based compensation arrangements than other Clients. When the Adviser and its investment personnel manage more than one Client account, a potential exists for one Client account to be favored over another Client account. The Adviser and its investment personnel have a greater incentive to favor Clients that pay the Adviser (and indirectly its personnel) higher fees.

In addition, the Adviser, its affiliates, principals and/or employees invest in a number of Clients. Certain of such Clients utilize a higher degree of leverage than other Clients offered to outside investors and/or utilize certain investment strategies, techniques and execution modalities not offered to outside investors (as described in more detail below). Because of the varying fee structures and leverage levels, and due to the allocation of proprietary capital from the investment of the Adviser, its affiliates, principals and/or employees, a potential exists for one Client to be favored over another Client. The Adviser and its investment personnel have a greater incentive to favor Clients that contain more proprietary capital, pay the Adviser (and indirectly its personnel) higher performance-based compensation or higher asset-based fees or, potentially, use a higher level of leverage.

Additionally, certain investment personnel of the Adviser provide investment-related services to affiliates of the Adviser.

Allocation of Trades

The Financial Instruments traded on behalf of each Client (which, for the purpose of this Item 6 shall include certain clients of the Adviser's affiliates (please refer to Item 10 of this Brochure for a discussion of the Adviser's other financial industry activities and affiliations)) may involve substantial correlation with those traded on behalf of the other Clients. However, such Financial Instruments will often not be traded in the same way or at the same time on behalf of each Client.

Client orders in liquid, exchange-listed Financial Instruments are typically facilitated and routed to third party broker-dealers by the Adviser's sophisticated, proprietary order and execution management systems and execution algorithms. Such systems are either fully automated or require a limited amount of employee assistance. These systems seek to algorithmically ensure proper allocation of fills among Clients that trade the same instrument concurrently through the Adviser's shared execution desk, which is shared by the Adviser and its affiliates (the "shared execution desk").

The Adviser's trade allocation policy is designed to seek to: (i) provide a fair allocation of purchases and sales of Financial Instruments among the various Clients, (ii) not systematically

advantage one account over another, and (iii) ensure compliance with appropriate regulatory requirements. However, even when such trading is done on the shared execution desk, because there is overlap in the Financial Instruments traded across the Clients, and, in addition, due to the volume of orders being placed and fills received at any given time, one Client may be inadvertently advantaged over another with respect to order placements, fill receipts, stock borrow allocations and/or application of reporting limits. It is possible that such advantaged Client may be owned solely or primarily by proprietary capital or may pay higher fees. With respect to the shared execution, while the Adviser will monitor, review and may periodically modify its trade allocation system in an effort to minimize the occurrence of these events, it is highly likely that a *de minimis* number of preferential allocations will remain, and the Adviser will only act to reverse or otherwise change these allocations in the event they are deemed by the Adviser, in its sole discretion, to be material.

When appropriate, the Adviser may, but is not required to, aggregate its Clients' trade orders made on the shared execution desk to attempt to achieve more efficient execution or to seek to provide for equitable treatment among accounts. It is expected that the Adviser's view of when trade orders are or are not made concurrently will change over time as policies and technology evolve. In the event that multiple Clients and/or clients of applicable affiliates wish to purchase the same instrument concurrently through the same trading desk, it is the Adviser's intention to allocate all filled orders and corresponding prices ratably based on desired trade amounts determined at the time the aggregate order was created, subject to the limitations discussed herein. Notwithstanding the foregoing, an aggregated order may be allocated on a basis different from that specified above under certain circumstances. Examples of reasons for allocating orders on a different basis include, among other things, available cash, liquidity requirements, macro risk parameters set by the applicable portfolio or region manager, to avoid a misallocation of fills, legal and/or regulatory reasons (including a desire to avoid and/or minimize a regulatory filing, disclosure or other obligation).

Notwithstanding the Adviser's policies with respect to trade aggregation and allocation described above, the Adviser employs separate trading desks, including certain trading desks that are not made available to most Clients. For example, certain strategies, including certain extremely low latency strategies, trading capabilities and related execution modalities ("Alternative Strategies") trade on separate execution desks and utilize separate execution modalities. The Clients utilizing these Alternative Strategies are owned primarily or entirely by proprietary capital. Certain of these Alternative Strategies utilize much of the same investment management research that is also used by many of the Clients which are not using such Alternative Strategies. Therefore, the Alternative Strategies will frequently impact, to varying degrees, the price or amount of securities available to the Clients not using such Alternative Strategies. The majority of the Alternative Strategies are housed in or execute through the Adviser's affiliated broker-dealer, Two Sigma Securities, LLC ("TSS"). TSS may utilize certain brokers and trading venues which are not utilized by the Adviser's shared execution desk (which is generally used on behalf of Clients who are not using such Alternative Strategies). Often times, the use of separate execution desks in conjunction with shared investment management research will result in the Alternative Strategies, and the Clients using such Alternative Strategies, receiving fills before and after Clients not using such Alternative Strategies, which will likely result in the Alternative Strategies, and the Clients using such Alternative Strategies, receiving executions at better prices and quantities than the Clients not using such Alternative Strategies. It should be noted that the trading volume attributable to the Alternative Strategies and the Clients using such Alternative Strategies make up a significant and growing portion of the Adviser's trading volume and, for any given period,

may equal or surpass the trading volume attributable to those Clients not using the Alternative Strategies. As compared to the other Clients, the Clients using Alternative Strategies generally (i) achieve higher returns on capital invested; (ii) exhibit higher Sharpe ratios; (iii) have higher trading costs; (iv) assume lower liquidity risk; and (v) have higher turnover.

In addition to the above, the introduction of any new strategy, capability or execution method, either by the Adviser, one of its affiliates, or by another market participant, increases competitive effects and will often adversely impact the profit and loss capabilities of existing strategies, capabilities and execution methods.

Although a significant proportion of the execution of investments made on behalf of each Client is done through the Adviser's automated execution systems, certain of the Adviser's traders have discretion in the execution of orders for certain Clients in an attempt to improve execution results and/or to achieve other specified objectives. In such cases, the Adviser may measure and monitor a trader's performance versus the performance of the Adviser's modeled execution strategies on a periodic basis. Accordingly, in the future each trader's discretion regarding execution of orders for the Clients may change such that the discretion granted to the traders regarding the Clients is broadened or narrowed and exercised differently for different Clients.

Multiple execution desks may handle the same instrument for a variety of reasons. These reasons include, but are not limited to: (i) when separate desks are set up because they are necessary for the execution of certain strategies, for example, when a strategy requires the use of an affiliated broker-dealer; (ii) when such instrument is used to hedge the primary instrument handled by such desk(s); or (iii) when a separate trading desk is set up due to regulatory or policy limitations of a Client. Certain strategies (including the Alternative Strategies) utilized primarily on behalf of specific Clients (frequently Clients which are owned largely or entirely by proprietary capital) generally rely on different execution logic, venues, sources of liquidity, and pathways than the strategies deployed on behalf of other Clients, many of which are not currently accessed by the Adviser's shared execution desk. To employ these alternative execution modalities, the Adviser has created separate execution desks.

Further, because certain strategies used by certain Clients may have a shorter trading horizon, may use certain separate execution modalities and/or may trade through separate execution desks than similar strategies used by other Clients, it is likely that in many instances those Clients will buy (or sell) Financial Instruments prior to or after the other Clients buying (or selling) the same or similar Financial Instruments which may have a materially adverse impact on the prices paid or received by a Client on its transactions or the available liquidity in such Financial Instruments. For the avoidance of doubt, the portions of the Adviser's trade allocation policy related to trade aggregation described above only apply to trades and investments that are made concurrently on the same desk. The Adviser may for a variety of regulatory, operational or other reasons create other additional execution desks in the future and may decide to employ a different trade allocation policy.

Allocation of Strategies

As a process-driven, systematic investment manager, the Adviser utilizes multiple investment strategies (both systematic and, at times, non-systematic) on behalf of each of its Clients in order to generate results. The Adviser periodically reviews and assesses the amount of capital that can

reasonably be allocated to its existing investment strategies. This amount is dependent on several factors including, among others, each Client's investment objectives, current and projected market conditions, the development of new strategies, the licensing of certain strategies to affiliates (including, but not limited, to Two Sigma Advisers, LLC, an affiliated investment manager registered with the SEC ("TSA")), obtainable financing (both in absolute terms and on a relative basis between third party capital and proprietary capital), various risk considerations, overall firm profitability and the amount of available third party capital and proprietary capital.

The amount of third party capital invested through the Clients in any of the Adviser's strategies, particularly those with limited capacity, does and will continue to face pressure from, among other things, the continued growth of proprietary capital. The Adviser recognizes that this continued growth, as well as the higher amount of leverage that it can elect to apply to proprietary capital, is likely to create an increasing conflict of interest between third party capital and proprietary capital, as the Adviser determines how much proprietary capital it will elect to invest in each of its strategies and how much third party capital it elects to accept or return to investors going forward. The Adviser cannot be free from, and is not free from, inherent conflicts of interest in making these elections, and shall be free to make such elections as it sees fit in its sole discretion.

Through its extensive research, the Adviser has developed and expects to continue to develop strategies and to research the use of new investment techniques, which it believes could offer Clients meaningful absolute returns, but which are not expected to be fully utilized or in some cases utilized at all by certain Clients because of the investment mandates, objectives and guidelines of such Clients (as set forth in each Client's offering memorandum). Such strategies and/or investment techniques, which include, but are not limited to, the Alternative Strategies, may differ from those that are fully utilized by certain Clients because, among other reasons, they (i) have larger capacity than can be optimally used in such Clients; (ii) involve asset classes outside the investment mandates, objectives and guidelines of such Clients; (iii) involve somewhat higher levels of volatility and/or liquidity risk than that targeted by such Clients; (iv) are less strictly or fully hedged by taking somewhat larger exposures to certain style factors, sectors or other directional risks than that targeted by such Clients; and/or (v) involve greater liquidity risk than that targeted by such Clients.

In the future, the Adviser may, in its sole discretion and without notice to any Client or investor in such Clients, (i) remove any or all strategies, models and/or investment techniques from utilization on behalf of any Client or (ii) materially increase or decrease a Client's exposure to any strategies, models and/or investment techniques including eliminating a Client's exposure to such strategies, models and/or investment techniques altogether.

Item 7. Types of Clients

The Adviser provides advisory services to private investment funds and commingled vehicles, typically organized as Delaware limited partnerships, Delaware limited liability companies, Cayman Islands exempted corporations or other similar structures.

Most Clients are set up in master-feeder structures wherein each feeder fund invests portions of its assets into a master fund. Most master funds, and certain Clients not set up in master-feeder structures, then invest substantial portions of their assets into certain investment trading vehicles managed by the Adviser. In addition, a number of Clients and/or master funds invest varying portions of their assets into cash management vehicles managed by the Adviser. Currently, a significant majority of the investments made on behalf of the Clients is made through either the investment trading vehicles or the cash management vehicles. The structure of any given Client is described in further detail in the applicable offering memorandum referencing such Client.

With respect to Clients, initial and additional subscription minimums, if any, are disclosed in the applicable offering memorandum referencing such Client.

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

Methods of Analysis and Investment Strategies. The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The Adviser primarily combines multiple hedged and leveraged investment strategies with proprietary risk management and execution techniques to make investment decisions for its Clients. The Adviser integrates information, computing power and human skill to attempt to systematically extract alpha.

The investment strategies that the Adviser employs include, but are not limited to, the following: statistically-based strategies; merger (or risk) arbitrage; closed-end fund/constituent arbitrage; fundamentally-driven strategies; event-driven strategies; spread-based and long/short strategies; volatility arbitrage and trading strategies; structured credit trading strategies; and contributor-based and sentiment-based strategies (e.g., strategies based on the Adviser's proprietary alpha capture system). The specific strategies utilized on behalf of any given Client are described in greater detail in such Client's offering memorandum.

The Adviser primarily uses quantitative mathematical models to implement its strategies and to seek to achieve the investment mandates, objectives and guidelines of each Client. Such quantitative mathematical models rely on patterns inferred from historical prices and other financial data in evaluating prospective investments. These formulas and models are typically developed and implemented using high-powered computers that may generate buy or sell indications to assist the Adviser in the purchase and sale of securities and other Financial Instruments or alternatively may send buy or sell orders directly to brokers (including so-called "electronic communication networks" or "ECNs", "alternative trading systems" or "ATs" or other automated trading systems). The models used are highly complex and rely on quantitative (and to a lesser extent, technical) analysis of large amounts of real-time and historical financial and other data with a view towards identifying pricing discrepancies, inefficiencies and/or anomalies.

In addition to the models described above, the Adviser also employs models on behalf of certain investment trading vehicles managed by the Adviser that focus more on fundamental analysis and research conducted by analysts (rather than computer-based quantitative and technical analysis) and/or models that combine two or more types of analysis in varying degrees. Fundamental analysis and research explores, among other things, issuers, industries, current market and financial conditions and an understanding of the drivers of change within these areas. Such fundamental analysis and research is expected to be generated by substantial numbers of external investment professionals, data vendors, market participants and/or other consultants to the Adviser and to be augmented from time to time by the Adviser. The Adviser may apply systematic mathematical formulas to such analysis and research, or, in the alternative, may use such analysis and research alone, without further quantitative analysis to assist in the Adviser's investment decision making process.

The Adviser also employs non-systematic investment strategies on behalf of certain Clients and the Adviser may at times also employ certain non-systematic investment strategies on behalf of

any Client in order to, among other things, manage certain risks or take advantage of perceived or predicted events or market conditions.

All of the investment methods and strategies used by the Adviser involve the risk of loss that Clients and investors in Clients should be prepared to bear.

Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies.

Quantitative Strategies and Trading. Quantitative models cannot fully match the complexity of the financial markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact their performance. Further, as market dynamics shift over time, a previously highly successful model may become outdated – perhaps without the Adviser recognizing that fact before substantial losses are incurred. Even without becoming a completely outdated model, a given model’s effectiveness may decay for any number of reasons including, but not limited to, an increase in the amount of assets managed, the sharing of such model with other Clients or affiliates, the use of similar models by other market participants and/or market dynamic shifts over time. Moreover, there are likely to be an increasing number of market participants who rely on models that may be similar to those used by the Adviser, which may result in a substantial number of market participants taking the same action with respect to an investment and some of these market participants may be substantially larger than any given Client. Should one or more of these other market participants begin to divest themselves of one or more positions, a “crisis correlation”, independent of any fundamentals and similar to the crises that occurred in September 1998 and August 2007, could occur, thereby causing certain Clients to suffer material, or even total, losses.

Although the Adviser generally will attempt to deploy relative value strategies, this does not mean that the Clients will not be affected by adverse market conditions similar to those described above and/or others. There can be no assurances that the strategies pursued will be profitable, and various market conditions may be materially less favorable to certain strategies than others. Mispricings, even if correctly identified, may not be corrected by the market, at least within a time frame over which it is feasible for any given Client to maintain a position. In the event that the perceived mispricings underlying the Adviser’s relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, Client accounts may incur a loss. Even pure arbitrage positions can result in significant losses if a Client does not maintain both sides of the position until expiration. Certain Clients utilize high degrees of leverage and therefore could be forced to liquidate positions prematurely in order to meet margin or collateral calls, causing an otherwise “pure” arbitrage position to result in major losses.

Many of the trading strategies employed by the Adviser rely on patterns inferred from the historical series of prices and other data. Even if all the assumptions underlying the models were met exactly, the model can only make a prediction, not afford certainty. There can be no assurance that the future performance will match the prediction. Further, most statistical procedures cannot fully match the complexity of the financial markets and as such, results of their application are uncertain. In addition, changes in underlying market conditions can adversely affect the performance of a statistical model.

Reliance on Technology. The Adviser’s investment strategies are fundamentally dependent on technology, including hardware, software and telecommunications systems. The data gathering,

research, forecasting, portfolio construction, order execution, trade allocation, risk management, operational, back office and accounting systems, among others, utilized by the Adviser are all highly automated and computerized. Such automation and computerization is dependent upon an extensive amount of proprietary software, software created by affiliates of the Adviser and third-party hardware and software. The Adviser typically does not utilize design documents or specifications when building its proprietary software. The proprietary software code thus typically serves as the only definitive documentation and specification for how such software should perform.

This proprietary software and third-party hardware and software are known to have errors, omissions, imperfections and malfunctions (collectively, “Coding Errors”). Coding Errors in third-party hardware and software are generally entirely outside of the control of the Adviser.

The Adviser seeks to reduce the incidence and impact of Coding Errors through a certain degree of internal testing and real-time monitoring, and the use of independent safeguards in the overall portfolio management system and often, with respect to proprietary software, in the software code itself. Despite such testing, monitoring and independent safeguards, Coding Errors will result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, the failure to properly allocate trades, the failure to properly gather and organize available data, the failure to take certain hedging or risk reducing actions and/or the taking of actions which increase certain risk(s)—all of which may have materially adverse effects on Clients and/or their returns.

Coding Errors are often extremely difficult to detect, and, in the case of proprietary software, the difficulty of detecting Coding Errors may be exacerbated by the lack of design documents or specifications. Regardless of how difficult their detection appears in retrospect, some Coding Errors will go undetected for long periods of time and some will never be detected. The degradation or impact caused by these Coding Errors can compound over time. Finally, the Adviser will detect certain Coding Errors that it chooses, in its sole discretion, not to address or fix. The Adviser will not perform a materiality analysis on many of the Coding Errors it discovers. Investors in the Clients should assume that Coding Errors and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic investment manager such as the Adviser. Accordingly, the Adviser does not expect to disclose discovered Coding Errors to the Clients or their investors.

The Adviser seeks, on an ongoing basis, to create adequate backups of software and hardware where possible but there is no guarantee that such efforts will be successful.

Further, to the extent that an unforeseeable software or hardware malfunction or problem is caused by a defect, security breach, virus or other outside force, the Clients may be materially adversely affected.

Reliance on Data. The Adviser’s investment strategies are highly reliant on the gathering, cleaning, culling and analyzing of large amounts of data from third-party and other external sources. It is not possible or practicable, however, to factor all relevant, available data into forecasts and/or trading decisions. The Adviser will use its discretion to determine what data to gather with respect to any investment strategy and what subset of that data the Adviser’s models take into account to produce forecasts which may have an impact on ultimate trading decisions. In addition, due to the automated nature of such data gathering and the fact that much of this data

comes from third-party sources, it is inevitable that not all desired and/or relevant data will be available to, or processed by, the Adviser at all times. In such cases, the Adviser may and often will continue to generate forecasts and make trading decisions based on the data available to it. Additionally, the Adviser may determine that certain available data, while potentially useful in generating forecasts and/or making investment and trading decisions, is not cost effective to gather due to either the technology costs or third-party vendor costs and, in such cases, the Adviser will not utilize such data. Investors in the Clients should be aware that, for all of the foregoing reasons and more, there is no guarantee that any specific data or type of data will be utilized in generating forecasts or making trading decisions on behalf of the Clients, nor is there any guarantee that the data actually utilized in generating forecasts or making trading decisions on behalf of the Clients will be (i) the most accurate data available or (ii) free of errors. Investors in the Clients should assume that the foregoing limitations and risks associated with gathering, cleaning, culling and analysis of large amounts of data from third-party and other external sources are an inherent part of investing with a process-driven, systematic adviser such as the Adviser.

Risk of Process Changes. As an evolving company, there can be no guarantee that any of the numerous processes developed by the Adviser to perform various functions (including, without limitation, processes related to data gathering, research, forecasting, portfolio construction, order execution, trade allocation, risk management, compliance, operations and accounting) will not change over time or, in some cases, cease altogether (such changes or cessations, “Process Changes”). Except as restricted by rule, regulation, requirement or law, the Adviser reserves the right to make Process Changes in its sole and absolute discretion. The Adviser may make Process Changes due to: (i) external factors such as, without limitation, changes in law or legal/regulatory guidance, changes to industry practice, market factors or changes to external costs; (ii) internal factors such as, without limitation, personnel changes, changes to proprietary technology, security concerns or updated cost/benefit analyses; or (iii) any combination of the foregoing.

Process Changes are inherently unpredictable and may lead to unexpected outcomes which ultimately have an adverse impact on one or more Clients. In addition, certain Process Changes, for example certain Process Changes made due to changes in law or legal/regulatory guidance, may be made despite the Adviser’s belief that such Process Changes will have an adverse impact on one or more Clients. Finally, while the Investment Manager may notify Clients or investors in Clients about certain Process Changes, the vast majority will be made without any such notification.

Leverage Risk. The Adviser employs substantial leverage on behalf of many of its Clients. Such leverage may be achieved by borrowing funds from U.S. and non-U.S. brokers, banks, dealers and other lenders, purchasing or selling Financial Instruments on margin or with collateral and using options, futures, forward contracts, swaps and various other forms of derivatives and other instruments which have substantial embedded leverage.

If such Clients can no longer utilize margin or post collateral under such lending arrangements, such Clients could be required to liquidate a significant portion of their portfolio, and trading may be constrained, adversely affecting such Clients’ performance.

The use of margin, short-term borrowing and collateral requirements creates additional risks to such Clients. Specifically, if the value of such a Client’s portfolio fell below the margin or collateral level required by a prime broker or dealer, the prime broker or dealer would require

additional margin deposits or collateral amounts. If such Client were unable to satisfy such a margin or collateral call by a prime broker or dealer, the prime broker or dealer could liquidate the Client's positions in the Client's account with the prime broker or for which the dealer is the counterparty, and cause the Client to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under margin, collateral or other financing agreements, could trigger cross-defaults under such a Client's agreements with other brokers, dealers, lenders, clearing firms or other counterparties, multiplying the adverse impact to such Client. In addition, because the use of leverage will allow such a Client control of or exposure to positions worth significantly more than the margin or collateral posted for such positions, the amount that such a Client may lose in the event of adverse price movements will be high in relation to the amount of this margin or collateral amount, and could exceed the value of the assets of such a Client. Trading of futures, forward contracts, equity swaps and other derivatives, for example, generally involves little or no margin deposit or collateral requirement and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these Financial Instruments (and others) may result in immediate and substantial losses to such a Client. The Adviser and TSA have leveraged their global relationships with certain prime brokers to negotiate more favorable aggregate margin requirements on behalf of their clients. While the Adviser and TSA will endeavor to equitably allocate any benefit from such arrangements among their respective clients, at any point in time some clients including clients which may contain primarily proprietary capital, may benefit more or less than others due to factors such as client size, leverage levels and any changes thereto.

The banks and dealers that provide financing to such Clients can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that such Clients will be able to secure or maintain adequate financing.

Risk of Independent Management or Independent Deleveraging. Due to each Client's particular investment mandate, objectives, guidelines and risk parameters, the decisions made by the Adviser on behalf of any individual Client may vary materially from the decisions made by the Adviser on behalf of other Clients, including during times of market stress and during liquidation events (e.g., the 2007 "quant meltdown"). Because the Adviser often employs the same or similar strategies on behalf of many of its Clients (and licenses many of those strategies to TSA) and because such Clients (and TSA clients) often trade the same or similar instruments, the decisions made on behalf of any individual Client are likely to have a material impact on other Clients; furthermore, the Adviser may make decisions for any individual Client solely based on such Client's investment mandate, objectives, guidelines and risk parameters (as applicable), which the Adviser strongly expects will have adverse impacts (including possibly materially adverse impacts) on other Clients. Any such impacts are likely to be exacerbated during times of market stress and/or during liquidation events. For example, to the extent that the Adviser decides to liquidate or "delever" all or any portion of one Client's portfolio for any reason (especially a portfolio operating the Alternative Strategies which tend to trade more volume and more quickly), such liquidation or delevering will likely adversely affect positions held by other Clients or such other Client's ability to liquidate or delever the same or similar positions, whether or not the Adviser has made the independent decision to liquidate or delever such other Clients' portfolios. In addition, there is no guarantee that the Adviser will choose to, or will be able to, liquidate or delever the portfolios of its Clients simultaneously or in any orderly fashion. The Adviser will

seek to address these and related potential conflicts of interest in accordance with the applicable fiduciary duties it owes to each Client. In addition, TSA may, in the ordinary course of its business, exercise its discretion on behalf of its clients (many of which use the same or similar strategies as certain Clients) independently of the Adviser and any decisions made by TSA, including the decision to liquidate or delever all or a portion of any given portfolio, may have a materially adverse effect on any given Client.

Varying Liquidity Terms. Different Clients which invest in the same master funds, investment trading vehicles or cash management vehicles may have different liquidity terms with respect to such entities. Such differences may include, but are not limited to, more frequent redemption dates and/or shorter notice periods. Under certain circumstances, therefore, investors in certain Clients may be able to redeem or withdraw, as applicable, from the applicable master fund, investment trading vehicle or cash management vehicle at times when the ability of investors in other Clients to redeem is restricted.

Hedging Risk. The Adviser may employ hedging for certain Clients by taking long and short positions in related Financial Instruments. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus seeking to moderate the decline in the value of such portfolio position. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and a Client may be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs. Positions which would typically serve as hedges may actually move in the same direction as the Financial Instruments they were initially attempting to hedge, adding further risk (and losses) to the Client. The Adviser may determine in its sole discretion not to hedge against certain risks and certain risks may exist that cannot be hedged.

Commodities. Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Adviser's portfolio and the value of its investments. In addition, the value of the Adviser's portfolio may fluctuate as the general level of interest rates fluctuates.

Short Selling Risk. A Client's investment program may include a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Frequent Trading. The Adviser's primary strategies involve frequent trading of securities which results in significantly higher commissions and charges to Client accounts due to increased brokerage, which will offset Client profits.

Merger Arbitrage/Deal Risk. The most significant risk in merger arbitrage is that a transaction will be abandoned such that the value of securities purchased may fall, resulting in loss of capital. This loss may be increased if the price of the shorted security (*i.e.*, the acquiring company) rises as the deal is called off. Abandonment may occur for a number of reasons, including (i) regulatory or antitrust prohibitions, delays or restrictive conditions for approval of the merger; (ii) problems arising out of due diligence review; (iii) incompatibility of the managements of the two parties; (iv) incompatibility of strategies; or (v) a movement outside of the required price range in "collar" transactions. When a deal is not abandoned, there may still be a risk of price renegotiation or a timing delay.

Event Driven Strategies Risk. A Client may have investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by a Client of its entire investment in such companies. In connection with such transactions (or otherwise), a Client may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued security are fixed when a Client enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

Risks Associated With Types of Securities that are Primarily Recommended (including Significant, or Unusual Risks).

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Rights and Warrants. Rights and warrants entitle the holder to buy equity securities at a specific

price for a specific period of time. Rights and warrants may be considered more speculative than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities that may be purchased nor do they represent any rights in the assets of the issuing company. Also, the value of a right or warrant does not necessarily change with the value of the underlying securities and a right or warrant ceases to have value if it is not exercised prior to the expiration date.

Exchange-Traded Products (“ETPs”). ETPs may be registered investment companies. Investments in an ETP are subject to the fees and expenses of the ETP, which may include a management fee, other fund expenses and a distribution fee. The Investment Company Act of 1940, as amended, places certain restrictions on the percentage of ownership that a private investment fund may have in a registered investment company. An ETP may be delisted and liquidated at the discretion of its issuer. Should an entity hold a position in an ETP when it is delisted, such entity may be subject to costs associated with the ETP’s liquidation, counterparty risk against the issuer, and additional taxes due to cash distributions from the liquidation. The supply and demand of ETP shares are kept in balance by its authorized participants. The authorized participants of an ETP may, purposefully or by mistake, destabilize the supply-demand balance of an ETP, causing tracking error of the ETP to its constituent instruments that may negatively affect the value of an entity’s positions in the ETP. The liquidity of an ETP is determined not only by the ETP’s own market liquidity but also by how easy or difficult it is to transact in the ETP’s constituent instruments. If one or more of an ETP’s constituent instruments becomes difficult to buy or sell, the ETP may become difficult to transact or experience tracking error that negatively affects the value of positions held in the ETP. The ability to take short positions in an ETP is subject to borrow availability. The ability to take optimal positions in ETPs may be adversely affected by one or more ETPs becoming hard to borrow. ETPs on equity indices attempt to track their underlying indices closely. However, the issuer may in its discretion temporarily introduce ex-index constituents to the ETP, including ex-index equities and foreign currencies. This may introduce risks and tracking error that are difficult to model to the ETP and that may negatively affect the value of positions in the ETP. Depending on the ETP’s structure, investors may be subject to additional taxation on distributions from ETPs. ETPs listed in countries different from their constituent instruments are subject to additional risks not typically associated with ETPs listed in the same country as their constituents, including (i) movements in currency exchange rates; (ii) significant events that affect the ETP’s underlying value that occur when the ETP’s listed exchange is closed; and (iii) risk factors that arise from trading in foreign instruments.

Options and Derivatives. A Client may engage in trading in options on individual securities, securities sectors, securities indices, futures contracts or foreign exchange contracts. Trading in options can result in a greater potential for profit or loss than trading in the underlying instruments. The value of an option may change because of a change in the value of the underlying instruments, the passage of time, changes in the market’s perception as to the future price behavior of the underlying instruments or any combination of the foregoing and/or other factors. Additionally, Clients may purchase and sell exchange-traded options or privately negotiated OTC options. There can be no guarantee that there will at all times be a liquid market for these options. If an options market were to become illiquid or otherwise unavailable, an option holder would be able to realize profits or limit losses only by exercising the option and an options seller or writer would remain obligated until the option is exercised or expires.

Futures. A Client may engage in regulated and unregulated futures transactions for independent

profit opportunities or for hedging of existing long or short positions. Trading in futures involves significant risks, including, but not limited to: (i) price volatility; (ii) highly leveraged trading; and (iii) possible illiquidity. Clients may sustain a total loss of the initial margin and any maintenance margin that it posts to a broker to establish or maintain a position in the futures market. If the market moves against a Client's position, such Client may be called upon to post a substantial amount of additional margin, on short notice, in order to maintain its position. If a Client does not provide the required margin within the prescribed time, its position may be liquidated at a loss, and a Client will be liable for any resulting deficit in its account. Under certain market conditions, a Client may find it difficult or impossible to liquidate a position. The use of leverage can lead to large losses. Non-U.S. futures markets may have greater risk than U.S. futures markets. Unlike trading on U.S. commodity exchanges, trading on non-U.S. commodity exchanges is not regulated by the CFTC (as defined below) and may be subject to greater risks than trading on domestic exchanges.

An option on a futures contract is a right or an obligation to either buy or sell the underlying futures contract at a specific price. The risks of trading options on futures are similar to the risks of trading securities options. See "Options and Derivatives" above. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

Foreign Instruments. Trading in non-U.S. instruments and derivatives on non-U.S. instruments may involve risks and considerations not present in the trading of U.S. instruments and derivatives. Since non-U.S. instruments generally are denominated, pay interest and are settled in non-U.S. currencies, the value of the assets of a Client as measured in U.S. Dollars may be affected favorably or unfavorably by changes in the exchange rate between the U.S. Dollar and other currencies. The weakening of a country's currency relative to the U.S. Dollar will affect, potentially adversely, the U.S. Dollar value of a Client's investments that are denominated in such country's currency. As a result, a Client could realize a net loss on an investment, even if there were a gain on the underlying investment before currency losses were taken into account. Currency exchange rates can be affected unpredictably by controls or restrictions imposed by U.S. or non-U.S. central banks or other governmental agencies in joint or unilateral efforts to alter exchange rate trends. Political developments in the United States or abroad may also affect currency exchange rates. To the extent a Client trades instruments denominated in non-U.S. currencies, it may be adversely affected by restrictions on the conversion or transfer of non-U.S. currencies. The Adviser may (but may not necessarily) seek to hedge these risks by trading currencies, currency futures contracts, forward currency contracts, swaps, or any combination thereof (whether or not exchange traded), but there can be no assurance that such strategies will be effective. As a result, a default on the instrument may deprive a Client of unrealized profits and/or collateral held by the counterparty or may force a Client to cover its commitments for purchase or resale of the underlying currency at the then current market price.

In addition, there may be less publicly available information about foreign economies and foreign companies than the U.S. economy and U.S. companies. Non-U.S. companies may not be subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Many non-U.S. securities markets have substantially less volume than U.S. securities markets and, therefore, securities of non-U.S. companies are generally less liquid and at times their prices may be more volatile than securities of comparable

U.S. companies. In addition, in many non-U.S. markets there is less government supervision of exchanges, brokers, dealers and issuers than in the United States. There is a possibility of expropriation or confiscatory taxation, seizure or nationalization of non-U.S. bank deposits, establishment of exchange controls, the adoption of non-U.S. government restrictions or other adverse political, social or diplomatic developments that could adversely affect any such investment. Some of the instruments may be subject to taxes levied by non-U.S. governments, which have the effect of increasing the cost of such trading and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income from non-U.S. instruments held by a Client may be reduced by a withholding tax at the source. Tax conventions between certain countries and the United States, however, may reduce or eliminate such taxes, and some or all of such taxes may be creditable against the U.S. federal income tax liability of investors which are U.S. taxpayers but may be eliminated or changed at any time.

Forward Contracts. Trading in forward contracts involves significant risks. Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. A Client, in trading forward contracts, will therefore be subject to the risk of credit failure or the inability of or refusal of forward contract dealers to perform with respect to its forward contracts. There is no limitation on the daily price movements of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and ask price. Forward contract trading may therefore be or become highly illiquid.

Foreign Exchange Contracts. A Client may enter into foreign currency spot trades, forward contracts and/or other derivatives thereon for speculative, hedging or other investment purposes. Foreign currency spot trades, forward contracts and other derivatives involve a risk of loss if currency exchange rates move against a Client, unless such derivatives are hedges of foreign currency risk of a Client in its investments. In addition, forward contracts and certain currency derivatives are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract, or derivative counterparty may result in a loss to a Client for the value of unrealized profits on the contract or derivative or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

It is contemplated that most foreign currency forward contracts will be with banks, including among others, investment banks and brokerage firms. There are no limitations on daily price moves of spot trades, forward contracts or many derivatives. Banks, including investment banks and brokerage firms, are not required to continue to make markets in currencies. There have been periods during which certain banks, including investment banks, and certain brokerage firms have refused to continue to quote prices for forward contracts or derivatives or have quoted prices with an unusually wide spread. The imposition of credit controls by governmental authorities might limit the level of such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Client. Clients may be subject to the risk of bank or brokerage firm failure or the inability of or refusal by a bank or a brokerage firm to perform with respect to such contracts.

Non-Deliverable FX Forwards. Non-Deliverable FX Forwards (“NDFs”) are subject to the risks of loss associated with standard foreign exchange transactions. In addition, NDFs are subject to

the risk that an event would force the parties to the transaction to find an alternative basis for determining settlement amounts such as, among other things, a general or specific default, inconvertibility, non-transferability or nationalization of one of the underlying currencies in the NDF. If on any date upon which an NDF transaction is to be valued such an event has occurred or is continuing, the settlement amount to be delivered may be adjusted by the clearing broker or its counterparty, acting in a reasonable manner. Such adjustments will result in changes to the prices at which such transactions were effected and such changes could be material. The fixation of a trade at a settlement price, the determination of whether such a disruption has occurred and the settlement amount associated therewith are beyond the control of the Adviser and the relevant Client.

Fixed Income and Related Instruments. A Client may be subject to interest rate risk in connection with its positions in futures contracts on interest rates, sovereign notes and bonds and futures contracts on sovereign notes and bonds, options on such futures contracts and interest rate swaps. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, the market value of such instruments tends to decrease. Conversely, as interest rates fall, the market value of such instruments tends to increase. This risk will typically be greater for instruments based on longer-term interest rates than for instruments based on shorter-term interest rates.

Emerging Market Fixed Income Securities and Futures. A Client may also trade emerging market fixed income securities and futures, including short-term and long-term futures denominated in various currencies. In addition to the risks related to investments in emerging markets generally and in emerging market equity securities and futures as outlined above, emerging market debt futures are subject to greater risk of loss due to high volatility. Additionally, evaluating credit risk for non-U.S. fixed income securities and futures involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with such emerging market instruments, the yields or prices of such fixed income securities and futures may tend to fluctuate more than those for higher-rated fixed income securities or futures. The market for emerging market interest rate futures may be thinner and less active than that for developed market futures, which can adversely affect the prices at which futures are sold. In addition, adverse publicity and investor perceptions about emerging market interest rate futures may be a contributing factor to a decrease in the value and liquidity of such futures.

Sovereign Notes and Bonds and Related Derivatives. A Client may trade in U.S. Government securities and in derivatives upon these instruments. Generally, these securities include U.S. Treasury obligations and obligations issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises. U.S. Government securities also include Treasury receipts and other stripped U.S. Government securities, when the interest and principal components of stripped U.S. Government securities are traded independently. These securities are subject to market and interest rate risk. A Client may also trade in domestic or foreign government-issued inflation-protected securities (e.g., Treasury Inflation-Protected Securities ("TIPS"), Inflation Linked Gilts ("ILG"), etc.) and in futures, swaps and other derivatives on these securities and/or other inflation related underlyings.

A Client may also trade foreign or U.S. sovereign notes and bonds which may be unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk

of loss of principal and interest than higher-rated debt securities. A Client may trade foreign or U.S. debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets.

A Client may trade foreign or U.S. sovereign notes and bonds which are not protected by financial covenants or limitations on additional indebtedness. A Client may trade distressed sovereign notes and bonds which are subject to the significant risk of the issuer's inability to meet principal and interest payments on the obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. A Client may therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for foreign or U.S. sovereign notes and bonds involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, which can make it difficult to accurately calculate discounting spreads for valuing Financial Instruments.

Repurchase Agreements or Reverse Repurchase Agreements. Under a repurchase agreement, a Client sells a security to a counterparty and simultaneously agrees to repurchase the security back from the counterparty at an agreed upon price and date, with the difference between the sale price and the repurchase price establishing the cost of the transaction to a Client. Repurchase agreements essentially constitute a form of borrowing secured by collateral in the form of securities and will have the effect of leveraging a Client's assets. These agreements may be entered into on an overnight, specified term or open-ended basis.

A Client may also enter into reverse repurchase agreements, whereby a Client purchases a security from a counterparty and simultaneously agrees to resell the security back to the counterparty at an agreed upon price and date, with the difference between the purchase price and the resale price establishing a Client's return. If the seller of securities under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, a Client will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, a Client's ability to dispose of the underlying securities may be restricted. If the seller fails to repurchase the securities, a Client may suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price.

Additionally, certain types of bank obligations which may be acquired by a Client may not be covered by insurance from the U.S. Federal Deposit Insurance Corporation or the U.S. Federal Savings and Loan Insurance Corporation.

Credit Derivative Contracts. A Client may engage in trading of credit derivative contracts, which are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another, both for bona fide hedging of existing long and short positions, but also for independent profit opportunities. Such instruments may include one or more credits. The market for credit derivatives may be relatively illiquid, and there are considerable risks that may make it difficult either to buy or sell the contracts as needed or at reasonable prices. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the contract and whether such payment will offset the loss or payment due under another instrument.

The occurrence of a credit event is generally the occurrence of bankruptcy, a failure to pay, the acceleration of an obligation or modified restructuring of a credit obligation or instrument.

A Client may be either the buyer or seller in these transactions. If a Client is a buyer of credit protection and no credit event occurs, a Client may recover nothing. Worse still, if a credit event occurs, a Client, as a buyer, typically will receive full notional value for a reference obligation that may have little or no value. Buyers of credit derivatives carry the risk of non-performance by the seller due to an inability to pay.

As a seller of credit protection, a Client would typically receive a fixed rate of income throughout the term of the contract, which typically is between one month and five years, *provided* that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligations. Sellers of credit derivatives carry the inherent price, spread and default risks of the underlying instruments.

Credit default swaps involve greater risks than if a Client had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer of credit protection also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to a Client. Further, in certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if such deliverable security is unavailable or illiquid. Such a delivery “crunch” is a distinct risk of these investments.

The credit derivatives market is rapidly evolving. As a result, different participants in the credit derivatives markets may have different practices or interpretations with respect to applicable terms and definitions, and ambiguities concerning such terms or definitions may be interpreted or resolved in ways that are adverse to a Client. Additionally, there may be circumstances and market conditions (including the possibility of a large number of buyers of credit default swaps being required to deliver the same physical security in the same time frame) that have not yet been experienced that could have adverse effects on Clients and/or their returns.

Illiquidity and Credit Risk of Derivative Instruments. A Client may enter into transactions involving privately negotiated, OTC derivative instruments, including among others, derivatives on interest rates, commodities, bonds, portfolios of selected securities, volatility, energy, foreign currencies, equity and indices of any and all of these underlying instruments. Such transactions may include derivatives on derivatives of any or all of these underlying instruments as well. There can be no assurance that a liquid secondary market will exist for any particular derivative instrument at any particular time. Although OTC derivative instruments are designed to meet particular financing needs and, therefore, typically provide more flexibility than exchange-listed products, the risk of illiquidity is also greater as these instruments can generally be closed out only by negotiation with the other party to the instrument. OTC derivative instruments, unlike exchange-listed instruments, are not guaranteed by an exchange or clearinghouse and thus are generally subject to greater credit risks and the possibility of non-performance by the counter party.

Distressed Securities. A Client may invest in “distressed securities”, including private claims and obligations of domestic and foreign entities which are experiencing significant financial or

business difficulties. Investments may include loans, commercial paper, loan participations, trade claims held by trade or other creditors, stocks, partnership interests and similar financial instruments, executory contracts and options or participations therein that are not publicly traded. Distressed securities may result in significant returns to a Client, but also involve a substantial degree of risk. A Client may lose a substantial portion or all of its investment in a distressed environment or may be required to accept cash or securities with a value less than a Client's investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties 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 state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. The market prices of such instruments are also subject to abrupt and erratic market movements and above average price volatility and the spread between the bid and asked prices of such instruments may be greater than normally expected. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

High-Yield Securities. A Client may make investments in "high-yield" bonds and preferred securities that are not investment grade. Securities in the lower rating categories are subject to greater risk of loss, as to timely repayment of principal and timely payment of interest or dividends than higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated securities may tend to fluctuate more than those for higher-rated securities. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of the securities. High-yield securities that are rated BB or lower by S&P or Ba or lower by Moody's (or equivalent ratings by other firms) are often referred to in the financial press as "junk bonds" and may include securities of issuers in default. "Junk bonds" are considered by the ratings agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

Loan Participations. A Client may invest in corporate secured loans acquired through assignment or participations. In purchasing participations, a Client will usually have a contractual relationship only with the selling institution, and not the borrower. A Client generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. A Client may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution. In addition, in the event of the insolvency of the selling institution, under the laws of the United States and the states thereof a Client may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, a Client may be subject to the credit risk of the selling institution as well as of the borrower. Certain of the secured loans or loan participations may be governed by the laws of a non-U.S. jurisdiction, which may present additional risks with regard to the

characterization under such laws of such participation in the event of the insolvency of the selling institution or the borrower.

The above summary does not purport to be a comprehensive discussion of all the risks associated with a Client's specific investment mandate, objectives or strategies. A Client's offering memorandum contains additional information with respect to the risks to which the Client will be subject.

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities & Affiliations

The Adviser is registered as a commodity pool operator with the U.S. Commodity Futures Trading Commission (the “CFTC”), under the U.S. Commodity Exchange Act, as amended (the “Commodity Exchange Act”). TSS is also registered as a commodity pool operator with the CFTC, under the Commodity Exchange Act. In connection with the Adviser's (and certain of its affiliate's) registration as commodity pool operators, certain of the Adviser's management persons are registered as Associated Persons of and/or as principals of the Adviser (and/or its affiliates).

The Adviser and certain of its related persons are affiliated with and/or own an interest in TSS, a broker-dealer registered with the SEC and a member of FINRA. TSS is a member of the BATS Y-Exchange, BATS Z-Exchange, EDGA Exchange, EDGX Exchange, NASDAQ OMX, NASDAQ OMX BX, NASDAQ OMX PHLX, NYSE Arca, NYSE, NYSE MKT, the Chicago Board of Trade and the Chicago Mercantile Exchange. Certain of the Adviser's management persons and employees are registered as registered representatives or principals of TSS. TSS is an “introducing broker-dealer” that does not custody customer (or Client) assets or clear or settle trades. However, the Adviser does use TSS to execute a substantial number of trades on behalf of certain of its Clients. Clients which utilize TSS are generally owned significantly or entirely by proprietary capital.

TSS and the Adviser draw upon each other's research, technology and other proprietary assets and have implemented expense-sharing arrangements in connection therewith. TSS generates substantial trading volume and expects such trading volume to grow. The Adviser causes certain of its Clients to trade through TSS and may in the future cause additional Clients to trade through TSS when the Adviser believes it would be in that Client's best interest to do so. Additionally, the Adviser may become affiliated with one or more additional broker-dealers, exchanges and/or other U.S. or non-U.S. regulated entities.

While it is expected that TSS (and such other regulated entities, as applicable) would charge Clients commissions and other fees that compare favorably with those charged for similar services offered by other firms with similar capabilities, such commissions and other fees charged by TSS (or such other regulated entity) may not be the result of arms' length negotiations and may not necessarily be the lowest commission rates or fees available. This may result from the fact that TSS (and such other regulated entities, as applicable) may provide services and/or execution capabilities for which comparable rates may not be available or ascertainable. On the other hand, the commissions and other fees charged by TSS to those Clients that the Adviser directs to trade through TSS may be materially lower than the commissions and other fees charged to Clients by third-parties and, therefore, the decision not to trade through TSS may increase a Client's execution costs.

The Adviser or a related person may also have a conflict of interest arising from the additional compensation they may be entitled to receive based upon, in large part, the amount of commissions, fees and other revenues received or derived by TSS (or any other applicable entity)

from a Client or a Client's orders. In other words, the Adviser may be incentivized to cause a Client to execute trades through TSS (or any other applicable entity) rather than through a non-affiliated entity and/or to engage in more transactions than it would if such trades were executed through a non-affiliated entity. Accordingly, the Adviser or a related person may be deemed to have a financial conflict of interest with respect to the utilization of TSS (or any other applicable entity) as compared with other entities, as well as with respect to the extent and frequency of Client transactions executed or sent through such an entity. Similarly, since the Adviser and TSS have certain ownership and control relationships in common, certain intrinsic conflicts of interest may exist when the Adviser causes a Client to execute transactions directly or indirectly with TSS (or any other applicable regulated entities) rather than with non-affiliated parties.

The Adviser recognizes the potential conflicts of interest associated with TSS executing trades on behalf of Clients and will seek to mitigate many of these potential conflicts through the following current policies and procedures, including but not limited to the following: (i) TSS will not trade principally with Clients; (ii) all TSS trades will be cleared through third-party clearing brokers; and (iii) the Adviser and TSS have executed an information protection agreement to ensure appropriate treatment is provided to the confidential information, including information regarding orders, that the Adviser may send to TSS. Such engagement is expected to include items such as the Adviser's best execution processes and the commission rates paid by such Clients. In addition, the Adviser will monitor its Clients' transactions and seek to ensure that they are conducted in the best interests of the Clients, including continuing to seek to obtain best execution for its Clients. The Adviser has established internal review processes and mechanisms to review conflicts of interest arising from Client transactions and will report on such matters to the Adviser's management as needed. Furthermore, the Adviser and its affiliates have substantial direct or indirect incentives to see that the assets of the Clients appreciate in value.

The Adviser and certain of its related persons are affiliated with and/or own interests in TSA. The Adviser currently licenses certain analytical tools, strategies (and related data sets), models, optimizers and order and execution management systems (collectively, "Data and Analytics") that it (or another affiliate) has developed, and intends to continue licensing certain new Data and Analytics that it develops, to TSA. TSA utilizes these Data and Analytics on behalf of its clients. The Adviser has the sole discretion to select the Data and Analytics that it licenses to TSA and it may license Data and Analytics to TSA that it does not utilize on behalf of Clients even though such strategies could have a positive expected return. In addition, once licensed to TSA, TSA has sole discretion as to how such Data and Analytics are utilized on behalf of its clients and, for example, how a given strategy should be weighted within a given client. It is entirely possible, therefore, that clients of TSA will obtain greater benefit from such licensed strategies than any or all of the Clients. In addition, TSA's use of a strategy that is also used by the Adviser on behalf of its own Clients does have an adverse impact on such Clients and, in certain cases, such adverse impacts are material. The Adviser is not, and does not intend to be, a fiduciary with respect to TSA's clients and, as such, does not base its licensing decisions on the needs or investment mandates of TSA's clients. The Adviser has also shared, and may, at its sole discretion, continue to share and/or license certain Data and Analytics to other affiliates including, but not limited to, TSS.

In addition to licensing Data and Analytics to TSA, the Adviser provides various services to TSA pursuant to a Services Contract (the "Services Contract") including, but not limited to, trade execution; administrative, legal, technical and clerical services; access to technology equipment

and office facilities; maintenance and support services; and other related and miscellaneous services (please refer to Item 6 of this Brochure for a discussion of the Adviser's trade allocation policy which covers trades that the Adviser executed on behalf of TSA pursuant to the Services Contract). TSA pays the Adviser a fee for the provision of these services, however, such fee is borne by TSA and will not be borne, directly or indirectly, by investors who invest in TSA's clients.

TSA currently directs certain of its clients to invest in certain Clients of the Adviser and the Adviser currently directs certain of its Clients to invest in clients of TSA.

The Adviser has entered into a services agreement with Hamilton Insurance Group, a Bermuda-based insurance holding company whose underlying insurance companies invest in customized Client.

Finally, the Adviser and certain of its related persons are affiliated with and/or own interests in Two Sigma Principals, LLC which, as the general partner or allocation shareholder of various Clients, is entitled to receive the performance-based compensation from the Clients as discussed in Item 5 hereof and similar performance-based compensation from certain clients of TSA.

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

The Adviser has adopted a Code of Ethics (the “Code”) and certain other policies and procedures that obligate the Adviser and its supervised persons to put the interests of the Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. The Adviser will supply a complete copy of its Code to any Client or prospective Client or any investor or prospective investor in the Clients who requests a copy of the Code by contacting Matthew B. Siano, Esq., Managing Director, General Counsel, by email at matt.siano@twosigma.com or by telephone at 212-625-5700 or Kevin M. Farley, Chief Compliance Officer, by email at kevin.farley@twosigma.com or by telephone at 212-625-5700.

The Adviser and its related persons may effect transactions for their own accounts in the same securities or other Financial Instruments purchased and sold for Clients.

To ensure trading by the Adviser’s supervised persons is conducted (i) in a manner that does not adversely affect the Adviser’s trading on behalf of the Clients and (ii) in a manner that is consistent with the fiduciary duties owed by the Adviser to the Clients, the Adviser has adopted the Code and attendant policies and procedures governing, among other things, Financial Instrument transactions by the Adviser’s supervised persons and other “covered persons” (as defined in the Code). The Code and attendant policies and procedures contain provisions designed to, among other things, (i) prevent improper personal trading by the Adviser’s supervised persons and other covered persons; (ii) identify actual or potential conflicts of interest; and (iii) provide guidance in resolving any actual or potential conflicts of which the Adviser is aware of in favor of the Clients. To accomplish these objectives the Adviser is required under the Code and attendant policies and procedures to, among other things (i) require pre-clearance of personal trades in “reportable securities” (as defined in the Code) by the Adviser’s supervised persons and other covered persons; (ii) restrict the number of such trades by the Adviser’s supervised persons and other covered persons in a given month; (iii) prohibit certain trading by the Adviser’s supervised persons and other covered persons in securities of issuers listed on the Adviser’s and TSA’s “restricted list” (as that term is defined in the Code) and, for certain covered persons, “restricted lists” of certain clients of the Adviser or TSA; and (iv) require certain minimum holding periods.

The Code also contains policies and procedures in the following key areas: (i) recordkeeping; (ii) oversight of the Code; (iii) conflicts of interest; (iv) the treatment of confidential information; (v) complying with SEC rules and regulations; and (vi) reporting misconduct. Periodic training regarding the Code and the Adviser’s other policies and procedures is provided to the Adviser’s supervised persons. Separately, the attendant policies and procedures related to, among other things, gifts and business entertainment and outside business activities are located in the Adviser’s compliance manual.

The Adviser may come into possession of certain information that it believes to be confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser may receive such information directly as a result of its investment

advisory activities for any individual Client (including, but not limited to, Clients that are funded largely or entirely with proprietary capital), indirectly as a result of its relationship with affiliates including, but not limited to, TSA and TSS, or through other activities such as strategic partnership negotiations or board or credit committee service. In any such case, the Adviser will be prohibited from communicating such information to a Client or using such information for a Client's benefit. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information outside of the Adviser and that prohibit the communication of such information internally within the Adviser to persons other than the Adviser's General Counsel and/or the Adviser's Chief Compliance Officer or their designees and to assure that the Adviser is meeting its obligations to Clients and remains in compliance with applicable law. The Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser's advisory affiliates may trade in Financial Instruments for their own accounts and may engage in personal securities transactions in securities and other Financial Instruments in which Clients may invest. These activities create conflicts of interest between the Adviser's advisory affiliates and the Adviser's Clients with regard to such matters as allocation of opportunities to participate in, or refrain from participation in, particular Financial Instruments or to dispose of certain Financial Instruments.

The Code contains provisions designed to prevent improper personal trading by the Adviser's supervised persons. Pursuant to the Code, all of the Adviser's "access persons" (*i.e.*, any partner, officer, director, member, or employee of the Adviser) and "covered persons" (*i.e.*, any such access person's spouse, immediate family members, any person to whom an access person provides primary financial support, partnerships and corporations in which access persons maintain a certain level of beneficial interest, and any person with whom access persons share common financial support) must obtain pre-approval prior to trading a reportable security as defined under Rule 204A-1 of the Rules and Regulations promulgated under the Advisers Act, unless such person has a managed account with an independent adviser who has discretionary investment authority. The Adviser's access persons and covered persons are prohibited from trading securities on any applicable restricted list, and certain access persons and covered persons are also prohibited from trading securities on the restricted lists of certain Clients of the Adviser or TSA, and generally are prohibited from participating in "new issues." Short selling is prohibited. The Adviser's current personal trading policies limit the brokers that supervised persons can use for personal trading. All positions in reportable securities need to be disclosed upon joining the Adviser, and duplicates of brokerage account statements generally must be sent to the Adviser's compliance group.

As noted in Item 6 "Performance-Based Fee and Side-by-Side Management", certain of the Clients may be owned primarily or entirely by proprietary capital. Other than as set forth in Item 6, such Clients will be treated the same as all other Clients with respect to the allocation of trades.

Additionally, the Adviser employs a Conflicts Committee comprised of certain of the Adviser's and TSA's senior management and control personnel. The primary purpose of the Conflicts Committee is to act as a forum where such personnel can raise potential conflicts of interest for evaluation, including potential conflicts which relate to investment process decisions.

Item 12. Brokerage Practices

Market intermediaries used to execute Client trades are selected primarily on the basis of their execution capability, services provided, research provided, financial stability, reputation, access to the market for the securities being traded and expertise. In providing services to Clients, the Adviser utilizes many brokerage services offered by market intermediaries including, but not limited to, traditional brokerage, direct market access and third-party algorithms. As such, the Adviser, at times, exercises significant control over the brokerage process and, at other times, relies more heavily on such market intermediaries. In any event, the Adviser need not solicit competitive bids for orders and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus Clients may be deemed to be paying for research, brokerage or other services provided by market intermediaries in recognition of the commissions, mark-ups or other compensation (collectively, "Commissions") received.

In determining the market intermediaries through which, and Commission rates and other transaction costs at which, investment transactions for a Client are to be executed, the Adviser will seek to obtain the best execution and negotiate the most favorable Commission and costs obtainable on each type of transaction. Consistent with seeking overall best execution, the Adviser may also obtain research, brokerage and other services that would otherwise be a Client expense provided by the market intermediary for Commissions paid in connection with the transaction and the Adviser may place transactions that may involve increased transaction costs for the foregoing services with a market intermediary that also (i) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the market intermediary or (ii) refers investors to the Adviser or other products advised by the Adviser (or an affiliate). Accordingly, a Client may pay to market intermediaries that provide these services and benefits higher Commissions, mark-ups, fees, costs or other compensation than such Client would pay to other market intermediaries that do not provide these services and benefits based on the Adviser's recognition of the value of the research, brokerage and other services that would otherwise be Client expenses being provided.

When appropriate, the Adviser may, but is not required to, aggregate Clients' trade orders to achieve more efficient execution or to provide for equitable treatment among accounts. See Item 6 above for information concerning the Adviser's aggregation and allocation policies.

The Adviser currently only uses Commissions to obtain research and brokerage services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company data, certain valuation and pricing data and economic data); advice from brokers on order execution; investment and economic recommendations; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (*i.e.*, connectivity services between an

investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. Should the Adviser elect in the future to use Commissions arising from a Client's investment transactions for services other than research and brokerage, such usage will be limited to services that would otherwise be a Client expense. The use of Commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, the Adviser may receive a product or service that may be used only partially for Section 28(e) types of services or services for which a Client is obligated to pay (*e.g.*, an order management system, trade analytical software or proxy services). In such instances, the Adviser will make a good faith effort to determine the proportion of the product or service used for Section 28(e) types of services or services for which such Client is obligated to pay and the proportion used for other purposes. The proportion of the product or service used for Section 28(e) types of services may be paid through Commissions generated by transactions for the Client and the proportion used for other purposes will be paid for by the Adviser from its own resources.

The Adviser may use “soft dollars” for brokerage and research products and services that provide lawful and appropriate assistance to the Adviser in carrying out its investment decision-making responsibilities, as permitted under the safe harbor of Section 28(e). While the Adviser currently does not do so, the Adviser is permitted under its Clients’ offering documents to also use soft dollars to pay certain client expenses that are outside of the scope of Section 28(e). The Adviser acknowledges and understands that it has an obligation to seek “best execution” for its Clients’ transactions under the circumstances of the particular transaction. Consequently, notwithstanding the Adviser’s soft dollar policy, no transaction shall be directed to a broker unless best execution of the transaction is reasonably expected to be obtained.

To the extent the Adviser uses soft dollars to pay for a product or service that includes a function that is not an eligible research or brokerage service under Section 28(e) or that the Adviser uses for purposes other than investment decision making, the Adviser will make an appropriate allocation of such product or service as a “mixed-use” item.

The use of Commissions (or certain markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services. In addition, the receipt of benefits and the determination of the appropriate allocation in the case of “mixed use” products or services (as noted above) creates an additional potential conflict of interest between the Adviser and the Clients. The Adviser may cause Clients to pay Commissions (or certain markups or markdowns) higher than those charged by other broker- dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for Clients. However, the Adviser will make a good faith determination that the amount of Commissions paid is reasonable in light of the research and brokerage services obtained.

Research and brokerage services obtained by the use of Commissions arising from a Client's

portfolio transactions may be used by the Adviser (and may be shared with its affiliates) in its other investment activities, including, for the benefit of other Clients. The Adviser does not seek to allocate soft dollar benefits proportionately based on the Client which generated such soft dollar credits.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research); corporate governance research and rating services; inputs from traders, analysts, experts on selected subjects, and other market participants (*e.g.*, in connection with the use, implementation and support of the alpha capture systems developed by the Adviser and/or its affiliates); and data services (including services providing market data, news data, company financial data, certain valuation and pricing data and economic data).

In selecting or recommending broker-dealers, the Adviser may consider whether the Adviser or a related person receives client referrals from a broker-dealer or third party. The Adviser may have an incentive to select or recommend a broker-dealer based on its interests to receive client referrals rather than on the Client's interests to receive most favorable execution. To address this conflict of interest, the Adviser may execute Client trades through broker-dealers that refer clients to the Adviser but only if it is determined by the Best Execution Committee of the Adviser that Client trades with such broker-dealers are otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer or pay a higher commission than the Adviser would otherwise pay as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

Please refer to Item 6 – "*Allocation of Trades*" for further information regarding the procedures adopted by the Adviser for allocating trades among its Clients including procedures for order aggregation.

Item 13. Review of Accounts

Frequency and Nature of Review.

The Adviser's Chief Investment Officer regularly reviews the trading activity conducted on behalf of the Clients in conjunction with the portfolio manager, book manager and/or region manager responsible for such trading activity. These reviews consist of a review and analysis of (i) various trading data, (ii) internally-generated risk reports and (iii) an evaluation of such other information the Adviser deems appropriate.

Content and Frequency of Regular Account Reports.

A Client's investors receive written reports from the Client as described in the offering or organization documents of the Client.

Clients may enter into agreements with certain investors to provide such investors with additional reports, including detailed information regarding portfolio positions.

Item 14. Client Referrals & Other Compensation

The Adviser does not currently compensate any person for Client referrals (though it may compensate third-parties for investor referrals).

The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select or recommend particular broker-dealers based on the Adviser’s interest in receiving the research or other products or services from such broker-dealers. Please see Item 12 above for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

Item 15. Custody

The Adviser and certain of its affiliates are deemed to have custody of Client assets and intend to comply with Rule 206(4)-2 under the Advisers Act, typically by meeting the conditions of the pooled vehicle annual audit provision.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to Clients. Other than those restrictions set forth in the applicable offering memorandum or investment management agreement, Clients generally may not impose restrictions on investing in certain securities or certain types of securities.

Prior to assuming full discretion in managing a Client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the Client (subject to restrictions on its activities set forth in the applicable offering memorandum, investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the Client. See Item 6 for a discussion of the Adviser's allocation and aggregation practices.

The Adviser may, directly or indirectly, from time to time, cause certain of the Clients to purchase equity securities that are part of an initial public offering (sometimes referred to as "IPOs" or "New Issues"). The Adviser will determine those Clients that are eligible to participate in the IPOs and will allocate such IPO securities in a manner consistent with applicable law and the Adviser's fiduciary duties among such Clients. The Adviser is authorized to determine, among other things the (i) manner in which New Issues are directly purchased, held, transferred and sold and any adjustments (including interest) with respect thereto; (ii) manner in which the investors will participate in the profits and losses from New Issues; (iii) investors who are eligible and ineligible to participate in the profits and losses from New Issues; (iv) method by which profits and losses from New Issues are to be allocated among the investors in a manner that is permitted under the FINRA rules; and (v) time at which New Issues are no longer considered as such under the FINRA rules.

Item 17. Voting Client Securities

Although the trading frequency (and correspondingly relatively shorter holding periods, frequently changing position sizes and changing position directionality) of the securities targeted by the majority of investment strategies employed by the Adviser significantly reduces the importance and usefulness of the proxies the Adviser receives and votes, or causes to be voted, on behalf of the Clients.

However, when the Adviser votes proxies with respect to Client securities, the Adviser employs proxy voting guidelines and proxy voting procedures that are designed to seek to such proxies are voted in the best interests of the Clients. The Adviser may choose to cease voting proxies, or not vote proxies, on behalf of certain of its Clients in the future. The Clients are not permitted to direct their votes in a particular solicitation.

When voting proxies, the Adviser generally utilizes the services of a third-party proxy agent that votes pursuant to guidelines agreed with the Adviser in advance which the Adviser believes are in the best interests of the Client. When voting proxies on behalf of certain private investment funds and commingled vehicles, the Adviser votes proxies in accordance with its internal policies and procedures. If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

An investor in a Client can obtain (i) a copy of the Adviser's proxy voting policies and procedures and (ii) information on how the Adviser voted proxies for each applicable Client in which they are invested, by contacting the Adviser's Investor Relations Department at (212) 625-5700.

Item 18. Financial Information

This Item is not applicable.

Item 19. Requirements for State-Registered Advisers

This Item is not applicable.

Appendix: Material Changes

Below is a summary of the material changes the Adviser has made to this brochure since the Advisers last annual Form ADV filing on March 31, 2014. Please be aware that other non-material changes have been included in this brochure.

- Item 6. Changes have been made to the Section titled “Allocation of Trades” to further describe the Adviser’s trade allocation policy, including enhancing disclosure about certain conflicts of interest that arise as a result of the Adviser’s allocation policy, as well as the Adviser’s use of separate trading desks. Certain clarifications were also made to the Section titled “Allocation of Strategies”.
- Item 8. Two risk factors were added under the Section titled “Material Risks (including Significant or Unusual Risks) Relating to Investment Strategies” (i.e., “Risk of Process Changes” and “Risk of Independent Management or Independent Deleveraging”), that describe the risks associated with (i) the evolution of the Adviser’s investment processes and (ii) Client liquidation or deleveraging.
- Item 10. Changes have been made to reflect updates to TSS’s registration with certain exchanges and to disclose that certain Clients that utilize TSS are generally owned significantly or entirely by proprietary capital and to disclose that the Adviser has entered into a services agreement with an insurance holding company whose underlying insurance companies invest in certain Clients. Certain clarifications were made to the policies and procedures used to mitigate the potential conflict of interest associated with TSS executing trades on behalf of Clients. Additional disclosure was added to disclose that TSA’s use of a strategy also used by the Adviser on behalf of its own Clients does have an adverse impact on such Clients (which could be material).
- Item 11. Updates have been made to reflect changes in the structure and mission of the Conflicts Committee and to clarify the Adviser’s procedures with respect to the receipt of nonpublic information.
- Item 12. Changes have been made to further describe the Adviser’s use of brokerage services offered by market intermediaries.
- Item 17. Changes have been made to reflect the fact that the Adviser may choose to cease voting proxies, or not vote proxies, on behalf of certain Clients and to clarify that certain Clients may not utilize the services of a third-party proxy agent.