

TWO SIGMA ADVISERS, LLC

March 31, 2015

This brochure provides information about the qualifications and business practices of Two Sigma Advisers, LLC (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Adviser at (212) 625-5700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

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

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Item 4. Advisory Business

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser in December 2009 and has been registered with the SEC since February 18, 2010. Two Sigma Management, LLC is the managing member of the Adviser. Trusts established by John A. Overdeck and David M. Siegel are the principal beneficial owners of the Adviser.

The Adviser specializes in process-driven, systematic investment management, generally by employing quantitative analysis and techniques, including the use of mathematical models that rely on patterns inferred from historical prices and other data in evaluating prospective investments. The Adviser provides advisory services on a discretionary basis to its Clients, which include various private investment funds and commingled vehicles as well as funds of one and separately managed accounts. The Adviser also provides advisory services on a discretionary basis, as an investment sub-advisor, to investment companies registered under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”), as well as to other investment companies authorized for public offer and sale (including investment vehicles formed and/or registered under foreign law). The private investment funds, commingled vehicles, investment companies, funds of one and separately managed accounts to which the Adviser provides advisory services are referred to herein collectively as “Clients,” and each as a “Client.”

To provide advisory services to Clients, the Adviser has licensed from its affiliate, Two Sigma Investments, LLC (“TSI”), certain investment and execution analytics made available to the Adviser (“Analytics”), as well as other derived data, in each case, pursuant to the terms of a Licensing and Services Agreement entered into between the Adviser and TSI (the “Licensing and Services Agreement”). The Analytics are comprised of quantitative models, optimizers and other order and execution management systems and execution algorithms used to exercise investment and brokerage discretion for Clients. The Adviser’s license permits the Adviser to modify various programmable settings in certain of the Analytics in order to effect Clients’ investment strategies. The Adviser exercises its delegated authority from Clients by choosing which licensed Analytics to utilize on behalf of each Client and by adjusting or modifying the various programmable settings of the licensed Analytics to accommodate each Client’s investment objectives and strategies.

The Adviser provides advisory services with respect to a broad range of U.S. and non-U.S. securities and instruments, including, without limitation, global equity and equity related securities, exchange traded products (including exchange traded products on equity or sector indices), FX, futures, fixed income, currency contracts, futures options, spot trades, forward contracts, sovereign bonds, warrants, options (both listed and OTC), repurchase agreements, reverse repurchase agreements, swaps (of any and all types including, among other things, equity swaps, commodity swaps, interest rate swaps, currency swaps, futures look-alike swaps and credit default swaps), options on foreign exchange contracts, commodities, U.S. and non-U.S.

money market funds and money market instruments (including but not limited to treasury and agency securities, municipal notes, commercial paper, time deposits, promissory notes and Eurodollar deposits), non-deliverable forward contracts on currencies and any derivatives or financial instruments which exist now or are hereafter created (collectively, “Financial Instruments”).

The Adviser provides advisory services to Clients based on specific investment mandates, objectives and strategies set forth in each Client’s offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document or other governing document, as applicable. Other than the restrictions set forth therein, Clients may not impose restrictions on investing in certain securities or certain types of securities. Offering memoranda are made available to investors only through the Adviser or another authorized party. Prospectuses and supplemental disclosure documents, including Statements of Additional Information, are publicly available on the SEC’s website at www.sec.gov.

As of December 31, 2014, the Adviser had approximately \$26,831,000,000 of Client regulatory assets under management, all on a discretionary basis.

Item 5. Fees & Compensation

Asset-Based Compensation

Certain of the Clients pay the Adviser management fees for its management services (the “Management Fees”) through a deduction by the Client’s custodian of such Management Fees from the Client’s account under the Adviser’s instructions. In its capacity as a sub-adviser to certain investment companies, the Adviser also receives management fees from each such investment company’s primary investment adviser(s) (the “Sub-Advisory Fees”). The Management Fees and Sub-Advisory Fees are typically based on the Client’s assets under management with the Adviser and are determined based on an annualized rate. Currently, such rates generally range from 0.75% to 3%, as described in each such Client’s applicable offering memorandum, investment management agreement, sub-advisory agreement or prospectus and supplemental disclosure document (though, as noted below, such rates could be higher or lower for certain investors). The Management Fees are generally paid monthly in advance on the first day of each month or quarterly in arrears on the last day of each calendar quarter, as applicable. The Sub-Advisory Fees are generally paid quarterly in arrears soon after calendar-quarter end. However, certain Clients may have Management Fees and Sub-Advisory Fees charged more or less frequently.

The Adviser (or its affiliates, as applicable) may waive, reduce or modify the Management Fee or Sub-Advisory Fee for a Client (or an investor therein, as applicable) or, alternatively, may substitute a Management Fee in whole or in part with a performance allocation or performance fee as agreed to with a Client (or an investor therein, as applicable).

Performance-Based Compensation and Incentive Allocations

The Adviser may also receive performance-based compensation, which is compensation that is based on a share of capital gains or capital appreciation of the assets of a Client above the applicable benchmark, if any. This compensation may be allocated to or paid to the Adviser (or a related person of the Adviser).

Currently, the Adviser is entitled to receive an incentive fee (the “Incentive Fee”) from one Client in an amount equal to 37.5% of the net profits for each fiscal quarter; provided that the Incentive Fee is subject to adjustment for any previously unrecovered losses in prior periods, subject to certain other adjustments and provisions. Payment of the Incentive Fee is separately made to the Adviser for each such fiscal quarter, in accordance with the terms of an agreement in place between such Client and the Adviser. The Adviser anticipates that it may be entitled to receive Incentive Fees from certain other Clients in the future.

Two Sigma Principals, LLC (“Principals”), an affiliate of the Adviser, as the general partner or “allocation shareholder,” as applicable, of certain of the Clients, is entitled to receive an incentive allocation (the “Incentive Allocation”) from certain of such Clients in amounts generally ranging from 15% to 45% of the net profits above the applicable benchmark, if any,

allocated to each investor in such Clients for each fiscal quarter or year, as applicable, provided that certain of such Clients may have Incentive Allocations allocated more or less frequently. In addition, many of the Incentive Allocations are subject to adjustment for any previously unrecovered net losses allocated to each investor in prior periods, subject to certain other adjustments and provisions. The Adviser deducts the performance-based compensation from Client accounts by instructing the Client's custodian.

The Adviser (or its affiliates, as applicable) may waive, reduce or modify the performance-based compensation or incentive allocation for a Client (or an investor therein, as applicable).

Other Fees and Expenses

In addition to paying investment management fees and/or performance-based compensation to the Adviser (or a related person to the Adviser), Clients typically pay all of their own operating and investment expenses including, but not limited to: brokerage and transaction costs and custodian fees; fees and expenses of any advisers and consultants to the Client; external legal, auditing, accounting, administration, tax return preparation and other professional fees and expenses; fees and expenses of the Client's administrator and depositary, if applicable; taxes, fees and governmental charges or filing fees; fees and expenses of third party research, data, recommendations and/or services used by the Adviser in its investment decision making process (e.g., in connection with the use, implementation and support of alpha capture systems developed by TSI and licensed by the Adviser); fees and expenses of valuation and/or pricing services and software; interest expenses; expenses of preparing and distributing reports, financial statements and notices to investors in the Client; litigation and other extraordinary expenses; certain insurance expenses; and other expenses as may be detailed in the Client's offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document or other governing document, as applicable. Where applicable, Clients also pay their pro-rata share of the expenses of the underlying investment vehicles in which they directly or indirectly invest.

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

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

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

In addition, the Adviser and certain of its affiliates (as well as its and their principals and certain personnel) may invest in a number of Clients. Certain of such Clients utilize a higher degree of leverage than other Clients, including certain Clients offered to outside investors. Because of the varying fee structures and leverage levels, and due to the allocation of proprietary capital from the investment of the Adviser and certain of its affiliates (and/or its and their principals and certain personnel), the potential exists for one Client to be favored over another Client. The Adviser and its personnel have a greater incentive to favor Clients that contain more proprietary capital, pay the Adviser (and indirectly its personnel) higher performance-based compensation or higher asset-based fees or, potentially, use a higher level of leverage.

Allocation of Licensed Investment Analytics

As noted above, the Adviser has licensed from TSI certain Analytics and derived data to provide advisory services to its Clients. TSI has complete discretion regarding which of its Analytics (including proprietary strategies and/or models and including newly developed Analytics that may meet the investment objectives of one or more Clients) it elects to license to (and correspondingly withhold from) the Adviser. The Adviser may also elect to withhold any particular licensed investment Analytic from a Client, remove a licensed investment Analytic from a Client or materially increase or decrease a Client's exposure to a licensed investment Analytic.

The allocation of licensed investment Analytics among Clients may vary for one or more reasons, including because certain of such Analytics (i) do not work well within a given Client's mandate; (ii) have smaller capacity than can be optimally used for one or more of the Clients; (iii) involve asset classes outside the investment mandates of one or more of the Clients; (iv) are not appropriate for a particular Client given such Client's investment regulatory restrictions (*e.g.*,

the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”)); (v) are hedged by taking smaller or larger exposures (as applicable) to certain style factors, sectors or other directional risks than that targeted by one or more of the Clients; and/or (vi) involve greater liquidity risk than that targeted by one or more of the Clients. The net result(s) could be that one or more Clients would not have access to certain strategies, models and/or investment techniques that produce higher predicted rates of return, lower volatility or shorter trading horizons than those strategies, models and/or investment techniques utilized (in degree and/or manner) by such Clients.

The availability of any Analytic developed by TSI to the Adviser is solely within TSI’s discretion. As a general matter, investment Analytics involving shorter-term strategies, including those that may be labeled “High Frequency” in nature are not made available to the Adviser. Investment Analytics involving shorter-term strategies are generally utilized by entities managed by TSI or its other affiliates, including those that are currently beneficially owned substantially or entirely by proprietary capital and are not generally available for new investment by outside investors. As compared to Clients, such entities generally (i) achieve higher returns on capital; (ii) exhibit higher Sharpe ratios; (iii) have higher trading costs; (iv) seek lower liquidity risk; and (v) have higher turnover.

In the future, TSI may, under the terms of its licensing arrangement with the Adviser, revoke any or all licenses granted to the Adviser.

The Adviser pays TSI a fee for the use of the licensed Analytics, however, such fee is borne by the Adviser and will not be borne directly or indirectly by Clients.

Allocation of Trades

The Adviser also licenses from TSI certain execution Analytics in order to direct the execution of certain Clients’ orders through TSI’s proprietary order and execution management systems and execution algorithms. Due to its utilization of the licensed execution Analytics, the Adviser has reviewed and adopted the trade allocation and aggregation policies and procedures of TSI for application to such Clients.

Client orders in liquid, exchange-listed Financial Instruments are typically facilitated and routed to third party broker-dealers (including so-called “electronic communications networks” or “ECNs”, “alternative trading systems” or “ATSs” or other automated trading systems) by TSI’s proprietary order and execution management systems and execution algorithms. Such systems are either fully automated or require a limited amount of employee assistance. These systems seek to algorithmically ensure proper allocation of fills among Clients (which term shall, for purposes of this Item 6, include certain clients of TSI, as appropriate) that trade the same instrument concurrently on TSI’s common execution desk, which is shared by the Adviser (the “shared execution desk”). Those traders providing such limited assistance are dual regulatory employees of the Adviser and TSI. The Financial Instruments traded on behalf of each Client may involve substantial correlation with those traded on behalf of other Clients. However, there can be no assurance that any Financial Instrument will be traded in the same way or at the same time on behalf of each entity. From the standpoint of each Client, simultaneous identical portfolio transactions for the Client and other Clients may tend to decrease the prices received,

and increase the prices required to be paid, by the Client for its portfolio sales and purchases, as applicable.

The Adviser's trade allocation policy is designed to seek to: (i) provide a fair allocation of purchases and sales of Financial Instruments among the various Clients, (ii) not systematically advantage one account over another and (iii) ensure compliance with appropriate regulatory requirements. However, because there is overlap in Financial Instruments traded across the Clients, and due to the volume of orders being placed and fills received at any given time, one Client may be inadvertently advantaged over another with respect to order placements, fill receipts, stock borrow allocations and/or application of reporting limits. It is possible that such advantaged Client may be owned solely or primarily by proprietary capital or may pay higher fees. While the trade allocation systems will be monitored, reviewed and periodically modified in an effort to minimize the occurrence of these events, it is highly likely that, with respect to the shared execution desk, a *de minimis* number of preferential allocations will remain, and action will only be taken to reverse or otherwise change these allocations in the event they are deemed to be material by TSI and/or the Adviser (as applicable) in their sole discretion.

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

In addition, the use of separate execution modalities by certain rapid trading strategies utilized by TSI for its clients, particularly when existing investment management research is also being used by such strategies, will frequently impact (to varying degrees) the price or amount of securities available to the Clients if and to the extent that such research has been embedded in the Analytics licensed to the Adviser. The majority of these separate execution modalities are housed in or execute through the Adviser's affiliated broker-dealer, Two Sigma Securities, LLC ("TSS"). TSS interacts may utilize certain brokers and trading venues which are not utilized by the Adviser's shared execution desk (which is generally used on behalf of Clients who are not using such separate execution modalities). Oftentimes, the use of these separate execution modalities in conjunction with investment management research used by TSI, and to the extent such research has been embedded in the Analytics licensed by TSI to the Adviser and used by the Adviser on behalf of the Adviser's Clients, will result in portfolios utilizing such strategies receiving fills before and after the Adviser's Clients, which will likely result in portfolios utilizing such strategies receiving executions at better prices and quantities than the Clients.

Many of these strategies may be employed on behalf of Clients owned primarily or entirely by proprietary capital. It should be noted that the trading volume attributable to the clients of TSI which utilize separate execution modalities makes up a significant and growing portion of TSI's trading volume and, for any given period, may significantly surpass the aggregate trading volume attributable to the Adviser's Clients. As compared to the Adviser's Clients, TSI's clients utilizing these separate execution modalities generally (i) achieve higher returns on capital invested; (ii) exhibit higher Sharpe ratios; (iii) have higher trading costs; (iv) assume lower liquidity risk; and (v) have higher turnover.

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

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

Further, because certain strategies used by certain Clients may use separate execution modalities, may trade through separate execution desks and/or may have shorter trading horizons than similar strategies used by other Clients, it is likely that in many instances those Clients will buy (or sell) Financial Instruments prior to or after the other Clients buying (or selling) the same or similar Financial Instruments which may have a materially adverse impact on the prices paid or received by a Client on its transactions or the available liquidity in such Financial Instruments. In such instances, the portions of the trade allocation policy described above related to trade aggregation will not apply since those portions are only applicable to trades and investments that are made concurrently on the shared execution desk. TSI may for a variety of regulatory, operational or other reasons create other additional execution desks in the future and may decide to employ a different trade allocation policy.

Item 7. Types of Clients

The Adviser provides advisory services to private investment funds, commingled vehicles, funds of one, and separately managed accounts, as well as sub-advisory services to investment companies authorized for public offer or sale (including investment vehicles formed and/or registered under foreign law). Such Clients are typically organized as Delaware limited partnerships, Delaware limited liability companies, Massachusetts or Delaware business trusts, Cayman Islands exempted corporations or other similar structures in the same or other jurisdictions. The Adviser also provides advisory services to separately managed accounts of pension and profit-sharing plans, U.S. and non-U.S. governmental plans, charitable organizations, endowments, partnerships, corporations, financial institutions and other business and similar entities.

Clients organized as private investment funds and commingled funds are generally set up as either stand-alone structures or as master-feeder structures, wherein each feeder fund invests portions of its assets (directly or indirectly) into a master fund. The master fund then, in certain cases, invests a significant majority (if not all) of its assets into certain investment trading vehicles managed by the Adviser. In addition, a number of the feeder and master funds may invest varying portions of their assets into a cash management vehicle managed by the Adviser. Further, certain stand-alone funds and master funds invest in commingled funds managed by TSI. The structure of any given Client is described in further detail in its offering memorandum, investment management agreement, prospectus and supplemental disclosure document or other governing document, as applicable.

With respect to Clients, initial and additional subscription minimums, if any, are disclosed in such Client's applicable offering memorandum, investment management agreement, prospectus and supplemental disclosure document and/or other governing document.

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

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

The investment strategies that the Adviser employs include, but are not limited to, the following: statistically-based strategies; merger (or risk) arbitrage; closed-end fund/constituent arbitrage; fundamentally-driven strategies; event-driven strategies; spread-based and long/short strategies; volatility arbitrage and trading strategies; structured credit trading strategies; and contributor-based and sentiment-based strategies (*i.e.*, strategies based on the Adviser's affiliate's proprietary alpha capture systems). The specific strategies utilized on behalf of any given Client are described in greater detail in such Client's offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document and/or other governing document, as applicable.

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

In addition to the models described above, the Adviser also employs models on behalf of certain investment trading vehicles managed by the Adviser that focus more on fundamental analysis and research conducted by analysts (rather than computer-based quantitative and technical analysis) and/or models that combine two or more types of analysis in varying degrees. Fundamental analysis and research explores, among other things, issuers, industries, current market and financial conditions and an understanding of the drivers of change within these areas. Such fundamental analysis and research is expected to be generated by substantial numbers of external investment professionals, data vendors, market participants and/or other consultants and to be augmented from time to time by the Adviser or its affiliates. The Adviser may apply systematic mathematical formulas to such analysis and research, or, in the alternative, may use

such analysis and research alone, without further quantitative analysis to assist in the Adviser's investment decision making process.

The Adviser may at times also employ certain non-systematic investment strategies on behalf of any Client in order to, among other things, manage certain risks or take advantage of perceived or predicted events or market conditions.

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

Overview of Risk Management. Risk management is an integral part of the Adviser's investment process and maintaining a controlled overall level of risk is part of Adviser's objective in managing Client assets. The Adviser generally seeks to control risk systematically through the use of TSI's proprietary portfolio management and risk management systems and techniques. However, the Adviser may at times also employ certain non-systematic strategies in order to manage certain risk. Client portfolio managers, working together with the Adviser's Chief Risk Officer and other personnel, evaluate various risks related to a given Client's trading program (including many of the risks discussed below in "Material Risks") and work to develop techniques for measuring, managing, and mitigating those risks (though there can be no assurance that any such risks will be effectively managed or mitigated).

The Adviser primarily seeks to control portfolio risk for a given Client through a combination of strategy weightings, soft position limits and hard position limits that are programmed into each optimizer and seeks to reduce unwanted risk and factor other risks into the decision making process when it decides which positions to hold in a given portfolio. This process is mostly automated but remains under the oversight of the human portfolio and risk management teams.

The Adviser evaluates strategy weights prior to their inclusion in a Client's portfolio and periodically re-weights strategies based on, among other things, ongoing research and live trading results. A goal of these weighting exercises is to prevent any single strategy or limited set of strategies from dominating the investment decisions in respect of a given Client's portfolio.

In order to seek to better control aggregate risk and to obtain efficiency in execution, multiple strategies are often traded together in combined, quantitatively-optimized portfolios within a given Client's portfolio (and a given Client's portfolio(s) may be jointly optimized with one or more other Client portfolios). The Adviser primarily relies upon the optimization process to determine a portfolio's "target goal positions" across various Financial Instruments. The optimization process incorporates certain risk parameters and factors that, combined with other metrics, shape the final "target goals." These risk constraints and metrics are developed, in part, in an effort to ensure that the Client stays within its investment mandate.

Each time the Adviser seeks to buy or sell a Financial Instrument in respect of a given Client, the applicable optimizer will measure a significant number of known risks that would result from issuing a target goal position and adjust the target goal positions accordingly. An optimizer may make goal position adjustments based on risks related to size, liquidity, sector exposure and

certain other factors. Hedging trades may also be used as a mechanism to limit or offset certain risk taking orders generated by an optimizer (directly or indirectly) on behalf of a Client.

Portfolio management and risk teams monitor each Client's risk-taking on an ongoing basis and the portfolio management teams may take action, or the risk teams may advise a portfolio management team to take action, if unwanted risk-taking is detected. This may include reducing strategy weights, increasing penalties, lowering optimizer risk limits and/or managing exposure through trading including, but not limited to, hedging. The monitoring tools available include, but are not limited to, VaR calculations, stress-testing (based on both various historical and forward-looking scenarios), and other risk factor measurements.

The Adviser may vary the risk of a Client's investments (and therefore, possibly, a Client's returns) by, among other things, varying the manner in which, and/or the degree to which, a Client's investments are hedged or leveraged, including through the use of equity index futures, exchange traded products, swaps or similar instruments. However, at any given time, the strategies and techniques employed by a given Client or portfolio may involve significant systematic risks.

The Adviser utilizes a Conflicts Committee comprised of certain of the Adviser's and TSI's senior management and control personnel. The primary purpose of the Conflicts Committee is to provide a body to which such personnel can raise potential conflicts of interest for evaluation, including potential conflicts which relate to investment process decisions.

The Adviser generally seeks to manage each Client's liquidity through its portfolio management systems and risk management activities in an effort to ensure that the liquidity profile of portfolio investments is consistent with a given Client's redemption terms.

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

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

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

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

Reliance on Technology. The investment and trading strategies utilized by the Adviser are fundamentally dependent on technology, including hardware, software and telecommunications systems. The data gathering, research, forecasting, portfolio construction, order execution, trade allocation, risk management, operational, back office and accounting systems, among others, utilized by the Adviser are all highly automated and computerized. Such automation and computerization is dependent upon an extensive amount of proprietary TSI-licensed software and third-party hardware and software. Neither the Adviser nor TSI typically utilizes design documents or specifications when building proprietary software. The proprietary software code thus typically serves as the only definitive documentation and specification for how such software should perform.

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

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

Coding Errors are often extremely difficult to detect, and, in the case of proprietary software and TSI-licensed software, the difficulty of detecting Coding Errors may be exacerbated by the lack of design documents or specifications. Regardless of how difficult their detection appears in retrospect, some Coding Errors will go undetected for long periods of time and some will never be detected. The degradation or impact caused by these Coding Errors can compound over time. Finally, the Adviser will detect certain Coding Errors that it chooses, in its sole discretion, not to address or fix and the TSI-licensed software will contain Coding Errors known to TSI that it chooses, in its sole discretion, not to address or fix. While neither the Adviser nor TSI will perform a materiality analysis on many of the Coding Errors discovered in their respective software code, the Adviser believes that the testing and monitoring performed on such software will enable the Adviser to identify and address those Coding Errors that a prudent person managing a process-driven, systematic and computerized investment program would identify and address by correcting the Coding Errors or limiting the use of the TSI-licensed software, generally or in a particular application. Investors in the Clients should assume that Coding Errors and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic investment manager such as the Adviser. Accordingly, the Adviser does not expect to disclose discovered Coding Errors to the Clients or their investors.

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

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

Reliance on Data. The investment strategies employed by the Adviser are highly reliant on the gathering, cleaning, culling and analyzing of large amounts of data from third-party and other external sources. It is not possible or practicable, however, to factor all relevant, available data into forecasts and/or trading decisions. The Adviser and/or TSI, as applicable, will use its discretion to determine what data to gather with respect to any investment strategy and what subset of that data the models take into account to produce forecasts which may have an impact on ultimate trading decisions. In addition, due to the automated nature of such data gathering and the fact that much of this data comes from third-party sources, it is inevitable that not all desired and/or relevant data will be available to, or processed by, the Adviser and/or TSI, as applicable, at all times. In such cases, the Adviser may, and often will, continue to generate forecasts and make trading decisions based on the data available to it. Additionally, the Adviser and/or TSI, as applicable, may determine that certain available data, while potentially useful in generating forecasts and/or making investment and trading decisions, is not cost effective to gather due to either the technology costs or third-party vendor costs and, in such cases, the Adviser will not utilize such data. Investors in the Clients should be aware that, for all of the foregoing reasons and more, there is no guarantee that any specific data or type of data will be utilized in generating forecasts or making investment and trading decisions on behalf of the Clients, nor is there any guarantee that the data actually utilized in generating forecasts or making investment and trading decisions on behalf of the Clients will be (i) the most accurate data available or (ii) free of errors. Investors in the Clients should assume that the foregoing limitations and risks associated with gathering, cleaning, culling and analysis of large amounts of

data from third-party and other external sources are an inherent part of investing with a process-driven, systematic adviser such as the Adviser.

Reliance on TSI. The Adviser has licensed from TSI (i) certain investment and execution Analytics developed by TSI, and (ii) derived data, to provide advisory services to Clients. The Analytics are comprised of quantitative models, optimizers and other order and execution management systems and execution algorithms used to exercise investment and brokerage discretion for Clients. The Adviser's license permits the Adviser to modify various programmable settings in certain of the Analytics in order to accommodate each Client's investment strategies. The Adviser exercises its delegated authority from Clients by choosing which licensed Analytics to utilize on behalf of each Client and by adjusting or modifying the various programmable settings of the licensed Analytics to accommodate each Client's investment objectives and strategies.

While TSI has and will continue to research a variety of other strategies, models and/or investment techniques which might meet the investment objectives of one or more Clients, including strategies, models and/or investment techniques with higher or lower aggregate risk and return profiles, the Adviser has no ability to decide which of TSI's Analytics are available to it for licensing. TSI has exclusive authority to determine which of its Analytics (including proprietary strategies and/or models) it elects to license to (or correspondingly to withhold from) the Adviser. TSI is not free from conflict in making these elections, and may elect to withhold from licensing all or any portion of its strategies, models and/or investment techniques at any time for any reason. Such reasons may include, but are not limited to, maximization of its own pecuniary interests or those of its related persons, pressure from the continued growth of TSI's and its affiliates' proprietary capital and the higher amount of leverage that TSI can apply to proprietary capital.

In addition, TSI may, under the terms of its licensing arrangement with the Adviser, revoke any or all licenses granted to the Adviser. There can be no assurances that TSI will make decisions that will be beneficial to the Adviser or the Clients. Further, the Clients (and investors in Clients) should be aware that TSI does not have any fiduciary obligations to the Clients (or such investors) and that Clients (and/or investors) will not have any recourse against TSI with respect to any such decisions made by TSI.

TSI also provides various services to the Adviser pursuant to the Licensing and Services Agreement, including, but not limited to, administrative, legal, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related and miscellaneous services. The Adviser pays TSI a fee for the provision of these services; however, such fee is borne by the Adviser and not directly or indirectly by the Clients. All employees of the Adviser also have a separate and direct employment relationship with TSI.

Because of the above, the Adviser's performance is materially dependent on TSI and the talents and efforts of individuals employed by TSI. TSI is not a fiduciary to the Adviser or to any Clients (except to the extent that such Client invests directly in a commingled vehicle managed by TSI). The success of the Adviser and, therefore, its Clients is largely dependent upon TSI to (i) continue to develop and license to the Adviser investment strategies necessary for the Adviser to achieve the Client's investment objectives; and (ii) continue to provide services to the

Adviser. If TSI ceases to do so, or to do so effectively, the Adviser and the Clients will be adversely affected. The Adviser has no control over TSI and TSI may make decisions without regard to, knowledge or consideration of, the business objectives of the Adviser or the investment objective of any of the Clients.

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

Process Changes are inherently unpredictable and may lead to unexpected outcomes which ultimately have an adverse impact on one or more Clients. In addition, certain Process Changes, for example certain Process Changes made due to changes in law or legal/regulatory guidance, may be made despite the belief that such Process Changes will have an adverse impact on one or more Clients. Finally, in many instances TSI does not have an obligation and does not expect to notify the Adviser about its Process Changes and, while the Adviser may notify Clients or investors in Clients about certain Process Changes, the vast majority will be made without any such notification.

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

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

The use of margin, short-term borrowing and collateral requirements creates additional risks to such Clients. Specifically, if the value of such a Client’s portfolio fell below the margin or collateral level required by a prime broker or dealer, the prime broker or dealer would require additional margin deposits or collateral amounts. If such Client were unable to satisfy such a margin or collateral call by a prime broker or dealer, the prime broker or dealer could liquidate the Client’s positions in the Client’s account with the prime broker or for which the dealer is the counterparty and cause the Client to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under margin, collateral or other financing agreements, could trigger cross-defaults under such a Client’s agreements with other brokers, dealers, lenders, clearing firms or other counterparties, multiplying the adverse impact

to such Client. In addition, because the use of leverage will allow such a Client control of or exposure to positions worth significantly more than the margin or collateral posted for such positions, the amount that such a Client may lose in the event of adverse price movements will be high in relation to the amount of this margin or collateral amount, and could exceed the value of the assets of such a Client. Trading of futures, forward contracts, equity swaps and other derivatives, for example, generally involves little or no margin deposit or collateral requirement and, therefore, provides substantial embedded leverage. Accordingly, relatively small price movements in these Financial Instruments (and others) may result in immediate and substantial losses to such a Client. The Adviser and TSI have leveraged their global relationships with certain prime brokers to negotiate more favorable aggregate margin requirements on behalf of their clients. While the Adviser and TSI will endeavor to equitably allocate any benefit from such arrangements among their respective clients, at any point in time some clients, including clients which may contain primarily proprietary capital or which pay TSI or the Adviser higher performance-based compensation or fees, may benefit more or less than others due to factors such as client size, leverage levels and any changes thereto.

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

Risk of Independent Management, Independent Deleveraging or Liquidation. Due to each Client's particular investment mandate, objectives, guidelines and risk parameters, the decisions made by the Adviser on behalf of any individual Client may vary materially from the decisions made by the Adviser on behalf of other Clients, including during times of market stress and during liquidation events (e.g., the 2007 "quant meltdown"). Because the Adviser often employs the same or similar strategies on behalf of many of its Clients (and licenses many of those strategies from TSI) and because such Clients (and TSI clients) often trade the same or similar instruments, the decisions made on behalf of any individual Client are likely to have a material impact on other Clients; furthermore, the Adviser may make decisions for any individual Client solely based on such Client's investment mandate, objectives, guidelines and risk parameters (as applicable), which the Adviser strongly expects will have adverse impacts (including possibly materially adverse impacts) on other Clients. Any such impacts are likely to be exacerbated during times of market stress and/or during liquidation events. For example, to the extent that the Adviser decides to liquidate or "delever" all or any portion of one Client's portfolio for any reason, such liquidation or delevering will likely adversely affect positions held by other Clients or such other Client's ability to liquidate or delever the same or similar positions, whether or not the Adviser has made the independent decision to liquidate or delever such other Clients' portfolios. In addition, there is no guarantee that the Adviser will choose to, or will be able to, liquidate or delever the portfolios of its Clients simultaneously or in any orderly fashion. The Adviser will seek to address these and related potential conflicts of interest in accordance with the applicable fiduciary duties it owes to each Client. In addition, TSI may, in the ordinary course of its business, exercise its discretion on behalf of its clients (many of which use the same or similar strategies as certain Clients) independently of the Adviser and any decisions made by TSI, including the decision to liquidate or delever all or a portion of any given portfolio, may have a materially adverse effect on Clients. This is particularly true because the portfolios

managed by TSI tend to utilize more leverage, trade more volume and trade more quickly than Clients do or are permitted to do. It should be expected, therefore, that any decisions made by TSI to liquidate or delever a substantial portion of portfolios that it manages in a limited amount of time will have a materially adverse effect on any given Client.

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

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

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

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

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

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

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

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

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

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

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

Options and Derivatives. Certain Clients may engage in trading in options on individual securities, securities sectors, securities indices, futures contracts or foreign exchange contracts. Trading in options can result in a greater potential for profit or loss than trading in the underlying instruments. The value of an option may change because of a change in the value of the underlying instruments, the passage of time, changes in the market’s perception as to the future price behavior of the underlying instruments or any combination of the foregoing and/or other factors. Additionally, certain Clients may purchase and sell exchange-listed options or privately negotiated OTC options. There can be no guarantee that there will at all times be a liquid market for these options. If an options market were to become illiquid or otherwise unavailable, an

option holder would be able to realize profits or limit losses only by exercising the option and an options seller or writer would remain obligated until the option is exercised or expires.

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

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

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

In addition, there may be less publicly available information about foreign economies and foreign companies than the U.S. economy and U.S. companies. Non-U.S. companies may not be subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Many non-U.S. securities markets have substantially less volume than U.S. securities markets and, therefore, securities of non-U.S. companies are generally less liquid and at times their prices may be more volatile than securities of comparable U.S. companies. In addition, in many non-U.S. markets there is less government supervision of exchanges, brokers, dealers and issuers than in the United States. There is a possibility of expropriation or confiscatory taxation, seizure or nationalization of non-U.S. bank deposits, establishment of exchange controls, the adoption of non-U.S. government restrictions or other adverse political, social or diplomatic developments that could adversely affect any such investment. Some of the instruments may be subject to taxes levied by non-U.S. governments, which have the effect of increasing the cost of such trading and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income from non-U.S. instruments held by a Client trading these instruments may be reduced by a withholding tax at the source. Tax conventions between certain countries and the United States, however, may reduce or eliminate such taxes, and some or all of such taxes may be creditable against the U.S. federal income tax liability of investors which are U.S. taxpayers but may be eliminated or changed at any time.

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

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

It is contemplated that most foreign currency forward contracts will be with banks, including among others, investment banks and brokerage firms. There are no limitations on daily price moves of spot trades, forward contracts or many derivatives. Banks, including investment banks and brokerage firms, are not required to continue to make markets in currencies. There have been periods during which certain banks, including investment banks, and certain brokerage firms have refused to continue to quote prices for forward contracts or derivatives or have quoted

prices with an unusually wide spread. The imposition of credit controls by governmental authorities might limit the level of such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Client. Clients trading such contracts may be subject to the risk of bank or brokerage firm failure or the inability of or refusal by a bank or a brokerage firm to perform with respect to such contracts.

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

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

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

Sovereign Notes and Bonds and Related Derivatives. Certain Clients may trade in U.S. Government securities and in derivatives upon these instruments. Generally, these securities include U.S. Treasury obligations and obligations issued or guaranteed by U.S. Government

agencies, instrumentalities or sponsored enterprises. U.S. Government securities also include Treasury receipts and other stripped U.S. Government securities, when the interest and principal components of stripped U.S. Government securities are traded independently. These securities are subject to market and interest rate risk. Certain Clients may also trade in domestic or foreign government-issued inflation-protected securities (*e.g.*, Treasury Inflation-Protected Securities (“TIPS”), Inflation Linked Gilts (“ILG”), etc.) and in futures, swaps and other derivatives on these securities and/or other inflation related underlyings.

Certain Clients may also trade foreign or U.S. sovereign notes and bonds which may be unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. Certain Clients may trade foreign or U.S. debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer’s assets.

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

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

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

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

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

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

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

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

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

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

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

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

Total Return Swaps. Certain Clients may obtain synthetic exposure to investment strategies through the use of one or more total return swaps through which payments are made to a counterparty (at either a fixed or variable rate) in exchange for receiving from the counterparty payments that reflect the return of securities, derivatives, or commodity interests representing a particular index or basket (sponsored by the Adviser or a third-party). Such a Client may bear the fees and/or expenses relating to a total return swap directly, or indirectly through their impact (i.e., reduction) on the return that the Client earns from investing in the total return swap.

In addition to the risks involved in investment in swap contracts generally, the Client could potentially be indirectly exposed to additional risks through the use of total return swaps to obtain synthetic exposure to additional investment strategies. The underlying “basket” of securities, derivatives, or commodity interests on which such total return swaps are based may include a broad range of instruments, markets and asset classes, which may include, but are not limited to, equity securities, fixed income securities, and derivative and commodity instruments.

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

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities & Affiliations

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

The Adviser and certain of its related persons are affiliated with and/or own an interest in TSS, a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority (“FINRA”). TSS is a member of the BATS Y-Exchange, BATS Z-Exchange, EDGA Exchange, EDGX Exchange, NASDAQ OMX, NASDAQ OMX BX, NASDAQ OMX PHLX, NYSE Arca, NYSE, NYSE MKT, the Chicago Board of Trade and the Chicago Mercantile Exchange. Certain of the Adviser's management persons and employees are registered as registered representatives or principals of TSS. TSS is an “introducing broker-dealer” that does not custody customer (or Client) assets or clear or settle trades. TSS does not presently execute trades or custody assets for Clients, although it should be noted that TSS is utilized as an “introducing broker-dealer” for one or more clients of TSI that are owned significantly or entirely by proprietary capital.

In addition, the Adviser is affiliated with and certain of its related persons own an interest in TSI, a Delaware limited liability company. TSI is an investment adviser that is registered with the SEC and that manages non-proprietary and proprietary private investment funds.

In order to provide advisory services to Clients, the Adviser licenses from TSI (i) the Analytics and (ii) derived data, both of which TSI uses to provide investment advice to, and execute transactions for, certain of TSI's clients. The Analytics are comprised of quantitative models, optimizers and other order and execution management systems and execution algorithms used to exercise investment and brokerage discretion for Clients. While the license permits the Adviser to modify various programmable settings in certain of the Analytics in order to accommodate each Client's investment strategies, TSI has the sole discretion to select the models and execution systems and algorithms that it licenses to the Adviser and to revoke the license of any model or execution system and execution algorithm. The Adviser has the ability to determine the weightings assigned to models, to determine, within certain limits, the frequency at which an optimizer generates target portfolio positions, and to set different risk and strategy limitation settings in an optimizer. It is likely that these decisions (including the decision about which Analytics and derived data to use as well as any decisions related to the programmable settings) made on behalf of one Client will have an impact on the expected return of other Clients; in fact, the Adviser may and from time to time choose Analytics or settings for certain Clients which it expects to have an adverse impact on other Clients and vice versa. The Adviser will seek to

address these conflicts of interest in accordance with the applicable fiduciary duties it owes to each of its Clients. The Adviser pays TSI a fee for this license, however, such fee is borne by the Adviser and not directly or indirectly by the Clients.

In addition to the license of derived data and Analytics, TSI also provides various services to the Adviser pursuant to the Licensing and Services Agreement, including, but not limited to, administrative, legal, technical and clerical services; access to technology equipment and office facilities; maintenance and support services; and other related and miscellaneous services (please refer to Item 6 of this Brochure for a discussion of the trade allocation policy which covers trades that the TSI executes on behalf of the Adviser pursuant to the Licensing and Services Agreement). The Adviser pays TSI a fee for the provision of these services, however, such fee is borne by the Adviser and not directly or indirectly by the Clients.

All employees of the Adviser also have a separate and direct employment relationship with TSI.

In addition to the licensing and services arrangement that the Adviser has with TSI, the Adviser, pursuant to the investment mandates of certain Clients, currently directs such Clients to invest in certain clients of TSI, and TSI directs one or more of its clients to invest in entities advised by the Adviser.

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

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

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

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

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

While not anticipated in the ordinary course of business operations, the Adviser and/or its affiliates may from time to time engage in principal transactions (for example, when transitioning a portfolio from one vehicle to another in connection with a given Client’s launch). In each such instance, the Adviser expects to seek to effect any such transaction in accordance with the requirements of Section 206(3)-2 of the Advisers Act.

The Adviser has also adopted policies and procedures regarding the receipt of gifts and business entertainment by the Adviser's employees from certain third parties (*e.g.*, vendors, broker-dealers, consultants, etc.). Specifically, these policies and procedures require employees to report the receipt of gifts and business entertainment in excess of pre-established *de minimis* thresholds. The Adviser reviews these reports for any potential conflicts of interest with respect to individual instances of gifts or business entertainment, as well as patterns of the same over time, to seek to prevent employees from placing their own interests ahead of the interest of Clients.

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

The Adviser may come into possession of certain information that it believes to be confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser may receive such information as a result of its investment advisory activities for any individual Client, or as a result of its relationship with affiliates including, but not limited to, TSI and TSS, or through other activities such as strategic partnership negotiations or an employee's board or credit committee service. In any such case, the Adviser will be prohibited from communicating such information to a Client or using such information for a Client's benefit. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information outside of the Adviser and that prohibit the communication of such information internally within the Adviser to persons other than the General Counsel and/or the Chief Compliance Officer or their designees and to assure that the Adviser is meeting its obligations to Clients and remains in compliance with applicable law. The Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

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

The Code contains provisions designed to prevent improper personal trading by the Adviser's supervised persons. Pursuant to the Code, all of the Adviser's "access persons" (*e.g.*, any partner, officer, director, member, or employee of the Adviser) and "covered persons" (*e.g.*, any such access person's spouse, immediate family members, any person to whom an access person provides primary financial support, partnerships and corporations in which access persons maintain a certain level of beneficial interest, and any person with whom access persons share

common financial support) must obtain pre-approval prior to trading a reportable security as defined under Rule 204A-1 and the Rules and Regulations promulgated under the Advisers Act, unless such person has a managed account with an independent adviser who has discretionary investment authority. The Adviser's access persons and covered persons are prohibited from trading securities on any applicable restricted list, and certain access persons and covered persons are also prohibited from trading securities on a restricted list of certain Clients of the Adviser or TSI, and generally are prohibited from participating in "new issues." Short selling is prohibited. The Adviser's current personal trading policies limit the brokers that supervised persons can use for personal trading. All positions in reportable securities need to be disclosed upon joining the Adviser and duplicate copies of brokerage account statements generally must be sent to TSI's compliance group, as part of the compliance-related services and support that TSI provides to the Adviser.

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

As noted in Item 8, the Adviser and TSI jointly employ a Conflicts Committee comprised of certain of the Adviser's and TSI's senior management and control personnel. The primary purpose of the Conflicts Committee is to provide a body to which such personnel can raise potential conflicts of interest for evaluation, including potential conflicts which relate to investment process decisions

Item 12. Brokerage Practices

As indicated above, the Adviser has licensed execution Analytics from TSI, including certain TSI proprietary and sophisticated order and execution management systems (collectively, the “EMS”), for the execution of certain Client trades. Client orders are generally handled electronically, via electronic trading applications, but may also be handled manually by a trader. The electronic trading applications make up part of the EMS that the Adviser licenses from TSI and contain mathematical formulae governing the handling of these orders. The traders are also equipped with a user interface, which is a different component of the EMS. The traders use the user interface as a tool to (i) review and monitor certain orders; (ii) create and direct certain orders electronically; and (iii) book certain trades that are handled manually. Using this user interface, a trader has the discretion to determine the appropriate means for handling an order and can choose to do so either via an electronic trading application or manually. In each case, the Clients’ orders are sent to electronic trading systems maintained by an unaffiliated broker, dealer or other market intermediary for execution (“Market Intermediaries”).

Market Intermediaries used to execute Client trades are selected primarily on the basis of their execution capability, services provided, research provided, financial stability, reputation, access to the market for the securities being traded and expertise. In providing services to Clients, the Adviser directly or indirectly utilizes many brokerage services offered by Market Intermediaries including, but not limited to, traditional brokerage, direct market access and third-party algorithms. As such, the Adviser, at times, exercises significant control over the brokerage process and, at other times, relies more heavily on such market intermediaries. The Adviser need not solicit competitive bids for orders, directly or indirectly through TSI, as part of the trading services and support provided by TSI to the Adviser. The Adviser does not have an obligation to seek the lowest available commission cost, or require TSI, as a service provider to the Adviser, to seek the lowest available commission costs. It is neither the Adviser’s nor TSI’s practice, on behalf of the Adviser, to negotiate “execution only” commission rates. Thus Clients may be deemed to be paying for research, brokerage or other services provided by Market Intermediaries (or provided by third parties to whom the Adviser directs payment from the Market Intermediaries) in recognition of the commissions, mark-ups or other compensation received by such Market Intermediaries (collectively, “Commissions”).

In determining the Market Intermediaries through which, and the Commission rates and other transaction costs at which, investment transactions for a Client are to be executed, TSI, on behalf of the Adviser, will seek to obtain the best execution and negotiate the most favorable Commissions and costs obtainable on each type of transaction. The Adviser has reviewed and will continue to review, among other things, TSI’s policies and procedures regarding selection of Market Intermediaries and will also obtain data and/or reports from TSI and/or the Market Intermediaries regarding the Commissions paid on Client transactions.

Consistent with seeking overall best execution, the Adviser may also obtain research, brokerage and other services that would otherwise be a Client expense provided by the Market Intermediary

(or provided by third parties to whom the Adviser directs payment from the Market Intermediaries) for Commissions paid in connection with the transaction and TSI, on behalf of the Adviser, may place transactions that may involve increased transaction costs for the foregoing services that also (i) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the Market Intermediary or (ii) refers investors to the Adviser or other products advised by the Adviser (or an affiliate). Accordingly, a Client may pay to Market Intermediaries that themselves provide these services and benefits (or that are provided by third parties to whom the Adviser directs the Market Intermediaries to pay) higher Commissions, mark-ups, fees, costs or other compensation than such Client would pay to other Market Intermediaries that do not provide these services and benefits (or the ability to direct payments to other third parties) based on the Adviser's recognition of the value of the research, brokerage and other services that would otherwise be an expense of a Client of the Adviser.

When appropriate, TSI, as part of the trading services and support provided to the Adviser, may, on behalf of the Adviser, but is not required to, aggregate Clients' trade orders and, in many cases, Clients' and TSI clients' trade orders to achieve more efficient execution or to provide for equitable treatment among accounts. See Item 6 above for additional information concerning the Adviser's aggregation and allocation policies.

The Adviser currently only uses Commissions to obtain research and brokerage services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company data (including financial data), certain valuation and pricing data and economic data); advice from brokers on order execution; investment and economic recommendations; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (*i.e.*, connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. Should the Adviser elect in the future to use Commissions arising from a Client's investment transactions for services other than research and brokerage, such usage will be limited to services that would otherwise be a Client expense. The use of Commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, the Adviser may receive a product or service that may be used only partially for Section 28(e) types of services or services for which a Client is obligated to pay (*e.g.*, an order management system, trade analytical software or proxy services). In such instances, the

Adviser will make a good faith effort to determine the proportion of the “mixed use” product or service used for Section 28(e) types of services or services for which such Client is obligated to pay and the proportion used for other purposes. The proportion of the product or service used for Section 28(e) types of services may be paid through Commissions generated by transactions for the Client and the proportion used for other purposes will be paid for by the Adviser from its own resources.

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

Research and brokerage services obtained by the use of Commissions arising from a Client’s portfolio transactions may be used by the Adviser (and may be shared with TSI) in their other investment activities, including, for the benefit of other Clients (and clients of TSI). The Adviser does not seek to allocate soft dollar benefits proportionately based on the Client which generated such soft dollar credits.

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

In selecting or recommending broker-dealers, TSI, on behalf of the Adviser, may consider whether TSI, the Adviser or a related person receives client referrals from a broker-dealer. TSI may have an incentive to select or recommend a broker-dealer based on TSI’s, the Adviser’s or a related person’s interest in receiving client referrals rather than on the Client’s or TSI’s client’s interest in receiving most favorable execution. To address this conflict of interest, TSI, on behalf of the Adviser, may execute trades through broker-dealers that refer investors to TSI, the Adviser or a related person but only if it is determined by TSI’s Best Execution Committee that trades with such broker-dealers are otherwise consistent with seeking best execution. In no event will TSI, on behalf of the Adviser, select a broker-dealer or will a Client or a TSI client pay a higher commission than would otherwise be paid as a means of remuneration for the referral or

affording TSI, the Adviser or a related person with the opportunity to participate in capital introduction programs.

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

Item 13. Review of Accounts

Frequency and Nature of Review.

The Adviser's Chief Investment Officer (or his delegate) regularly reviews the trading activity conducted on behalf of the Clients in conjunction with the relevant portfolio manager (where different from the Chief Investment Officer), deputy portfolio manager or co-portfolio manager and other members of the portfolio management team. These reviews consist of a review and analysis of (i) various trading data, (ii) internally-generated risk reports and (iii) an evaluation of such other information the Adviser deems appropriate.

Content and Frequency of Regular Account Reports.

A Client's investors receive reports from the Adviser as described in the investment management agreement, sub-advisory agreement, offering or other organizational documents. In the case of certain sub-advisory relationships, the Adviser provides such reports to the primary adviser for inclusion, as applicable, in such adviser's reports to investors as may be described in the applicable or prospectus and supplemental disclosure document of the Client.

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

Certain quarterly and other periodic reports of investment companies authorized for public offer and sale are publicly available on the SEC's website at www.sec.gov.

Item 14. Client Referrals & Other Compensation

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

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

Item 15. Custody

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

Item 16. Investment Discretion

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

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

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

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

Item 17. Voting Client Securities

Although the trading frequency (as well as correspondingly relatively shorter holding periods, frequently changing position sizes and changing position directionality) of many of the investment strategies employed by the Adviser significantly reduces the importance and usefulness of the proxies voted on behalf of the Clients, when the Adviser votes proxies with respect to Client securities, the Adviser employs proxy voting guidelines and proxy voting procedures that are designed to seek to ensure that such proxies are voted in the best interests of the Clients. Certain Clients, pursuant to the applicable offering memorandum, investment management agreement, sub-advisory agreement, any written investment guidelines or prospectus and supplemental disclosure documents, may instruct the Adviser to not vote proxies on behalf of the Client. In addition, the Adviser may choose to cease voting proxies, or not vote proxies, on behalf of certain of its Clients in the future. The Clients are not permitted to direct their votes in a particular solicitation.

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

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

Item 18. Financial Information

This Item is not applicable.

Item 19. Requirements for State-Registered Advisers

This Item is not applicable.

Appendix: Material Changes

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

- Item 4. Changes have been made to clarify aspects of the Adviser's licensing arrangement with TSI and to update the definition of the term "Financial Instruments".
- Item 6. Changes have been made to the Section titled "Allocation of Trades" to further describe the Adviser's trade allocation policy, including enhancing disclosure about certain conflicts of interest that arise as a result of the Adviser's and its affiliate's allocation policy.
- Item 8. The Adviser has added (i) a more detailed description of its risk management processes; (ii) a risk factor describing the risks associated with the fact that different Clients with different liquidity may invest in the same investment trading vehicles or cash management vehicles (i.e., "Varying Liquidity Terms"); (iii) a risk factor describing the risks associated with the use of total return swaps (i.e., "Total Return Swaps"); (iv) a risk factor describing the risks associated with the evolution of the Adviser's investment processes (i.e., "Risk of Process Changes"); and (v) a risk factor describing the risks associated with Client liquidation or deleveraging (i.e., "Risk of Independent Management or Independent Deleveraging").
- Item 10. Changes have been made to reflect updates to TSS's registration with certain exchanges and to disclose that certain Clients that utilize TSS are generally owned significantly or entirely by proprietary capital. Additional disclosure was added to disclose that TSA's use of a strategy may also be used by the Adviser on behalf of its own Clients does have an adverse impact on such Clients (which could be material).
- Item 11. Updates have been made to reflect changes in the structure and mission of the Conflicts Committee, to address the Adviser's use of principal transactions and to clarify the Adviser's procedures with respect to the receipt of nonpublic information.
- Item 12. Changes have been made to further describe the Adviser's use of brokerage services offered by market intermediaries.
- Item 17. Changes have been made to reflect the fact that the Adviser may choose to cease voting proxies, or not vote proxies, on behalf of certain Clients.

The Adviser has made certain changes and updates to reflect the addition of new Clients that are investment companies registered under the Investment Company Act, and/or other investment companies authorized for public offer and sale (including investment vehicles formed and/or registered under foreign law).