

# Mizuho Alternative Investments, LLC

## Part 2A of Form ADV

### The Firm Brochure

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*This brochure provides information about the qualifications and business practices of Mizuho Alternative Investments, LLC. If you have any questions about the contents of this brochure, please contact us at [mai.compliance@mizuhocbus.com](mailto:mai.compliance@mizuhocbus.com) or (212) 282-4739. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Mizuho Alternative Investments, LLC is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Mizuho Alternative Investments, LLC is registered with the United States Securities and Exchange Commission as an investment adviser. Registration does not imply a certain level of skill or training.*

## **Item 2. Material Changes**

This brochure contains information about Mizuho Alternative Investments, LLC (“MAI” or the “Adviser”), including material changes to the brochure since the most recent annual update in March 2014 as follows:

- MAI became a sub-adviser to a fund that is registered under the Investment Company Act of 1940, as amended. Corresponding changes have been made throughout this brochure to provide references to the registered fund in appropriate places (July 25, 2014).
- MAI amended its proxy voting policy and procedures, necessitating a corresponding amendment to this brochure (November 10, 2014).
- MAI’s brochure was amended to reflect the annual updating amendment, including revisions to Item 8. Methods of Analysis, Investment Strategies and Risk of Loss (March 27, 2015).

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As used herein, the word “may” and other similar words implying contingency should be understood to be a disclosure that MAI is permitted to engage in the practice described and could actually be doing so at the present time, or could have done so in the past, or may do so in the future, in connection with all or some client accounts and transactions.

## **Item 4. Advisory Business**

MAI was founded in 2007 and is owned by Mizuho Bank, Ltd. (“MHBK”), a bank headquartered in Tokyo, Japan, and Mizuho Securities Company, Ltd. (“MSC”), a broker-dealer headquartered in Tokyo, Japan. MHBK and MSC are wholly owned by Mizuho Financial Group Inc., a publicly traded company listed on the Tokyo Stock Exchange and New York Stock Exchange (American Depositary Receipts). MHBK, as majority shareholder of MAI, has the legal authority to exercise control over MAI’s operations. As of December 31, 2014, MAI had regulatory assets under management of approximately

\$1,042.9 million on a discretionary basis and approximately \$2,045.5 million on a non-discretionary basis.

MAI is an investment adviser to institutional clients, and currently all of MAI's discretionary advisory clients are pooled investment vehicles. Private investment funds (each, a "Private Fund"), generally established in the Cayman Islands as unit investment trusts, private investment partnerships or investment companies, retain MAI as an investment adviser or sub-adviser. MAI also advises a Private Fund organized as a Delaware limited liability company, for which it serves as managing member. In addition, MAI acts as sub-adviser to an investment fund that is registered under the Investment Company Act of 1940, as amended (the "Registered Fund") and together with the Private Funds, the "Funds").

The Funds invest or participate in investments in exchange-traded financial and commodity futures contracts, exchange-traded funds (ETFs), over-the-counter (OTC) derivatives, and other securities and financial instruments, including government bonds and cash and cash equivalents. In providing the above-referenced services to each Fund, MAI formulates investment objective(s) and strategy(ies), directs and manages the investment and reinvestment of Fund assets, and reports investment performance information to each Fund and to the investors of a Fund. MAI provides investment advice to each Fund directly, but not to the investors of a Fund individually. MAI manages the assets of each Fund in accordance with the terms of the governing documents that are applicable to each Fund. In addition, MAI provides non-discretionary investment advisory and/or portfolio monitoring services to its parent company with respect to a portfolio of assets maintained in a separate account by its parent company.

The offerings of units, shares or interests in the Private Funds are not registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and the Private Funds are not registered under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"). MAI is registered as a commodity pool operator under the U.S. Commodity Exchange Act ("Commodity Exchange Act") with respect to certain of the Private Funds it advises. However, MAI has submitted notice filings stating its intent to operate these Private Funds pursuant to an exemption available under Regulation 4.7 adopted by the U.S. Commodity Futures Trading Commission ("CFTC"). MAI is also registered as a commodity trading advisor under the Commodity Exchange Act. Further, MAI has submitted a notice filing stating its intent to advise the Funds as though it were exempt from certain obligations pursuant to CFTC Regulation 4.7. Accordingly, MAI offers and sells interests or shares in the Private Funds exclusively to investors satisfying the applicable eligibility and suitability requirements of the Securities Act, Investment Company Act, Commodity Exchange Act and CFTC Regulations, either via private transactions within the United States or in offshore transactions.

Each Fund is not a bank and is a separate legal entity from MAI, MHBK or any of their affiliates. Ownership interests in a Fund are not deposits or obligations of, or guaranteed or endorsed in any way by, MAI, MHBK (individually, or collectively with its affiliates and subsidiaries, as the context requires, "Mizuho"), any other Mizuho entity, or any other bank. None of MAI, MHBK or any other Mizuho entity, the U.S. Federal Deposit Insurance Company, the U.S. Federal Reserve Board or any other bank or governmental agency, directly or indirectly, guarantees, assumes or otherwise insures the obligations or performance of the client accounts or Funds or any other investment fund in which the Funds or any subsidiary of the Funds invests. Any losses in the Funds are borne solely by investors in the Fund and not by MHBK, MAI, or any other Mizuho entity, whose losses will be limited to losses attributable to their ownership interests in the Funds held by them in their capacity as an investor in the Funds or as a beneficiary of a restricted profits interest held by them. Prospective investors in a Fund should read the relevant offering documents before investing.

Certain of the Funds have issued multiple classes of units, shares or interests of which certain classes are subject to different investment terms, including those applicable to fees, transparency and liquidity.

Details concerning applicable terms are set forth in the respective Funds' governing documents and side letters.

*This brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Private Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act and other applicable state or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Private Funds, including requirements that they be "accredited investors" as defined in Regulation D, "qualified purchasers" as defined in the Investment Company Act, or non-"U.S. Persons" as defined in Regulation S. Persons reviewing this brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Private Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

#### Side Letters

MAI may enter into letter agreements (often referred to in the industry as "side letters") with certain investors in the Private Funds which may grant terms which differ from those outlined in the Private Funds' governing documents. These terms may include (i) different subscription notice periods or minimum investment amounts, (ii) the waiver or reduction of management fees and/or incentive fees or incentive profit allocations, (iii) differing redemption or withdrawal terms, in terms of either the required notice to be given or the amount that may be redeemed or withdrawn, (iv) commitments to permit future investments in the Private Fund by certain investors when the Private Fund is otherwise closed to new or additional investments, (v) waiver of confidentiality undertakings, (vi) consent to transfer of interests in the Private Funds, and (vii) undertakings designed to protect an investor from violating an applicable statute or administrative regulation. The Private Fund may also agree to provide certain investors with supplemental information, reports and due diligence that may not be made available to all investors. The supplemental information or reports provided for in a side letter may affect the decision of the recipient to request a redemption or withdrawal from a Private Fund.

### **Item 5. Fees and Compensation**

Compensation received by MAI from the Funds for discretionary investment advice is generally comprised of fees based on a percentage of assets under management (for all Funds) and performance-based amounts (for some Private Funds). MAI also provides non-discretionary investment advisory services and/or portfolio monitoring to its parent company for which it receives asset-based fees.

In general, MAI's asset-based fee for discretionary investment advice ranges from 0.95% to 2.75% (per annum) of the aggregate fair market value of the net assets of a Fund. These fees have been and, in the future, may be negotiated with advisory clients or Private Fund investors on a case-by-case basis. With respect to certain Private Funds, MAI's asset-based fee (also called a management fee) includes special allocations to a seed capital provider. With respect to certain Private Funds, MAI's asset-based fee includes sub-advisory fee allocations to a sub-adviser, which amounts may be paid directly by the Private Fund. Generally, asset-based fees for the Funds are billed monthly or quarterly in arrears as of the close of the calendar month or quarter during which MAI performs the services to which the fees relate. The asset-based fee shall be prorated for any billing period during which MAI does not serve as the investment adviser for the entire billing period. If fees are paid in advance, upon termination of the investment advisory services, any unearned portion of fees will be refunded to the Fund on a prorated basis. This does not apply to asset-based fees allocated to the individual investors of a Fund. In addition, the asset-based fee may be reduced periodically by an amount equal to placement or distribution fees, if any, paid

by a Fund, with the amount owed to the placement agent being paid directly by the Private Fund. MAI, at its discretion, may waive all or a portion of the asset-based compensation amount.

In general, performance-based compensation paid by the Private Funds ranges from 0% to 20% of net realized and unrealized profits in total for each year. Generally this amount is payable as of the end of each Private Fund's fiscal year. However, performance-based compensation amounts are payable more frequently with respect to certain classes of units for one of the Private Funds. Such performance-based compensation is generally subject to net loss carry-forward provisions or "high water marks," as described in applicable governing documents. MAI, at its discretion, may waive all or a portion of the performance-based compensation amount. Performance-based fees may create an incentive for MAI to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation. With respect to certain Private Funds, MAI's performance-based compensation includes special allocations to a seed capital provider. With a performance-based fee arrangement, MAI receives compensation based on a share of the capital gains or capital appreciation of the Private Funds or any portion of the funds of the investor. Since the performance allocation will be determined on both realized and unrealized gains, MAI may receive a performance allocation at the end of a performance-based compensation period reflecting gains that are not subsequently recognized by the Private Funds.

The governing body for each Fund (whether trustee, general partner, or board of directors) will value, or arrange to have valued, the securities and instruments held by the Private Funds using readily available market quotations and other commonly used and recognized methods. Generally, the Private Funds will engage independent or affiliated fund administrators to assist in determining asset valuations, including the calculation of the asset-based and performance-based fee amounts. Generally, all asset-based and performance-based fees are deducted directly from the Private Funds.

Additionally, the governing documents of a Private Fund or the investment sub-advisory agreement with a Registered Fund's investment manager generally provide that MAI will not be liable and will be indemnified for certain losses, damages or liabilities arising out of or in connection with the performance of its duties to the applicable client account.

Each Fund generally bears all expenses concerning the operation of the Fund, which may include, but may not be limited to, the following expenses incurred by, or allocable to each Fund, and which may vary from Fund to Fund:

- (i) organizational and offering expenses incurred in connection with the offerings of shares, units or interests of the Fund;
- (ii) expenses incurred in connection with the investments made by the Fund (including research expenses and costs, travel related costs and brokerage commissions);
- (iii) expenses incurred in connection with the Fund's ongoing operations (including legal, administrative and reporting expenses including, but not limited to, middle and back office expenses) whether such functions are performed by the Adviser or a third party provider;
- (iv) accounting, tax, audit and insurance expenses of the Adviser or its affiliates to the extent allocable to the Fund;
- (v) custodial fees;
- (vi) interest;
- (vii) expenses incurred in respect of research, statistical, market data, third party experts and portfolio management services and software;
- (viii) expenses incurred in respect of obtaining and maintaining one or more insurance policies;
- (ix) certain extraordinary expenses, such as litigation expenses;
- (x) expenses related to an advisory committee and/or an independent client representative; and

- (xi) costs and expenses incurred with respect to market information systems and publications, research publications and materials, and settlement, clearing and custodial fees.

In addition, each Fund will generally pay all expenses reasonably incurred in the formation and organization of, and sales of shares or interests in, the Fund, including external legal and accounting expenses, printing costs, travel, and out-of-pocket expenses, if any. MAI may incur and pay in the name and on the behalf of a Fund any organization or operating expenses that it deems necessary or advisable. The Fund will reimburse MAI for advances MAI makes to pay for Fund expenses.

Please see each Private Fund's applicable confidential offering memorandum or the Registered Fund's prospectus and statement of additional information for additional detail on expenses for the Fund in question. Additionally, see the "Brokerage Practices" section below for additional information regarding brokerage commissions and expenses. Investors in the Funds should review all fees charged by MAI and its affiliates, custodians and brokers, and others to fully understand the total amount of fees and expenses to be paid

Separate account clients would generally bear their own operating expenses, including, but not limited to, fees and expenses associated with their investment program (*e.g.*, for all costs, fees and expenses incurred in connection with the purchase, sale or carrying of any security or investment, including, but not limited to, transaction costs, and margin interest expense).

Except as may be otherwise negotiated in particular cases, investors are able to withdraw or redeem from a Fund pursuant to the terms of the Fund's organizational documents. In general, the expenses, asset-based fee, and performance-based fee are charged to the investor through the date of termination. The investment advisory agreement with each Fund is terminable, without penalty, generally upon advance notice to either party. Termination periods, if applicable, are negotiable and are set forth in the respective governing documents.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

As stated in Item 5. Fees and Compensation above, MAI charges performance-based fees that are based on a share of capital gains on or capital appreciation of a Private Fund's assets. As discussed previously, the fact that MAI is compensated based on such profits may create an incentive for MAI to make investments on behalf of the Private Funds that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fee received by MAI is based primarily on realized and unrealized gains and losses. As a result, the performance-based fee earned could be based on unrealized gains that Private Funds may never realize. MAI currently also has Funds or clients that *do not* pay performance-based fees. MAI faces a conflict of interest by managing performance fee paying and non-performance fee paying accounts at the same time. Specifically, this may create an incentive for MAI to favor accounts for which it receives a performance-based fee. MAI has adopted policies and procedures it believes are reasonably designed to allocate investment opportunities on a fair and equitable basis over time and in a manner consistent with each account's investment objectives and related restrictions. To that end, MAI may bunch or aggregate orders for one Fund with orders for other Funds. In addition, MAI analyzes each trading program periodically to ensure that customers in the same trading program achieve similar allocation results over time.

## **Item 7. Types of Clients**

As stated previously, MAI currently provides discretionary investment advice to the Private Funds and the Registered Fund. In addition, MAI provides non-discretionary investment advice and/or portfolio monitoring services to its parent company.

Details concerning applicable investor suitability criteria, including investment minimums and whether such minimums are negotiable, are set forth in each respective Private Fund's offering documents and subscription application materials and in the Registered Fund's prospectus and statement of additional information. Each Private Fund investor is required to meet certain suitability qualifications, such as being a "qualified purchaser" as defined in the Investment Company Act or being a "non-U.S. person" as defined in Regulation S under the Securities Act. In addition, each U.S. investor in a U.S. Private Fund must also satisfy the suitability requirements under Rule 205-3 under the Investment Advisers Act of 1940, which prescribes certain requirements that must be satisfied in connection with MAI's receipt of performance-based compensation.

In the future, MAI may also serve as investment adviser for certain separately managed accounts, such as accounts in the name of public and private pension funds, university endowments, banks, or collective investment vehicles sponsored and/or managed by third-party investment firms. These separately managed accounts may have fee, redemption and other terms that vary materially from those of the Funds.

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

MAI employs two different teams of employees within MAI to provide investment advice relying on varying methods of analysis and sources of information, as described below.

### **Quantitative Strategies Team**

MAI's Quantitative Strategies Team ("QST") is responsible for implementation of two major groups of quantitative investment strategies with respect to the Funds managed by MAI. The QST consists of a single portfolio management and trading team dedicated to MAI's quantitative strategies. The QST primarily focuses on futures, ETFs and over-the-counter (OTC) derivatives, but may include investments in various securities, options, government bonds, and cash and cash equivalents.

First, MAI advises Funds pursuing two related programs. In each program, the investment objective of the Funds is to provide attractive risk adjusted returns with either low or negative correlation to equity or traditional and alternative investments. Each Fund seeks to achieve its objective through a primarily quantitative investment and trading strategy investing in a diversified portfolio consisting primarily of futures contracts traded on futures exchanges worldwide, ETFs and OTC derivatives (in particular risk premia index swaps). The QST utilizes a proprietary trading system that is designed to identify and forecast market opportunities based on statistical analysis of price and non-price data. The proprietary trading system provides signals concerning prospective end of trading day positions. The QST's investment and trading strategies are quantitative in nature and were developed through quantitative analysis and back-testing of certain trading rules applied against historical market data, including price, volume and open interest, as well certain types of commercially-available fundamental data. The Funds and other client accounts may have different risk and return targets, volatility targets, portfolio constraints, and tax, accounting and regulatory limitations (among others) that may result in the Adviser buying and selling different instruments at different times or in different quantities than the trades

executed for another Fund or client account. This may result in material differences in portfolios, performance, volatility, exposure and various other measurements among the Funds and client accounts.

Second, MAI advises Funds the investment objective of which is to seek capital appreciation through alternative beta strategies employing futures and ETFs. To implement the alternative beta strategies, the QST utilizes proprietary investment processes, which may involve inputs, including the receipt of trade signals, from one or more sub-advisers (each, a “Sub-Adviser”). The alternative beta strategies are quantitative in nature and attempt to capture the earning potential represented by the selected alternative beta exposures, often by replicating well-known hedge fund strategies. At any given time, MAI may not fully invest the capital committed to a strategy, given MAI’s discretionary assessment of the minimum capital needed to pursue the strategy and the attractiveness of the opportunity set. This may result in investor capital remaining in cash or cash equivalents for significant periods of time. Quantitative risk management methodologies are integrated into the investment process.

There is no assurance that the QST will provide an acceptable return to investors or not incur substantial losses. Past performance is not necessarily indicative of future results. The investment programs employed by the QST for the Funds are speculative and involve a high degree of risk. There is no assurance that technical and risk management techniques utilized by the QST, as well as the investment decisions made by the QST, will not expose the Funds to risk of significant losses. In addition, the analytical techniques used by the QST cannot provide any assurance that Funds will not be exposed to the risk of significant trading losses if the underlying patterns of market behavior studied by the QST, and which provide the basis for its statistical models, change in ways not anticipated by the QST. In addition, if any strategic investor were to redeem all of its investment, it could cause a material adverse effect on the Funds, investors, and clients.

Where MAI has engaged a Sub-Adviser, the QST will be dependent upon the judgment and ability of the Sub-Adviser, and in particular, the Sub-Adviser’s investment process. Subjective decisions made by the Sub-Adviser with respect to the Sub-Adviser’s investment process and/or trade signals may cause the Funds to incur losses or to miss profit opportunities on which they would have otherwise capitalized. In addition, the relationship between MAI and the Sub-Adviser may be terminated by the Sub-Adviser for any reason. Such termination could adversely impact the nature and/or transparency of the investment information and/or trade signals provided by the Sub-Adviser to the QST, which could in turn adversely impact the Funds.

The investment processes used by the QST and the Sub-Advisers are dependent in part upon various computer and telecommunications technologies. The successful deployment of the investment processes, the implementation and operation of the investment processes, and various other critical activities of MAI and the Sub-Advisers could be severely compromised by telecommunications failures, power loss, software-related “system crashes,” fire or water damage, or various other events or circumstances.

The instruments the QST will trade are inherently leveraged and MAI may borrow money, engage in repurchase transactions or invest in securities on margin. Leverage exaggerates the effects of market movements, which may result in the Funds and clients experiencing greater losses or gains than would be experienced by an unlevered portfolio following a similar strategy. Decisions made by the QST in connection with its trading methodology for certain Funds are based chiefly on statistical analysis generated by its trading program technology. The profitability of systematic investment and trading depends upon the accurate forecasting of price movements over applicable time horizons. No assurance can be given of the accuracy of the forecasts used or made by the QST. The QST will invest primarily in futures and ETFs. Futures prices are highly volatile, and are influenced by many external economic, governmental, and world events. The low margin deposits normally required in futures trading permits an extremely high degree of leverage which can result in a substantial gain or loss to the Funds and clients



from a relatively small price movement. In addition, frequent trading and portfolio turnover may increase brokerage and other transaction costs and reduce investment performance.

Investors in a Fund advised by the QST should consider an investment in such Fund as involving a high degree of financial risk and should therefore carefully consider all risk factors set forth in the relevant Fund's offering and/or operational documents. Each prospective investor should carefully review offering and/or operational documents, as applicable, before deciding to make an investment in a Fund.

### Structured Credit Investment Team

The Structured Credit Investment Team (the "SCIT") provides non-discretionary investment advisory services, as well as portfolio monitoring and related services, to MAI's parent company concerning a portfolio mainly consisting of collateralized debt obligations (CDOs) (which are securities backed by high-yield bond or loan instruments in so-called "cash" or synthetic form), collateralized loan obligations (CLOs) and asset-backed securities (ABSs). As necessary, the SCIT will perform an investment analysis for each potential investment opportunity, which is then submitted to the client for approval. The client will then execute the trade (if any) on its own behalf. All analyses of proposed investments are made in accordance with the standards established by MAI's parent.

### Summary of Material Risks

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis. Clients or prospective investors should refer to the relevant Fund's offering documents for full disclosure of the potential risks of an investment in any particular Fund, including a full description of each of its respective risk factors. In addition, as the Funds' respective strategies may develop and evolve over time, an investment in a particular Fund may be subject to additional and different risk factors than those set forth below. In the disclosure of risk factors set forth below, any reference to "the Fund" should be understood as a reference to any or all investment funds or client accounts for which MAI provides investment and trading advice.*

### Reliance on Quantitative Models and Systems

The Adviser uses quantitative mathematical models that may rely on patterns, relationships and overall dependence structures inferred from historical prices and other financial or non-financial data, or may rely on theories or hypotheses from economics, finance or other sciences, in evaluating prospective investment and trading opportunities. However, most quantitative models cannot fully match the complexity of the financial and commodity markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact the performance of the Fund. 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 by the Fund. There is no guarantee that the Adviser's models will be effective in identifying profitable investment and trading opportunities or that they will apply to all market conditions.

Additional risks associated with quantitative strategies and investment and trading systems are described below:

Quantitative Investment and Trading Strategy. The Adviser seeks to identify price patterns and market trends in financial and commodity markets and attempts to exploit those patterns. Decisions made by the Adviser in connection with its investment and trading methodology are based chiefly on trading

signals generated by quantitative mathematical models, which were developed through the analysis of certain trading rules applied against historical market data (“backtesting”), including price, volume, and open interest, and also certain types of commercially-available fundamental data. The profitability of systematic investment and trading depends upon the accurate forecasting of price movements over applicable time horizons. Even if all the assumptions underlying any given model were met exactly, a model can only make a prediction, not afford certainty. There can be no assurance that the future performance of the Fund will match the model’s prediction. Further, most statistical procedures cannot fully match the complexity of the financial and commodity markets and as such, results of their application are uncertain. No assurance can be given of the accuracy of the forecasts used or made by the Adviser on behalf of the Fund.

The Adviser’s quantitative models typically operate by generating signals that represent recommendations to buy or sell one or more instruments to obtain a portfolio of specific long and/or short positions. Whether and how these signals are translated into actual trades and portfolio positions is a matter of investment and trading discretion, and the Fund relies on the Adviser to make these determinations in its judgment, relying on its employees. The Adviser may determine not to implement a specific recommendation due to, for example, adverse market conditions (whether due to an absence of liquidity or due to market volatility) or the timing of the recommendation (such as a recommendation being made on a holiday or outside of normal market hours). Similarly, the answers to the questions of how frequently to run a model to generate recommendations and what time of day to run a model are discretionary determinations made by the Adviser in an exercise of its investment and trading judgment and may differ from actions that are or would have been taken by other advisors in similar situations. It is not possible for the Fund’s actual portfolio to mirror the “ideal” or “model” portfolio reflected in the Adviser’s systems at all times or at any given time, as a result of, among other things, the nature of the models themselves or the frictions inherent in actual trading. No assurance can be given that the Adviser will have made what appears after the fact to have been the correct decision in any given situation.

Reliance on Technology; System Implementation Errors. The investment and trading strategy utilized by the Adviser is fundamentally dependent on technology, including hardware, vendor and proprietary software, and telecommunications systems. In providing discretionary investment advice to the Fund, the Adviser uses an investment and trading system instantiated in proprietary systems and software. There is typically an absence of formal design documents or specifications when building proprietary software. The proprietary software code thus typically serves as the final, definitive documentation and specification for how the software should perform. The Adviser’s quantitative models have not been reviewed by third-party information technology consultants or vendors or subjected to other forms of third-party quality assurance (QA). Therefore, these models may and likely do contain economic data or securities price data errors, mathematical or statistical errors, or computer system implementation errors or other errors, omissions, imperfections and malfunctions that could produce results inconsistent with the intent of the personnel of the Adviser who designed the models or with the Adviser’s understanding of how the models should behave. (In this document, we refer to all of these types of errors collectively as “system implementation errors.”) These system implementation errors may result in material losses to the Fund before being discovered and may not in fact be discovered during the Adviser’s ordinary, day-to-day operations, but may require extreme adverse events before manifesting themselves. Despite the Adviser’s reasonable best efforts, these system implementation errors may 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, or the taking of actions which increase certain risks, all of which may have materially negative effects on the Fund and its returns.

System implementation errors are often extremely difficult to detect, and, in the case of proprietary software, the difficulty of detecting system implementation errors may be exacerbated by the lack of

design documents or specifications. System implementation errors in third-party systems and software are generally entirely outside of the control of the Adviser. Regardless of how difficult their detection appears in retrospect, some system implementation errors will go undetected for long periods of time and some will never be detected. The degradation or impact caused by these system implementation errors can compound over time. Finally, the Adviser may detect certain system implementation errors that it chooses, in its sole discretion, not to address or fix. The Adviser may also discover system implementation errors in third-party software that it chooses, in its sole discretion, not to address or fix. While the Adviser will not perform a materiality analysis on the vast majority of discovered system implementation errors, the Adviser believes that the testing and monitoring performed on its software will enable the Adviser to identify and address those system implementation errors that a prudent person acting in accordance with the applicable standard of care and managing a process-driven, systematic and computerized investment and trading program would identify and address by correcting the system implementation errors or limiting the use of the software, generally or in a particular application. Investors in the Fund should assume that system implementation errors and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic trading advisor such as the Adviser. Accordingly, the Adviser does not expect to disclose discovered system implementation errors to investors in the Fund.

Reliance on Data; Data Errors. The investment and trading strategies employed by the Adviser are highly reliant on the gathering, cleaning, culling and analysis 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 economic forecasts 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 research models take into account to produce forecasts that may have an impact on ultimate trading decisions. In addition, due to the automated nature of this data gathering and the fact that much of this data comes from third-party sources, it is inevitable that not all desired or relevant data will be available to, or processed by, the Adviser at all times. In these cases, the Adviser may continue to generate forecasts and make trading decisions based on the data available to it.

In addition, the Adviser may determine that certain available data, while potentially useful in generating model forecasts or making trading decisions, is not cost effective to gather due to either the technology costs or third-party vendor costs and, in these cases, the Adviser will not utilize the subject data. Investors in the Fund 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 model forecasts or making trading decisions on behalf of the Fund, nor is there any guarantee that the data actually utilized in generating forecasts or making trading decisions on behalf of the Funds will be the most accurate data available or even free of errors. Investors in the Fund should assume that the foregoing limitation 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 advisor such as the Adviser.

A specific form of “system implementation error” (in the sense described above) applies to the Adviser’s accessing and use of data, especially data obtained from third-party sources (including commercial data vendors). The data reflected in the Adviser’s systems at any given time could be erroneous or less than the best available data for a variety of reasons. Data reflecting events that have not yet occurred will not be reflected in the Adviser’s systems, and neither will data on past events that have not yet been disseminated by the data provider. There may also be data that arguably could or should have been included in the Adviser’s systems but where the Adviser has made a judgmental determination that the difficulties or costs associated with accessing the data cannot be justified by the possible benefits of having access to this data. There may also be incidents where data fails to load or the Adviser’s systems fail to retrieve or capture the data, for example, because of changes in the vendor’s or the Adviser’s system configurations due to upgrades, enhancements, maintenance or errors. Investors in the Fund should assume that these data errors, like other system implementation errors, and their ensuing risks and

impact are an inherent part of investing with a process-driven, systematic trading advisor such as the Adviser. Accordingly, the Adviser does not expect to disclose discovered data errors to investors in the Fund.

Risk Evaluation Models. The Adviser has developed and maintains proprietary risk evaluation models which seek to estimate risk and potential for returns based on numerous factors, including observed historical volatilities and correlations. These models, among other things, forecast relative returns for risk levels, volatilities of, and correlations among, strategies and investments. These models are also used to evaluate the long-term approximate annual targeted volatility of the investment portfolio of the Fund. These models may, for a variety of reasons, fail to accurately predict relative returns for risk levels, volatilities of, and correlations among, strategies and investments, including because of scarcity of historical data with respect to certain strategies and investments, erroneous underlying assumptions, and estimates for certain data, or other defects in inputs and the models, or because future events may not necessarily follow historical norms. In and of themselves, these risk evaluation models do not manage or reduce risk and, at most, provide certain assistance to the Adviser when determining a course of action.

Electronic Trading. The Adviser trades on electronic trading and order routing systems, which differ from traditional open outcry trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchanges offering the system or listing the instrument. Characteristics of electronic trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, trade error policies, and trading limitations or requirements. There are also differences regarding qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risks with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times and security. In the case of internet-based systems, there may be additional risks related to service providers and the receipt and monitoring of electronic mail. Trading through an electronic trading or order routing system is also subject to risks associated with system or component failure, which may adversely impact the trading activities of the Fund.

Competition and Correlation. Quantitative investment and trading strategies are not new. 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 a position and some of these market participants may be substantially larger than the Fund. Any increase in the use of quantitative systems as a proportion of the overall volume of the futures markets as a whole or for particular futures contracts could result in traders attempting to initiate or liquidate substantial positions in a market at or about the same time or otherwise alter historical trading patterns, obscure developing price trends or affect the execution of trades to the detriment of the Fund. Should one or more of these other market participants begin to divest themselves of one or more positions, a “correlation crisis” or “flash crash” independent of any fundamentals and similar to the crises that occurred in August 2007 and on May 6, 2010, could occur, thereby causing the Fund to suffer material losses.

#### Futures Trading

The Fund will invest primarily in exchange-traded futures contracts (“futures”). Futures prices are highly volatile, and are influenced by many external economic, governmental, and world events. The low margin deposits normally required in futures trading permits an extremely high degree of leverage which can result in a substantial gain or loss to the Fund from a relatively small price movement.

Additional risks associated with futures trading are described below:

Price Volatility. Futures contracts have a high degree of price variability and are subject to periodic rapid and substantial changes. Price movements for futures contracts may be influenced by, among other things, changing supply and demand relationships, government, trade, fiscal and economic events and changes in interest rates. Governments from time to time intervene, directly and through regulation, in certain markets, often with the intent to influence prices directly. Consequently, substantial losses could occur.

Futures Markets are Leveraged and Speculative. The markets in which the Fund trades are speculative, highly leveraged and involve a high degree of risk. Volatility increases risk, particularly when trading with leverage. Trading on a leveraged basis, as the Fund does, even in stable markets involves risk; doing so in volatile markets necessarily involves a substantial risk of sudden, significant losses. Due to leverage, even a small movement in price could cause large losses for the Fund. Market volatility and leverage mean that the Fund could incur substantial losses, potentially impairing its equity base and ability to achieve its long-term profit objectives, even if favorable market conditions subsequently develop.

Illiquidity of Markets. Futures positions cannot always be liquidated at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as when governments may take or be subject to political actions which disrupt the markets in their currency or major exports, can also affect the liquidity of the futures markets, thereby making it difficult to liquidate a position. Periods of illiquidity have occurred from time to time in the past. These periods of illiquidity and the events that trigger them are difficult to predict and there can be no assurance that the Adviser will be able to do so. There can be no assurance that market illiquidity will not cause losses for the Fund.

Possible Effects of Speculative Position Limits. The U.S. Commodity Futures Trading Commission (CFTC) and certain exchanges have established speculative position limits on the maximum net long or short positions which any person or group of persons acting in concert may hold or control in particular futures contracts. The CFTC has adopted a rule requiring each domestic exchange to set speculative position limits, subject to CFTC approval, for all futures contracts traded on the exchange which are not already subject to speculative position limits established by the CFTC or the exchange. The CFTC has jurisdiction to establish speculative position limits with respect to all futures contracts traded on exchanges located in the United States, and any exchange may impose additional limits on positions on that exchange. Some non-U.S. exchanges also have position limits in effect with respect to forward or swap contracts, and counterparties may limit the size or duration of positions available to clients as a consequence of credit considerations.

In addition, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), the CFTC has sought to implement regulations for federal speculative position limits in twenty-eight core physical commodity contracts and their economically equivalent futures, options and swaps. On October 18, 2011, the CFTC passed final rules on position limits for futures and swaps. In September 2012, the U.S. District Court for the District of Columbia issued an order that generally vacated those final rules. In November 2013, the CFTC re-proposed new federal speculative position limit rules for futures, options and swaps as well as aggregation rules and exemptions therefrom. The comment period for these regulations was re-opened in February 2015. These regulations, if adopted, could adversely affect the Adviser’s or the Fund’s ability to maintain positions in certain instruments. In addition, the CFTC has adopted regulations regarding position visibility reporting and U.S. exchanges also have adopted position accountability levels.

All trading accounts owned or managed by the Adviser and its trading principals will be combined for speculative position limit purposes. With respect to trading in instruments subject to these limits, the Adviser may reduce the size of the positions that would otherwise be taken in these contracts and not trade certain contracts in order to avoid exceeding these limits. Any modification, if required, could adversely affect the operations and profitability of the Fund.

No Intrinsic Value of Positions. Futures trading is a risk transfer activity. For every gain there is an equal and offsetting loss rather than an opportunity to participate over time in general economic growth. Unlike most alternative investments, an investment in the Fund does not involve acquiring any asset with intrinsic value. Overall stock and bond prices could rise or fall significantly, and the economy as a whole prosper or falter, without regard to whether the Fund trades profitably or unprofitably.

Trading on Non-U.S. Exchanges. In trading contracts denominated in currencies other than U.S. dollars, unless the Fund hedges itself against fluctuations in exchange rates, the Fund will be subject to the risk of adverse exchange-rate movements between the U.S. dollar and the functional currencies of these contracts. If the Fund does not hedge against fluctuations in the exchange rate, the Fund could incur substantial losses from the Fund's trading on foreign exchanges due to adverse exchange rate movements, which losses might not have occurred had the Fund limited its trading to U.S. markets.

Non-U.S. futures transactions involve executing and clearing trades on a non-U.S. exchange. This is the case even if the non-U.S. exchange is formally "linked" to a U.S. exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No U.S. organization regulates the activities of a non-U.S. exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no U.S. regulator has the power to compel enforcement of the rules of the non-U.S. exchange or the laws of the non-U.S. country. Moreover, these laws or regulations will vary depending on the non-U.S. country in which the transaction occurs. For these reasons, the Fund may not be afforded certain of the protections which apply to U.S. transactions, including the right to use U.S. alternative dispute resolution procedures. In particular, funds received from customers to margin non-U.S. futures transactions may not be provided the same protections as funds received to margin futures transactions on U.S. exchanges. In addition, the price of any non-U.S. futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the non-U.S. exchange rate between the time the order is placed and the non-U.S. futures contract is liquidated or the non-U.S. option contract is liquidated or exercised.

In addition, some non-U.S. exchanges, in contrast to U.S. exchanges, are "principal markets" in which performance with respect to a contract is the responsibility only of the member with which the trader has entered into a contract and not of the exchange or clearinghouse, if any. In the case of trading on these non-U.S. exchanges, the Fund will be subject to counterparty risk, including, among others, counterparty credit risk and the risk that the counterparty will not perform. It is also possible that the Fund will not have the same access to certain trades as do various other participants in non-U.S. markets. Due to the absence of a clearinghouse system on many non-U.S. markets, these markets are significantly more susceptible to disruptions, which may include prolonged suspensions of trading and involuntary settlement of positions at artificial prices, than on U.S. exchanges. Transactions on markets located outside of the United States, including markets formally linked to a U.S. market, may be subject to regulations which offer different or diminished protection to the Fund and its investors. Further, U.S. regulatory authorities may be unable to compel the enforcement of the rules of regulatory authorities or markets in non-U.S. jurisdictions where transactions for the Fund may be effected.

Daily Price Fluctuation Limits. Futures positions may become illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under these daily limits, during a single trading day

no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. This could prevent the Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses, or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange, the CFTC or other similar non-U.S. regulatory body or agency could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in the contract.

Failure of Non-Correlation Will Eliminate Benefits of Diversification. Historically, the futures and foreign exchange markets generally have been non-correlated to the performance of other asset classes such as stocks and bonds. Non-correlation means that there is no statistically valid relationship between the past performance of futures and forward contracts on the one hand and stocks or bonds on the other hand. Non-correlation should not be confused with negative correlation, where the positive performance of one asset class results in negative performance of the other (and vice versa). Because of this non-correlation, the Fund could be profitable during unfavorable periods for the stock market, or vice versa. The futures markets are fundamentally different from the securities markets in that for every gain in futures trading, there is an equal and offsetting loss. If the Fund does not perform in a manner non-correlated with the general financial markets or does not perform successfully, any diversification benefits will be lost and an investment in the Fund may not generate gains to offset losses from other investments.

#### Derivative Instruments

Derivative instruments, or “derivatives,” include instruments and contracts which are derived from and are valued in relation to one or more underlying securities, financial benchmarks or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of other risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Additional risks associated with derivatives trading include the risks described below:

Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Fund from achieving the intended hedging effect or expose the Fund to the risk of loss.

Liquidity. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Fund may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Fund may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Fund to the potential of greater losses.

Leverage. Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Fund and could cause the Fund’s net asset value to be subject to wider fluctuations than would be the case if the Fund did not use the leverage feature in derivative instruments.

Over-the-Counter Trading/Counterparty Risk. Derivative instruments that may be purchased or sold by the Fund may include instruments not traded on an exchange. The risk of non-performance by the

obligor on an instrument may be greater than, and the ease with which the Fund can dispose of or enter into closing transactions with respect to an instrument may be less than, that associated with an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges also are not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with these transactions. The Fund may only close out “over-the-counter” transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for the Fund to enforce its contractual rights may lead the Fund to decide not to pursue its claims against the counterparty.

In addition, the Fund may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which the Fund may participate is evolving, and changes in the regulation or taxation of these financial instruments may have a material adverse effect on the Fund.

#### Risks From Hedging Activities

The Adviser may, from time to time, attempt to hedge risks. There is a substantial risk, however, that hedging techniques may not be effective in limiting losses. If the Adviser analyzes market conditions incorrectly, the Adviser’s hedging techniques could result in a loss, regardless of whether the intent was to reduce risk. These hedging techniques may also increase the volatility of the Fund, as they may involve a small investment of cash relative to the magnitude of the risk assumed, or result in a loss if the counterparty to the transaction does not perform as promised.

The success of the hedging strategy of the Fund will be dependent upon Adviser’s ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the positions in the portfolios being hedged. Since the characteristics of many financial instruments change as market conditions change over time, the success of the Fund’s hedging strategy will also be subject to Adviser’s ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While the Fund may enter into hedging transactions to seek to reduce risk, these transactions may result in a poorer overall performance for the Fund than if it had not engaged in hedging transactions. For a variety of reasons (for example, cost or the probability of the occurrence of a risk), the Fund may not hedge against particular risks or may not establish a perfect correlation between hedging instruments and the portfolio holdings being hedged. An imperfect correlation may prevent the Fund from achieving the intended hedge, and the failure to hedge or an imperfect hedge may expose the Fund to the risk of loss.

#### Exchange-Traded Funds

The Fund may invest in exchange-traded fund (ETFs). ETFs represent shares of ownership in either funds or trusts that hold portfolios of stocks, bonds or other instruments, which are generally designed to correspond to the price and yield performance of an underlying index or sub-index. ETFs typically trade on a securities exchange and their shares may, at times, trade at a premium or discount to their net asset values. The values of ETFs are subject to change as the values of their respective component securities or commodities fluctuate according to market volatility. National securities exchanges (for example, NYSE Amex Equities) list ETF shares for trading, which allows investors to buy and sell individual ETF shares at market prices throughout the day. Unlike open-ended investment companies or “mutual funds,” ETF



shares purchased in the secondary market generally are not redeemable directly from the ETF (except by designated dealers) and must be sold in market transactions when liquidated.

A primary risk factor relating to ETFs is that the general level of securities prices may rise or decline, thus affecting the value of an ETF. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of their expenses and other factors. The Fund will incur brokerage costs when purchasing and selling shares of ETFs. As a shareholder of an ETF, the Fund would bear, along with other shareholders, its pro rata portion of the ETF's expenses, including advisory fees. These expenses would be in addition to the advisory fees and other expenses that the Fund bears directly in connection with its own operations.

#### No Material Limitation on Instruments or Markets

The Adviser expects to pursue investment opportunities on behalf of the Fund on a global basis and will have complete flexibility to determine the instruments bought and sold, the markets traded, and the techniques used as part of its investment and trading strategies. The investment opportunities available to the Fund may vary considerably over time, and the Adviser believes it has expertise in analyzing newly created instruments and new markets. Therefore, the full range of instruments, contracts and markets in which the Fund will take positions over time cannot be specified exhaustively. The Adviser expects to develop new types of investment and trading strategies and, as a result, the full set of strategies employed by the Fund cannot be specified. As a result, material profits or losses may result from instruments, markets and strategies which are not described in this Offering Memorandum. The risk of loss from these undisclosed matters could prove substantial.

#### Risk of Leverage

The Fund may borrow on a secured or unsecured basis for any purpose, including increasing investment capacity, covering operating expenses, making redemption payments, or clearing transactions. There are no limits on the amount of borrowing, gearing or leverage that the Fund may use. The interest expense and other costs incurred in connection with the borrowing may exceed the income earned and capital appreciation on the positions carried with borrowed funds. Gains realized with borrowed funds may cause the Fund's net asset value to increase at a faster rate than would be the case without borrowings. Leverage is a two-edged sword, however, and the presence of leverage could result in the Fund's net asset value decreasing faster than if there had been no borrowings. In addition, unanticipated increases in applicable margin requirements could adversely affect the liquidity of the Fund and, therefore, adversely affect the Fund's performance.

Additionally, the Fund will be leveraged as a result of its transactions in swaps, futures, forwards and options and other inherently leveraged securities and financial instruments. A low margin deposit is required in futures trading and the low cost of carrying cash positions permits a degree of leverage. Because only a relatively small margin deposit or similar outlay is generally required in relation to the contract value of these instruments, a small market movement may result in a disproportionately large change in the Fund's equity in the instrument. As a result, it is possible that the Fund could lose the entire amount of margin on deposit in a relatively short period of time if the market moves adversely. In these instances, the Fund may be required to make substantial additional margin deposits on short notice to maintain its position (a "margin call"). If the Fund does not provide additional margin within the required time period, the Fund's position may be liquidated at a loss with the Fund being liable for any resulting deficit. Even if a trade ultimately proves profitable, the Fund may have to accept payment in cash in lieu

of a return of the actual assets deposited, and the deposit will not be protected to the same extent as would a cash deposit held in trust in a segregated client bank account.

### Counterparty Credit Risk

Clearing Brokers and Custodians. Transactions entered into by the Fund may be executed on various U.S. and non-U.S. exchanges, and may be cleared and settled through various clearing houses, custodians, depositories and clearing brokers throughout the world. Although the Fund will attempt to execute, clear and settle the transactions through entities the Adviser believes to be sound, there can be no assurance that a failure by any such entity will not lead to a loss to the Fund.

There are risks involved in dealing with the custodians or brokers who settle the Fund's trades, particularly with respect to non-U.S. investments. In particular, securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Fund or segregated from the general assets of the custodian or broker. In situations where the Fund is required to post margin or other collateral with a counterparty, the counterparty may fail to segregate the collateral or may commingle the collateral with the counterparty's own assets. As a result, in the event of the counterparty's bankruptcy or insolvency, the Fund's collateral may be subject to the conflicting claims of the counterparty's creditors, and the Fund may be exposed to the risk of a court treating the Fund as a general unsecured creditor of the counterparty, rather than as the owner of the collateral. With respect to the Fund's clearing brokers, the Fund may rank as one of the clearing broker's unsecured creditors in relation to any assets that the clearing broker borrows, lends, pledges or hypothecates or that are subject to the clearing broker's lien or security interest, and, in the event of the insolvency of the clearing broker, the Fund may not be able to recover equivalent assets in full.

The bankruptcy law applicable to all U.S. futures commission merchants ("FCMs") requires that, in the event of the bankruptcy of an FCM, all property of customers held by the FCM (either directly, or indirectly through any intermediate brokers, banks or other counterparties used by the FCM), including certain property specifically traceable to a customer, will be returned, transferred or distributed to the FCM's customers only to the extent of each customer's pro rata share of all property available for distribution to customers. If any FCM holding any of the Fund's assets were to become bankrupt, it is possible that the Fund, even if its assets were properly segregated, would be unable to recover any, or to recover only a portion, of its assets held by the FCM. Furthermore, in the event of an insolvency of an FCM or other (direct or indirect) counterparty which is not regulated by the CFTC or if an FCM fails to properly segregate customer funds, the CFTC's segregation protections may not be available to the Fund. Because all property available for distribution to customers and all creditor claims have to be determined and validated if an FCM were to become bankrupt, it may take a long time, perhaps several years, before all property available for distribution by the FCM will be returned, transferred or distributed to the FCM's clients. Other custodians and counterparties may have similar types of risks. Assets held outside the U.S. may be subject to different or diminished protection in the event of a counterparty failure located in the jurisdiction.

Non-U.S. counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of insolvency. However, the practical effect of these laws and their application to the Fund's assets are subject to substantial limitations and uncertainties. For example, a counterparty may have few or no restrictions on its ability to rehypothecate collateral and other Fund assets held by the counterparty. To the extent that a counterparty has rehypothecated any assets of the Fund, the Fund may be unable to recover such assets in a bankruptcy or insolvency proceeding and may only have an unsecured claim against the counterparty for the value of these assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their

insolvency on the Fund and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Fund, which could be material.

Over-the-Counter and Principal Markets. To the extent that the Fund invests in options, uncleared swaps, derivative or synthetic instruments, forward contracts, or other over-the-counter (OTC) transactions, the Fund may be exposed to a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from these protections and expose the parties to the risk of counterparty default.

Certain markets in which a Fund may effect transactions are “over-the-counter” or “interdealer” markets, and may also include unregulated private markets. The participants in these markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. Because many purchases, sales, financing arrangements, securities lending transactions, and derivative transactions in which the Fund may engage involve investment instruments that are not traded on an exchange but are instead traded between counterparties based on contractual relations, the Fund is subject to the risk that a counterparty will not perform its obligations under the related contracts. Although the Fund intends to enter into transactions only with counterparties which the Adviser believes to be creditworthy, will attempt to reduce its exposure through the use of two-way collateralized mark-to-market agreements and will pursue its remedies under any of these contracts, there can be no assurance that a counterparty will not default and that the Fund will not sustain a loss on a transaction as a result.

Because many transactions in which the Fund may engage are traded between counterparties based on contractual relations, the Fund is subject to the risk of failing to comply with these contracts or otherwise breaching their provisions. For example, these contracts may terminate upon the departure of a certain number of “key persons” of the Adviser, the fluctuation of the net asset value of the Fund beyond certain parameters, the termination of the Adviser or other events or circumstances. The Fund may sustain a loss on a transaction that terminates prematurely in accordance with the terms of the underlying contract.

#### Risk Control Framework

The Adviser has implemented a risk management system to help monitor and management the overall risk of the portfolio of the Fund. No risk control system is fail-safe, and no assurance can be given that the Adviser’s risk control framework will achieve its objective. The target risk limits developed by the Adviser will be based upon historical trading patterns for the instruments in which the Fund trades and will rely upon pricing models for the behavior of the instruments in response to various changes in market conditions. No assurance can be given that the historical trading patterns will accurately predict future trading patterns or that the pricing models will necessarily accurately predict the manner in which the investment instruments are priced in financial markets in the future.

#### Operational Risks

The Fund depends on the Adviser to develop the appropriate procedures to control operational risk. These procedures may not account for every actual or potential disruption of the Fund’s operations. The Fund’s

investment and trading program is dynamic and complex. As a result, certain operational risks are intrinsic to the Fund's operations, especially given the volume, diversity and complexity of transactions that the Fund is expected to enter into on a daily basis. The Fund's business may be highly dependent on its ability to process, on a daily basis, a large number of transactions across numerous and diverse markets. Consequently, the Fund may rely heavily on financial, accounting and other data processing systems developed by third parties. The Adviser may not be in a position to verify the risks or reliability of these third-party programs or systems. These third-party programs or systems may also be subject to certain limitations, including, but not limited to, those caused by power failures, telecommunications failures, software-related "system crashes," computer "worms" and viruses, fire or water damage, or various other events or circumstances. The ability of these third-party systems to accommodate an increasing volume, diversity and complexity of transactions could also constrain the Adviser's ability to properly manage the Fund's portfolio. Systemic failures in the systems employed by the Adviser, the administrators, clearing brokers and/or counterparties, exchanges and similar clearance and settlement facilities, and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions in the Fund's operations may cause the Fund to suffer, among other things, financial loss, disruption of its businesses, liability to third parties, regulatory intervention or reputational damage. Although the Adviser has a business continuity plan in the event of an emergency or significant business disruption, there can be no assurance that such plan will operate as planned nor can there be any assurance that the business continuity plans of the Fund's the administrator, counterparties, clearing brokers, and other parties will operate as planned in the event of an actual disruption.

### Swaps

The Fund may enter into swaps. Swaps can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swaps may increase or decrease the Fund's exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, or inflation rates. Swaps can take many different forms and are known by a variety of names (such as "contracts for differences"). The Fund is not limited to any particular form of swap.

Swaps tend to shift the Fund's investment exposure from one type of investment to another. For example, if the Fund agrees to exchange payments in U.S. dollars for payments in a non-U.S. currency, the swap would tend to decrease the Fund's exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swaps may increase or decrease the overall volatility of the Fund's portfolio. The most significant factor in the performance of swaps is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Fund. If a swap calls for payments by the Fund, the Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swaps with the counterparty can be expected to decline, potentially resulting in losses for the Fund.

Swaps and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the creditworthiness of the counterparty, market risk, liquidity risk and operations risk. Swaps bear risks associated with the underlying or reference assets as well as those associated with derivative contracts generally.

The Dodd-Frank Act and other regulatory initiatives have substantially changed the market structure for swaps. A substantial portion of swaps must be submitted for clearing to regulated clearinghouses. Swap trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, and possibly other restrictions, such as position limits, as well as possible

regulator mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared swaps. Swap dealers will also be required to post margin to the clearinghouses through which they clear their customers' trades instead of using this margin in their own operations, as they currently are allowed to do. This will further increase the dealers' costs, which costs are expected to be passed through to other market participants in the form of higher fees and less favorable dealer marks.

A substantial portion of swap transactions, which were formerly executed on a bi-lateral basis in the OTC markets, must now be executed through a regulated securities or futures exchange or through a swap execution facility (SEF). These requirements may make it more difficult and costly for investment funds, including the Fund, to enter into highly tailored or customized transactions. They may also render certain strategies, in which the Fund might otherwise have engaged, impossible or so costly that they will no longer be economical to implement.

### Risk Premia Index Swaps

The Fund may enter into risk premia index swap transactions and the exposure to these types of transactions may be material. A risk premia index swap is an over-the-counter (OTC) derivative where the reference asset is a risk premia index published by the swap dealer or a related entity. The index typically attempts to isolate various "risk premia," usually understood to be the expected excess return on a portfolio earned for bearing specific risks. The index construction rules then attempt to systematically capture the return in a risk controlled fashion. Typical asset classes covered include equities, rates, FX, credit and commodities. Styles or themes may include carry, volatility, momentum, or value. By their nature, risk premia index swaps will generate losses, even material losses, if the risk exposures assumed in fact materialize in real world financial market and economic events.

The swap dealers that publish risk premia indices and that seek to enter into swaps on these indices are doing so on an arm's-length basis with end users like the Fund. Swap counterparties are not agents of the customer on the other side of the transaction, and swap dealers do not owe their customers fiduciary duties. There is no guarantee that the indices that the swaps reference will perform in accordance with the historical simulations conducted when the indices were being constructed or with the intentions of the publisher. There may be a wide variety of economic data or securities price data errors, mathematical or statistical errors, or computer coding errors or other errors, omissions, imperfections and malfunctions that could produce results inconsistent with the intent of the personnel who designed the index or with the publisher's understanding of how the index should behave. The swap dealers have not undertaken to disclose these or similar problems, now or in the future, and the Fund must rely entirely upon the due diligence conducted by the Adviser with respect to the selected risk premia indices to understand the risks undertaken.

When selecting risk premia index swaps for the Fund, the Adviser is making a discretionary portfolio construction decision about which swaps should help the Fund achieve its objectives. The Adviser may select a swap, among other possible reasons, because it believes it to be the most cost effective way of assuming an exposure believed to have positive present value. The Adviser may also believe the swap would offset exposure elsewhere in the Fund and serves as a diversification or hedging tool. While quantitative techniques are used, and believed to be essential to evaluating these swaps, the Adviser does not use systematic models to select individual risk premia index swaps or to construct portfolios of these swaps. Instead, the Fund is relying on the discretionary judgment of the Adviser to select index swaps that it believes will help the Fund achieve its investment objective and are consistent with its investment strategy. There can be no assurance that in selecting risk premia index swaps that the Adviser will be able to predict the future risks and returns of these instruments, and the Fund may suffer materials losses as a result.

## Credit Default Swaps

The Fund may purchase and sell credit derivatives contracts—primarily credit default swaps—both for investment and trading and hedging purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Fund may also sell credit default swaps on a basket of reference entities representing an index of issuers or a “bespoke” basket as part of a synthetic collateralized debt obligation transaction. In circumstances in which the Fund does not own the debt securities that are deliverable under a credit default swap, the strategies are exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether a “credit event” triggering the seller’s payment obligation had occurred. In either of these cases, the Fund would be unable to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Fund incurs leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it was holding debt securities issued by the reference entity. However, the Fund will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the Fund following a credit event and will likely choose the obligations with the lowest market value to maximize the payment obligations of the Fund. In addition, credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value these swap positions when established or when subsequently traded or unwound under actual market conditions.

As a result of recent initiatives implemented by derivatives market participants, including the International Swaps and Derivatives Association, Inc., designed to implement uniform settlement terms into standard credit default swap documentation, as well as refine the practices for the transparent conduct of the credit default swap market generally, certain of the preceding risks, including, without limitation, liquidity risk concerning the lack of availability of deliverable securities, may be mitigated for certain categories of credit default swap transactions covered by these initiatives. However, despite the derivatives market initiatives to uniformly address the risks associated with the credit default swap market, there can be no guarantee of the success of these initiatives or the ability to mitigate the risks with respect to covered credit default swaps. In any event, the Fund may enter into certain credit default swap transactions that may not be covered by these initiatives. The regulation of credit default swaps is evolving, and significant changes in such regulation have been enacted or proposed and may adversely affect the Fund.

## Government Intervention

The global financial and commodity markets have in the last decade gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental and regulatory interventions. These interventions have in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, regulators across the world implemented regulatory reforms in various jurisdictions, but these efforts have not been completely coordinated, resulting in some inconsistent regulations, confusion and uncertainty which has been

detrimental to the efficient functioning of the markets and may be detrimental to previously successful investment strategies.

### Increased Regulatory Oversight

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which expands the regulation of derivative transactions and of the participants in over-the-counter (OTC) markets and subjects registered advisers to private funds to heightened disclosure and reporting obligations with respect to the private funds they advise. The Dodd-Frank Act also imposes a number of restrictions on the relationship and activities of banking organizations with private equity and hedge funds. The implementation of the Dodd-Frank Act is based in part on the adoption of various rules, regulations and reports, a majority of which have been adopted by various administrative agencies, including the CFTC and the SEC. While it will likely be a considerable period of time until all of the reforms called for by the Dodd-Frank Act are fully implemented and the direct and indirect impact of this legislation is fully understood, it is clear that most advisers to hedge funds have been and will be significantly affected.

Among other things, the Dodd-Frank Act includes provisions that comprehensively regulate the OTC derivatives markets. The Dodd-Frank Act requires that a substantial portion of OTC derivatives must be executed in regulated markets and submitted for clearing to regulated clearinghouses. OTC trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC-, CFTC- or prudential regulator-mandated margin requirements.

The regulation of swaps, futures or other derivative transactions and funds that engage in these transactions is an evolving area of law and is subject to modification by government and judicial actions. Additional measures and legislation and regulation could have a substantial and adverse effect on the Fund’s investment strategy and business model including, for example, increased compliance costs, the prohibition of certain types of trading, or the inhibition of the Fund’s ability to pursue its investment approach as described herein.

### Volcker Rule

As noted above, the Dodd-Frank Act also places restrictions and limitations on certain financial institutions that sponsor or provide investment advisory services to hedge funds such as the Fund, i.e., the so-called “Volcker Rule.” These include restrictions on transactions between the Fund and affiliates of the financial institution and limitations on the size of the aggregate investment that may be maintained in the Fund by the financial institution and its affiliates. As written, the Dodd-Frank Act provides that, absent regulatory permission or an applicable exemption, the aggregate investment of a financial institution subject to the rule in a private fund cannot exceed 3% of the total ownership interests in the fund after the first year of the fund’s operation. To the extent that the current investment level of the financial institution exceeds the level permissible under the Dodd-Frank Act, the law provides a time period for the institution to come into compliance, either through divestiture or otherwise.

The Volcker Rule’s prohibition on “covered transactions,” as defined in Section 23A of the Federal Reserve Act, will restrict the activities of the Fund. Under the Volcker Rule, a “covered banking entity” (as defined therein) and any of its affiliates that acts as investment adviser or sponsor (or serves in a similar capacity) to a hedge fund or private equity fund is prohibited from engaging in certain transactions with that fund, including, specifically, all “covered transactions.” This provision has been referred to as “Super 23A,” because it applies to all entities in a banking organization (rather than just FDIC-insured

banks) and does not recognize certain standard exemptions available under Section 23A (e.g., loans fully secured by U.S. Treasuries).

A covered banking entity that serves, directly or indirectly, as the investment manager, investment adviser, commodity trading advisor, or sponsor to a covered fund, is also subject to Section 23B of the Federal Reserve Act, with respect to certain transactions with the covered fund, which requires that such transactions be: (a) on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the member bank, as those prevailing at the time for comparable transactions with or involving non-affiliates, or (b) in the absence of comparable transactions, on terms and under circumstances, including credit standards, that in good faith would be offered to, or would apply to, non-affiliates. Any permitted transactions under the final rules implementing the Volcker Rule would be subject to Section 23B of the Federal Reserve Act, as if the counterparty were an affiliate of the covered banking entity (so-called “Super 23B”).

The final rules implementing the Volcker Rule were issued on December 10, 2013. While the Volcker Rule requires banking entities to conform their activities and investments to the requirements of the final rules by July 21, 2014, the Federal Reserve Board has extended this conformance period by one year to July 21, 2015, pursuant to its statutory authority to extend the conformance period by up to three additional one-year terms.

By no later than July 21, 2015 (or by such later date as determined by the Federal Reserve Board as described above), all activities and investments of Mizuho Bank, Ltd. (MHBK) and its subsidiaries will have to comply with the Volcker Rule. That means, by way of example, some or all of the following changes will have to be implemented. MHBK’s investment and other deemed ownership interests in the Fund will have to be reduced to no more than three percent (3%) of the ownership interests in the Fund, in addition to MHBK’s reduction of its aggregate investments in all funds to the maximum amount permitted by the final rules, which amount cannot be more than three percent (3%) of the Tier 1 capital of MHBK. Alternatively, MHBK may be permitted to own in excess of three percent (3%) of the ownership interests in the Fund if such activity occurs, or is made to occur, “solely outside of the United States” as set forth in the Volcker Rule. To the extent that any directors or employees of MHBK not directly engaged in providing investment advisory or other services to the Fund hold any ownership interest in the Fund, those interests will have to be redeemed or transferred. Any “covered transaction” between the Fund and MHBK will have to be terminated. In addition, MHBK may not be permitted to deviate from the fees and expenses contractually agreed between the Fund and MHBK in the governing documents of the Fund or to otherwise absorb expenses of the Fund. Further, the trading and other investment opportunities of the Fund may be limited in order to comply with the restriction on material conflicts of interest. There may be other provisions of the Volcker Rule that apply to MHBK or the Fund and other exemptions from the provisions noted above. The Adviser is currently reviewing the Volcker Rule and considering its compliance options.

On December 18, 2014, the Federal Reserve Board issued an order extending until July 21, 2016 the date for conformance with the Volcker Rule for banking entities with relationships with covered funds and foreign funds that were in place prior to December 31, 2013. The Board also stated its intention to grant an additional one year extension of the final date for conformance of such arrangements until July 21, 2017. The Adviser and MHBK intend to avail themselves of this relief with respect to the Fund.

The legislation described above, as well as any related legislation in the future, may increase the Fund’s or the Adviser’s exposure to potential liabilities and to legal, compliance and other related costs. The additional expense of complying with these regulations with respect to the Fund could result in lower returns on the Fund’s investments and may adversely affect the Fund’s ability to obtain the leverage it might otherwise obtain or to make certain types of investments. These regulations may also require the



Fund to disclose the identity of its investors to one or more regulatory agencies. This Offering Memorandum cannot address or anticipate every possible current or future regulation that may affect the Adviser, the Fund or their respective businesses. The Adviser may, in its sole discretion, cause the Fund to be subject to such regulations if it believes that an investment or business activity is in its interest, even if such regulations may have a detrimental effect on one or more investors. Prospective investors are encouraged to consult their own advisors regarding an investment in the Fund.

It is also anticipated that, in the normal course of business, the Adviser's officers will have contact with governmental authorities, and be subjected to responding to questionnaires, examinations and interviews. For example, this is typical in connection with the examination of a registered investment adviser, or registered commodity trading advisor or commodity pool operator. The Fund may also be subject to regulatory inquiries.

#### Notification of Certain Events

The Adviser will notify the investors in due course of (i) the commencement of any legal proceedings before any court, government body, agency, official or arbitrator, or (ii) the commencement of any investigations with respect to, or being threatened in writing to be charged with, or being given written notice of, any violation of law, rule, regulation, judgment, injunction, order, or degree applicable to it, in each case if the Adviser reasonably determines such proceeding or investigation would be materially adverse to the Adviser if ultimately adversely determined against it by the relevant court or tribunal and that such adverse outcome is more likely than not to be realized. In no event will the Adviser be obligated to disclose to the investors any routine, preliminary or investigative inquiry or investigation made by a regulatory or self-regulatory organization, court, government body, agency or official as part of an inspection, examination, "sweep," review, due diligence, or similar matter.

#### Conflicts of Interest

Various conflicts of interest may arise in connection with the operation of the Fund. The Adviser has a responsibility to the Fund to exercise good faith and fairness in all dealings affecting the Fund and will endeavor to resolve all conflicts fairly and equitably. By acquiring an interest in the Fund, each investor will be deemed to have acknowledged the existence of each of the foregoing and following potential conflicts of interest and to have waived any claim with respect to any liability from the existence of any such conflict of interest.

#### Affiliated Futures and Securities Brokers

The Adviser, through its affiliation with the Mizuho Financial Group, is also affiliated with Mizuho Securities Co., Ltd. and Mizuho Securities USA Inc. (together, "Mizuho Securities"), who are members of the Mizuho Financial Group. When selecting futures or securities brokers, as the case may be, to execute trades for the Fund, the Adviser will make its selection based on the criteria set forth above in "Brokerage Practices—Selection of Brokers." Some trades may be placed with Mizuho Securities, who may receive a commission from the other side of the transaction and Mizuho Securities will have a conflicting division of loyalties and responsibilities between the Fund and the other party. The Fund may also purchase U.S. Treasury securities and commercial paper through Mizuho Securities. The Fund has a right to know the details of these transactions, including commissions earned by Mizuho Securities.

The Adviser may, on behalf of the Fund, enter into transactions, in compliance with the U.S. Advisers Act of 1940, in which Mizuho Securities serves as the counterparty or principal or as broker for the Fund or another party to the transaction. The Adviser will only enter into such transactions on terms believed by the Adviser, in good faith, to be arm's-length. The Adviser is unable to predict the volume of these

transactions to be conducted with Mizuho Securities. In performing services for the Fund, Mizuho Securities will be entitled to exercise its rights in these capacities without regard to any potential impact therefrom on the interests of the Fund subject to any agreements between the Fund, or the Adviser and Mizuho Securities in connection herewith.

Mizuho Securities also may, on behalf of the Fund, effect transactions where Mizuho Securities is also acting as a broker on the other side of the same transaction. Mizuho Securities may receive commissions from such agency cross-transactions and has a potential conflict of interest regarding the Fund and the other parties to those transactions. Moreover, the Fund may execute the purchase and sale of securities through Mizuho Securities as agent and may pay commissions to Mizuho Securities, who may retain any commissions, remuneration or other profits which may be made in such transactions. Sales of securities for the account of the Fund may be bunched or aggregated with orders for other accounts of Mizuho Securities, including other investment vehicles. It is frequently not possible to receive the same price or execution on the entire volume of securities sold, and the various prices may be averaged, which may be disadvantageous to the Fund.

#### Relationship with the Mizuho Financial Group

The Adviser is a member of the Mizuho Financial Group, which through its various affiliates and subsidiaries, engages in diverse financial and banking activities, including commercial and investment banking, securities sales and trading, trust and custodian services, and asset management. In its various business units, both on behalf of sales and trading customers and advisory clients and on behalf of its own proprietary accounts, the Mizuho Financial Group may give advice, and take action, with respect to any of their customers, clients and proprietary accounts that may differ from or be identical to the advice given, or the timing or nature of action taken, by the Adviser with respect to the Fund. From time to time, these independent decision makers may come into possession of material, non-public information concerning a position to which the Fund has exposure or which it is considering to be exposed. The Adviser has adopted and implemented what it believes to be reasonable policies and procedures to prevent the Adviser and its employees from coming into possession of material, non-public information known to these independent decision makers. If these policies and procedures were deemed to be unreasonable, the possession of this information might limit the ability of the Adviser to recommend that the Fund buy or sell securities or instruments that are the subject of this information.

The Adviser provides reporting to the Mizuho Financial Group about its investment and portfolio risks through a variety of channels, both to management of the Mizuho Financial Group who is responsible for the Adviser's business and operations, and to various business units who have invested in the Fund or other collective investment vehicles advised by the Adviser, both on behalf of sales and trading customers and advisory clients and on behalf of its own proprietary accounts. A majority of the investors in the Fund or other collective investment vehicles advised by the Adviser may themselves be sales and trading customers, advisory clients or proprietary accounts of the Mizuho Financial Group. The existence of these relationships may give rise to various conflicts of interest, for example, by incentivizing the Adviser to provide more detailed disclosure to members of the Mizuho Financial Group than it provides to other investors or providing any such disclosure more frequently or in a more timely manner. There can be no guarantee that the Mizuho Financial Group will limit the use of any information that is provided to evaluating a new or continuing investment or allocation, whether on behalf of itself or a customer or client, and may use the information for purposes unrelated to the Fund and its investment activities.

## **Item 9. Disciplinary Information**

MAI and its employees have not been involved in any legal or disciplinary events in the past ten years that would be material to a client's or investor's evaluation of the company or its personnel.

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

### **Commodity Pool Operator and Commodity Trading Advisor**

MAI is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator (“CPO”) and a commodity trading advisor (“CTA”) and generally functions as both the CPO and CTA for the Private Funds, which are exempt from registration with the CFTC as “commodity pools.”

### **Affiliated Firms**

MAI is affiliated with five investment advisers via common ownership: 1) DIAM U.S.A., Inc., which is registered as an investment adviser with the SEC (SEC File No. 801-54930); 2) DIAM Co., Ltd., which is registered as an investment adviser with the SEC (SEC File No. 801-55047); 3) Mizuho Asset Management Co., Ltd., which operates in Japan; 4) Mizuho Global Alternative Investments, Ltd., which also operates in Japan; and 5) Mizuho-DL Financial Technology Co., Ltd., which also operates in Japan. MAI is also affiliated with a U.S. broker-dealer via common ownership: Mizuho Securities USA Inc. (SEC File No. 8-37710).

In addition, as discussed previously, MAI is owned by MHBK, a bank headquartered in Tokyo, Japan, and MSC, a broker-dealer headquartered in Tokyo, Japan. MHBK serves major corporations, financial institutions and their group companies, public sector entities, and overseas corporations including subsidiaries of Japanese corporations. MHBK's business activities include accepting deposits, lending, investment banking, and custodial services, among others. MSC's business activities include sales, trading, settlement, and foreign exchange services, among others. MHBK and MSC are wholly owned by Mizuho Financial Group Inc., a publicly traded company listed on the Tokyo Stock Exchange and New York Stock Exchange (American Depositary Receipts). MHBK, as majority shareholder of MAI, has the legal authority to exercise control over MAI's operations.

MAI has entered into various servicing agreements with MHBK whereby MHBK provides MAI with IT system, disaster recovery, human resources and administrative support. Such services are provided by MHBK for a fee that MAI believes is equivalent to fees that would be charged by service providers who are not affiliated with MAI in an arm's length transaction.

MAI utilizes the services of Mizuho Trust & Banking Co. (USA) (“MHTB”), which is a part of the Mizuho Financial Group, as a custodian and fund administrator for certain Private Funds it advises. Due to MAI's relationship with MHTB, a conflict of interest may exist. However, MAI believes that fees paid to MHTB are in line with fees that would be charged by custodians and fund administrators who are not affiliated with MAI. It is MAI's policy to obtain a SSAE 16 (Level II) report from MHTB annually regarding its control activities and processes.

### **Private Investment Funds**

MAI serves as managing member of a Delaware limited liability company (the “Onshore Fund”) designed for investment by U.S. taxable investors. The Onshore Fund is also advised by MAI and intends to invest

substantially all of its investable assets in an MAI-advised private offshore master fund that pursues the same investment objective. MAI as managing member is vested with complete control of the management and conduct of the business of the Onshore Fund. The non-managing members have no responsibility for the management of the Onshore Fund and have no authority or right to act on behalf of the Onshore Fund or to bind the Onshore Fund in connection with any matter.

### The Sub-Advisers

In addition to serving as Sub-Advisers to one or more of the Private Funds, the Sub-Advisers may act without limitation as investment manager, investment adviser, sponsor, manager, general partner or managing member for other clients, funds, accounts and collective investment vehicles (“Other Sub-Adviser Accounts”) and give advice, and take action, with respect to any of those Other Sub-Adviser Accounts that may differ from the advice given, or the timing or nature of action taken, with respect to the Private Funds. The Sub-Advisers may engage in transactions or investments or cause or advise Other Sub-Adviser Accounts to engage in transactions or investments that may differ from or be identical to the transactions or investments engaged in by the Sub-Advisers for the Private Funds’ accounts. In addition, the Sub-Advisers and their affiliates may advise Other Sub-Adviser Accounts that trade in identical or similar underlying investments, or similar strategies, as the Private Funds and that are generally classified as the same type of fund product, even though such activities may be in competition with the Private Funds and/or may involve substantial time and resources of the Sub-Advisers or its affiliates. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of the Sub-Advisers and their officers and employees will not be devoted exclusively to the business of the Private Funds, but will be allocated between the business of the Private Funds and the management of the Other Sub-Adviser Accounts. Moreover, in contrast to the Private Funds, such Other Sub-Adviser Accounts may pay the Sub-Advisers performance fees, which could create an incentive for the Sub-Advisers to allocate more profitable trade signals or instructions to such Other Sub-Adviser Accounts instead of to the Private Funds. The Sub-Advisers shall not have any obligation to engage in any transaction or investment for the Private Funds’ account or to recommend any transaction to the Private Funds that the Sub-Advisers or their affiliates may engage in for their own accounts or any Other Sub-Adviser Accounts, except as otherwise required by applicable law.

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

### Code of Ethics and Personal Trading

MAI’s personnel are permitted to trade for their own accounts, and from time to time may buy or sell securities that MAI trades for the Funds, including purchases or sales occurring at or about the same time as trades for a Fund. To avoid any potential conflicts of interest involving personal trades, and to avoid the misuse of material, non-public information MAI has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment Company Act, which includes personal trade pre-clearance, reporting and review policies and procedures, and anti-insider trading policies and procedures. MAI’s Code of Ethics requires, among other things, that employees:

- Act with integrity, dignity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, third-party service providers, and fellow employees;
- Place the integrity of the investment profession, the interests of clients, and the interests of MAI above one’s own personal interests;
- Adhere to the fundamental principle that one should not take inappropriate advantage of one’s position;

- Avoid any actual or potential material conflict of interest prior to consulting with senior management;
- Disclose all material conflicts of interest to clients;
- Conduct all personal securities transactions in a manner consistent with the Code of Ethics;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner, such as will reflect favorably on the employee and the profession;
- Promote the integrity of and uphold the rules governing the capital markets;
- Maintain and improve professional competence and strive to maintain and improve that of other investment professionals; and
- Comply with all applicable provisions of the federal securities laws.

MAI's Code of Ethics also requires employees to: 1) pre-clear certain personal securities transactions; 2) report personal securities transactions on at least a quarterly basis; and 3) provide MAI with a detailed summary of certain holdings and securities accounts (both upon commencement of employment and annually thereafter) in which such employees have a direct or indirect beneficial interest. MAI may provide employees with exceptions or waivers from the Code of Ethics from time to time. A copy of MAI's Code of Ethics is available to any client, investor, prospective client, or prospective investor upon request.

#### Principal Investment

MAI is the investment adviser or sub-adviser to the Funds and, as such, receives management and incentive fees from the Funds. Because certain of MAI's clients are Funds of which MAI or an affiliate is the managing member, investment adviser, and/or significant owner, MAI may be considered to participate indirectly in the transactions effected for such Funds. The foregoing relationships, fees and any other actual or potential conflicts of interest are disclosed in the offering documents and governing documents for each Fund. The size of the investment held by MAI or a related entity may vary substantially among the Funds, and this may create an incentive for MAI to favor one Fund over another, depending on the relative size of the investment or the management and incentive fees received from the Fund.

## **Item 12. Brokerage Practices**

#### Selection of Brokers

In making its decisions regarding the allocation of brokerage transactions for the Funds and other clients, MAI seeks to obtain best execution, taking into account the following factors: (i) the broker's ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness and frequency of available research services considered to be of value to MAI and its clients; (v) the value of brokerage services over and above trade execution provided to MAI and its clients; and (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying MAI's other selection criteria. Although MAI generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents

than would be the case for more routine services. In certain instances MAI may execute over-the-counter securities transactions on an agency basis, which may result in the Funds or other clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market maker's mark-up or mark-down.

MAI does not intend to seek lower brokerage commissions to the extent that doing so may detract from receiving valuable brokerage and research services. The commissions or equivalents charged by any one broker-dealer may be greater than the amount another firm would charge for executing the same transactions if MAI determines in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. Selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. These brokerage and research services are used to service all accounts advised by MAI.

#### "Soft Dollar" Commission Arrangements

MAI is authorized to use "soft dollars" to pay for brokerage and research services, although it does not currently have any formal soft dollar arrangements and did not acquire any products or services with "soft dollars" within the last fiscal year. Generally speaking, "soft dollar" arrangements are understood to be ones where products or services other than the execution of securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of client brokerage transactions to the broker-dealer. "Soft dollars" would be that portion of the brokerage commission that exceeds the lowest rate available from other broker-dealers for basic execution services. Payment of this excess amount is frequently referred to as "paying up." Using client brokerage commissions (or markups or markdowns) to obtain research or other products or services would result in a benefit to MAI, because MAI would not have to produce or pay for the research, products or services acquired with brokerage commissions. In such a case, MAI may have an incentive to select a broker-dealer based on its interest in receiving research or other products and services, rather than on its clients' interests in receiving the most favorable execution.

Although MAI has not entered into any formal "soft dollar" arrangements to date, it may do so in the future. When applicable, the Adviser intends to comply with the "safe harbor" provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, which permits the use of soft dollars from commissions to obtain "brokerage and research" services that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities. Under Section 28(e), research obtained with soft dollars generated by one client may be used by the investment adviser to service accounts other than the account responsible for generating the soft dollars.

#### Proprietary Research and Brokerage Services

MAI executes futures and securities transactions with multiple executing brokers, many of whom provide MAI with access to proprietary research and brokerage services (*e.g.*, standard investment, securities and economic research and credit reports, and securities price and market data), which may be used to service certain accounts at MAI. To the best of MAI's knowledge, these services are generally made available to all institutional investors doing business with these broker-dealers. These bundled services are made available to MAI on an unsolicited basis and without regard to the rates of commissions charged or paid by MAI's clients or the volume of business MAI directs to these broker-dealers. Since these products and services are merely made available by broker-dealers as part of a bundled business package to MAI, who may or may not use them, it is MAI's understanding that broker-dealers do not set discrete prices for these products and services. Accordingly, MAI does not separately compensate these broker-dealers for

the provision of these services and does not believe that it “pays-up” for the broker-dealers’ services, due to the difficulty associated with the broker-dealers not breaking out the costs for the services in question.

### Capital Introduction

The broker-dealers that have entered into prime brokerage and/or futures clearing arrangements with MAI may occasionally provide MAI “capital introduction” services as part of the overall prime brokerage and/or futures clearing service offering. Capital introduction is a service provided by prime brokers/futures clearing merchants (“FCMs”) and is designed to “introduce” private fund managers to potential investors, typically through individual meetings or in a conference format. These bundled services are made available to MAI on an unsolicited basis and without regard to the rates of commissions charged or paid by MAI’s clients or the volume of business MAI directs to these broker-dealers.

Although capital introduction is customarily offered as a “free” service, various conflicts of interest are presented by such arrangements. While MAI does not compensate these broker-dealers based on capital introductions, MAI may be incentivized to use the services of a specific prime broker/FCM due to the prime broker’s/FCM’s ability to raise capital for MAI-advised Funds. In addition, MAI benefits from arrangements where investors are referred to MAI because its asset-based fees are generally based upon a percentage of assets managed and its performance-based fees are generally based upon a percentage of net profits on such assets. Thus, the more assets MAI has under management, the higher its asset-based fee income and, potentially, its performance-based fee income. In addition, there may be a conflict between the prime brokers’/FCMs’ desire to increase their revenues by raising capital through their prime brokerage and/or futures clearing services and the interests of investors. The prime broker/FCM and/or its affiliates generally receive fees/commissions as a result of MAI’s decision to utilize its services as follows: custodian of client accounts managed by MAI; securities and futures transactions executed on behalf of MAI’s clients; and lending funds and/or securities to MAI-advised Funds as part of MAI’s investment strategy, i.e. margin/short sale and/or securities lending programs. While the relationship may present the appearance of a conflict of interest, the availability of the foregoing products and services to MAI is not contingent upon MAI committing to the prime brokers/FCMs any specific amount of business (assets in custody or trading commissions). In the last fiscal year, MAI’s recommendation to select or maintain prime brokers/FCMs for client accounts was not based primarily on the prime brokers’/FCMs’ provision of these capital introduction services and this was at most an incidental consideration.

### Allocation of Trading Opportunities; Aggregation of Client Orders

MAI may act as investment adviser to a number of client accounts, including client accounts pursuing similar or varied investment strategies. MAI will allocate trading opportunities among its clients in a manner that is fair and equitable. However, MAI may give advice, and take action, with respect to any of those client accounts that may differ from or be identical to the advice given, or the timing or nature of action taken, with respect to other client accounts.

In some instances, MAI bunches or aggregates an order for a client account with orders for other accounts. For example, clients whose accounts are being traded pursuant to the same trading strategy will normally have orders placed for their accounts at or about the same time. However, in some cases, MAI elects not to bunch or aggregate an order for a client account with orders for other accounts. The effect of such bunching, aggregation or lack thereof may operate to the disadvantage of the client. For example, transactions for a client that are not bunched for execution with transactions in the same securities for other clients may result in higher commissions, greater spreads, less favorable net prices, and inferior overall execution than would be the case if MAI were to have bunched or aggregated the order prior to execution. Transactions resulting from aggregate orders are generally allocated fill-by-fill algorithmically in a manner that effectively allocates as close to the target average price of the entire order as possible. In

the event an aggregate order is only partially filled, allocations of contracts or shares to clients are generally made on a pro rata basis. The Registered Fund may impose restrictions prohibiting the use of specified brokers, which may cause MAI to execute certain orders for the Registered Fund separately than orders for the same instrument executed for other client accounts that pursue a similar strategy. Restrictions imposed by the Registered Fund may operate to the disadvantage of the Registered Fund in terms of less favorable execution prices and higher transaction costs.

#### Standard of Care; Trade Errors

Under the terms of the constituent documents for the Funds and/or the investment advisory agreements between each Fund and MAI, neither MAI nor its officers and employees will be liable in damages or otherwise to the Fund or to any investor in the Fund for any act or omission in connection with MAI providing investment advice to the Fund, except for any liability that results from a breach of the applicable standard of care with respect to the Fund (typically, gross negligence, willful misconduct or fraud). As a result, MAI will only be liable for trade errors where MAI acted in breach of the applicable standard of care with respect to the Fund (such as gross negligence, willful misconduct or fraud). Examples of common trade errors include errors in the investment decision-making process (e.g., a transaction was effected in violation of the Fund's investment guidelines) or in the trade process (e.g., a buy order was entered instead of a sell order, or the wrong security was purchased or sold, or a security was purchased or sold in an amount or at a price other than the correct amount or price). In addition, MAI is not liable for any act or omission of any broker or dealer selected by MAI with reasonable care. Although a broker-dealer may choose to assume responsibility for a trade error loss caused by MAI, MAI may not obtain the broker-dealer's agreement to do so in exchange for MAI's "soft dollar" credits from the broker-dealer, or for MAI's promise to direct future commissions to the broker-dealer. MAI does not reimburse "opportunity costs" or other soft costs, only direct losses from a trade error, such as commissions, mark-ups and market price movements. Opportunity costs include the profits that would have been made, or losses avoided, on a position if the position had been initiated or closed out where this in fact did not happen (for example, in situations where MAI's system generates or fails to generate a model recommendation that is not, in fact, translated into a trade). If the client is owed a reimbursement, it will be paid promptly and without interest. The standard of care and undertakings in the handling of trade errors may differ among client accounts, however, which may result in a trade error impacting one client account differently than another client account.

### **Item 13. Review of Accounts**

Ongoing portfolio management is the responsibility of the Chief Investment Officer ("CIO") of the QST and the Senior Vice President ("SVP") of the SCIT, subject to the oversight of MAI's Chief Executive Officer ("CEO"). Both the CIO of the QST and the CEO attend a monthly Investment Strategy Committee meeting for the QST. In the case of the SCIT, formal meetings between the SVP and the CEO occur on an as-needed basis.

The CIO of the QST determines specific strategies for client accounts managed by the QST, performs portfolio analysis, monitors overall risk, and reviews allocations. The traders execute trades, while analysts perform qualitative and quantitative research and propose new investment ideas to the CIO. Market fluctuations, proposed changes in investment strategy, or economic developments may be factors which could trigger a review by the CIO.

With respect to the Funds for which MAI serves as investment adviser, investors receive regular written reports (such as monthly letters and quarterly account statements) as specified in each Fund's constituent documents (such as the offering memorandum or limited partnership agreement for Private Funds or the Registered Fund's prospectus and statement of additional information).



Each investor in a Private Fund receives written audited financial statements for the Fund no later than 120 days after the Fund's fiscal year end (and normally within 90 days of the Fund's fiscal year end), including audited schedules of investments, balance sheets, income statements and cash flow statements. For Private Funds with U.S. resident partners, each investor receives a written statement of the investor's share of the Fund's taxable income or loss for the given year. MAI provides the adviser to the Registered Fund and the members of the Board of Trustees of the Registered Fund the reports agreed between such parties and MAI.

In addition to the foregoing reports and statements, for Private Funds, MAI may also provide, in its discretion, individual investors or clients or groups of investors or clients with more frequent written disclosure, greater transparency or provide additional information not contained in the above mentioned reports and statements, either due to legal/regulatory constraints that must be followed by some of the Funds' investors and/or the specific needs of and requests made by certain investors.

In the past, regular reporting for managed accounts has been similar to the foregoing. However, in the future, MAI may provide customized reporting for managed accounts that may differ from the reporting provided to investors in the Funds.

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

MAI may, from time to time, compensate affiliated and unaffiliated persons for client referrals in accordance with Rule 206(4)-3 under the Advisers Act. The compensation to be paid will generally consist of a cash payment computed as a percentage of the assets under management referred, although other methods may be used. Currently, such an arrangement is in place with respect to one MAI employee.

#### **Item 15. Custody**

Each advisory client's funds and securities are maintained in a separate account by a qualified custodian, which may be either a U.S. bank, broker-dealer or futures commission merchant or a foreign financial institution that customarily holds financial assets for its customers. With respect to certain of the Private Funds, MAI may be deemed to have constructive "custody" of its clients' assets in accordance with Rule 206(4)-2 under the Advisers Act by virtue of having the authority to obtain possession of client funds or assets, since it serves as managing member and/or is able to directly debit from such assets certain amounts for payment of advisory fees and other fees and expenses. In addition, MAI utilizes the services of MHTB, which is a part of the Mizuho Financial Group, as a custodian and fund administrator for certain Private Funds it advises. With respect to the Registered Fund, MAI does not have possession of client funds or securities or the ability to directly deduct fees and, therefore, it is not deemed to have "custody" for the purposes of Rule 206(4)-2.

Where MAI is deemed to have "custody" for the purposes of Rule 206(4)-2, the Private Funds' investors generally will not receive quarterly statements directly from the Private Funds' custodians. Instead, the Private Funds are subject to an annual audit by an independent public account and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed no later than 120 days after a Private Fund's fiscal year end (normally within 90 days of a Private Fund's fiscal year end).

## **Item 16. Investment Discretion**

MAI is authorized to make the following determinations in accordance with each Fund's investment objectives and restrictions without obtaining prior consent from the Fund or any of its investors: (1) which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; (3) the executing broker or dealer for any transaction; and (4) the commission rates or commission equivalents charged for transactions. MAI may be authorized to make the aforementioned determinations for other clients as well in accordance with discretionary investment management agreements executed with each such client.

## **Item 17. Voting Client Securities**

Due to the nature of the investment strategies pursued by MAI, the outcome of any particular proxy vote would have minimal (if any) impact on MAI's investment decision making. In addition, MAI has determined that the administrative costs and burdens associated with voting proxies in client accounts outweigh any advantages to clients obtained through the voting process. Therefore, it is MAI's policy not to vote proxies for client accounts. In lieu of MAI doing so, the management of the Funds and the beneficial owners of managed accounts may elect to receive proxy materials and vote proxies directly. MAI's proxy voting policy and procedures are memorialized in writing and are available for review. A copy of MAI's proxy voting policy and procedures will be provided to clients upon request.

In order to assure that securities and financial class action litigation claims are processed in a timely manner, MAI has retained a third-party service provider to process and file claims on behalf of MAI clients. MAI will submit portfolio holdings to the service provider's database on class action settlement information. Once class action documents are received by the service provider on behalf of MAI's clients, MAI will ensure that the clients either participate in, or opt out of, any class action settlement. MAI's operative assumption is that it is in the best interests of the clients to recover monies from a class action settlement.

## **Item 18. Financial Information**

MAI does not believe that its current financial condition is reasonably likely to impair its ability to meet its contractual commitments to its clients. MAI was not the subject of a bankruptcy petition at any time during the past ten years.