

Kensico Capital Management Corp.

55 Railroad Avenue
2nd Floor
Greenwich, CT 06830

(203) 862-5800

www.kensicocapital.com

Part 2A of Form ADV: Firm Brochure
March 27, 2015

This brochure provides information about the qualifications and business practices of Kensico Capital Management Corp. (“Kensico,” and together with the general partners of certain funds it manages and other affiliates, the “Adviser”). Information herein is provided in response to instructions and guidance issued in connection with Form ADV Part 2A. You should refer to those materials, including defined terms used therein, in reviewing this brochure. If you have any questions about the contents of this brochure, please contact us at info@kensicocapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any other federal or state securities authority.

A copy of this brochure and additional information about the Adviser are available on the SEC’s website at www.adviserinfo.sec.gov. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

ITEM 2. MATERIAL CHANGES

This brochure dated March 27, 2015 serves as an update to the Adviser's brochure dated March 28, 2014. While there have been no material changes to this brochure, we have made certain routine updates, including updating the "RISK FACTORS" attached as Appendix A.

ITEM 3. TABLE OF CONTENTS

ITEM 1. COVER PAGE.....	i
ITEM 2. MATERIAL CHANGES	ii
ITEM 3. TABLE OF CONTENTS	iii
ITEM 4. ADVISORY BUSINESS	1
ITEM 5. FEES AND COMPENSATION	2
ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	3
ITEM 7. TYPES OF CLIENTS	4
ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	4
ITEM 9. DISCIPLINARY INFORMATION	5
ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	5
ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	5
ITEM 12. BROKERAGE PRACTICES	8
ITEM 13. REVIEW OF ACCOUNTS.....	10
ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION.....	10
ITEM 15. CUSTODY	10
ITEM 16. INVESTMENT DISCRETION	10
ITEM 17. VOTING CLIENT SECURITIES.....	11
ITEM 18. FINANCIAL INFORMATION	11
ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	11
APPENDIX A.....	12
I. General Risks	12
i. Absence of Regulatory Oversight	12
ii. Legal and Regulatory Changes	12
iii. Cyber-security Risk	13
II. Investment in Funds Risks	13
i. Nature of Investments	13

ii.	Valuation of a Fund's Assets and Liabilities	14
iii.	Reliance on Management and Key Personnel.....	14
iv.	Potential Conflicts of Interest	14
v.	Performance-Based Fees.....	14
vi.	Financial Market Fluctuations	14
vii.	Right of Fund to Force Redemption or Withdrawal	15
viii.	Limited Withdrawal, Redemption and Transfer Rights	15
ix.	Repayment of Certain Distributions	15
x.	Contingent Capital Commitment Obligations.....	15
xi.	Narrowly Focused Fund and Concentration of Investments.....	16
III.	Investment Strategy Risks.....	16
i.	Equities	16
ii.	Short Sales	16
iii.	Special Situation Investments	17
iv.	Counterparty Insolvency	18
v.	Derivatives and Counterparty Risk	18
vi.	Fixed-Income Securities	21
vii.	Use of Leverage	22
viii.	Non-U.S. Securities.....	23
ix.	Currency Risk	23
x.	Credit Market Illiquidity	23
xi.	Lack of Liquidity	24
xii.	Special Events	24
xiii.	Hedging Transactions	24
xiv.	Lack of Diversification	24
xv.	Purchasing Securities of Initial Public Offerings.....	25
xvi.	Exchange-Traded Funds	25
xvii.	Possible Effect of Substantial Redemptions or Withdrawals.....	25
IV.	Other Possible Risks	25

ITEM 4. ADVISORY BUSINESS

The Adviser

Kensico Capital Management Corp. (“Kensico,” and together with the general partners of certain funds it manages and other affiliates, the “Adviser”) is a Delaware corporation based in Greenwich, Connecticut. The Adviser was founded in January 2000 by Michael Lowenstein and Thomas Coleman, who remain its principal owners.

Advisory Services

The Adviser provides investment advisory services to a number of investment funds (each, a “Fund” and collectively, the “Funds”). The Funds are structured as pooled investment vehicles that include assets from multiple investors. Investment in the Funds is limited to sophisticated investors and is only offered through private placements. Accordingly, the Funds are exempt from registration under the Investment Company Act of 1940, as amended (the “1940 Act”), and interests in the Funds are exempt from registration under the Securities Act of 1933, as amended (the “Securities Act”).

The Funds advised by the Adviser include (i) Kensico Associates, L.P., (ii) Kensico Partners, L.P., (iii) Kensico Offshore Fund, Ltd., (iv) Kensico Offshore Fund Master, Ltd., (v) Kensico Offshore Fund II, Ltd., (vi) Kensico Offshore Fund Master II, Ltd. (collectively with Kensico Offshore Fund, Ltd., Kensico Offshore Fund II, Ltd. and Kensico Offshore Master, Ltd., the “Offshore Funds”), and (vii) MCK Opportunity I LP (“MCK” or the “narrowly focused Fund”). The Offshore Funds are organized in a master-feeder structure whereby each of Kensico Offshore Fund, Ltd. and Kensico Offshore Fund II, Ltd. invests substantially all of its assets into Kensico Offshore Master, Ltd. and Kensico Offshore Master II, Ltd., respectively.

See Item 8, “METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS” for a description of the investment strategies utilized by the Funds.

The Adviser provides services to the Funds in accordance with the applicable Fund’s investment advisory agreement and organizational and offering documents. Investment restrictions for the Funds, if any, are generally established in the organizational or offering documents of the applicable Fund.

As the investment adviser of the Funds, the Adviser’s services consist, among other things, of identifying and researching investment opportunities for the Funds, making investment decisions to purchase, sell, hold or otherwise act with respect to the Funds’ Securities¹ holdings and managing and monitoring the

¹ As used herein, “Securities” means capital stock (common or preferred); shares of beneficial interest; partnership and limited liability company interests and similar financial instruments including those of investment companies (including Exchange-Traded Funds (“ETFs”)); bonds, notes, and debentures (whether subordinated, convertible or otherwise); convertible and fixed income securities; currencies; commodities (including physical); interest rate, currency, commodity, equity, and other derivative products, including, without limitation (i) forward and futures contracts (and options thereon) relating to stock indices, currencies, United States Government securities and securities of non-U.S. governments, other financial instruments, and all other commodities, (ii) swaps, options (purchased or written), warrants, rights, caps, collars, floors, and forward rate agreements, (iii) spot and forward currency transactions, and (iv) agreements relating to or securing such transactions; mortgage-backed obligations issued or collateralized by U.S. federal agencies; equipment lease certificates; equipment trust certificates; loans and loan participations; leases and lease residuals; insurance policies and other insurance related investments; contract receivables; royalties; revenue interests; trust certificates, as well as other financial instruments that provide for the contractual or conditional payment of an obligation or cash flow or any other type of debt or equity instrument and receivables; accounts and notes receivable and payable held by trade or other creditors; trade acceptances; contract and other claims; executory contracts; participations; mutual funds; money market funds; secondary interests in

Funds' positions and exposures. Investment advice is provided directly to the Funds, and not individually to the limited partners or shareholders of the Funds.

The account of the advisory services in this brochure is merely descriptive, and the Adviser may offer other advisory or other services or engage in other investments or business activities, including any services or activities not described in this brochure. Investors in the Funds should refer to the offering memoranda of the applicable Fund for more information regarding their investment. Information regarding certain of the investment risks associated with an investment in the Funds is included in Appendix A hereto. The Adviser does not participate in wrap fee programs.

Assets Under Management

As of December 31, 2014, the Adviser managed regulatory assets under management of \$8,820,857,000 on a discretionary basis. The Adviser does not manage any assets on a non-discretionary basis.

ITEM 5. FEES AND COMPENSATION

The fees for each Fund are set forth in the offering documents for each Fund. Below is a brief summary.

Management Fee

The Adviser is generally paid a monthly management fee (the "Management Fee") calculated at an annual rate of up to 1½% of the value of the interests or shares, as applicable, of each investor in each Fund (each, a "Fund Investor"). Investments deemed by the Adviser to be illiquid or lacking a readily ascertainable market value (*i.e.*, special situation investments) will be valued at cost for purposes of calculating the Management Fee until the special situation investment is liquidated or becomes freely tradable (as determined by the Adviser).

Management Fees are deducted monthly in advance with respect to all of the Funds with the exception of Kensico Offshore Fund, Ltd., for which fees are deducted quarterly in advance. For any period that is less than a full calendar month or quarter, as appropriate, the prepaid Management Fees, prorated accordingly, are refunded to the Fund Investor's account. The Management Fee is also adjusted for any subscriptions and withdrawals or redemptions during the relevant calendar month or quarter.

The Adviser may, in its sole discretion, waive or reduce the Management Fee for any and all Funds with regard to certain Fund Investors. The Adviser intends to waive the Management Fee with respect to members, officers, affiliates or employees of the Adviser and their related interests (collectively, the "Adviser Affiliates").

Incentive Reallocation

The Adviser or Adviser Affiliates generally receive an annual incentive reallocation from the Funds (other than MCK), equal to a percentage of the annual increase in value (incorporating realized and unrealized gains and losses), if any, in the capital account of each Fund Investor. The percentage allocated to the Adviser or Adviser Affiliates does not exceed 20% (varying based on the date of the investment and relevant capital holding period (lock-up) applicable to such interest). The incentive

private equity funds; physical and/or intangible assets including, but not limited to, real estate, equipment, fixtures, licenses, and inventory; obligations of the United States or any state thereof, non-U.S. governments, and instrumentalities of any of them; commercial paper; certificates of deposit; bankers' acceptances; choses in action; trust receipts; and any other obligations and instruments or evidences of indebtedness of whatever kind or nature; in each case, of any person, corporation, government, or other entity whatsoever, whether or not publicly traded or readily marketable.

reallocation is also reduced by any amounts in the relevant loss recovery account, which reflects losses from prior periods. For MCK, the Adviser generally receives an incentive reallocation upon each realization of an investment, equal to 20% of any net profits allocated to the capital account of each Fund Investor with respect to such realization event, subject to any amount in the relevant loss recovery account.

Special situation investments are not subject to any incentive reallocation until that investment is liquidated or becomes freely tradable, as determined by the Adviser.

The Adviser, in its sole discretion, may waive, reduce or modify the provisions relating to the incentive reallocations with regard to certain Fund Investors. The Adviser intends to waive the incentive reallocation with respect to Adviser Affiliates.

In the event that a Fund Investor withdraws or exits a Fund at any time other than at the end of a fiscal year, the incentive reallocation will be made with respect to that Fund Investor as though the date of such exit or withdrawal was the last day of a fiscal year.

Additional Fees and Expenses

The Adviser is responsible for the following “overhead expenses” related to each Fund: office rent; furniture and fixtures; stationery; secretarial/administrative services; salaries; entertainment expenses; employee health and benefits insurance; and payroll taxes. All other expenses will be paid by each Fund and will include but not be limited to: the Management Fee, as applicable; fees and expenses related to legal, audit, valuation, tax advisory and accounting (including Agreed Upon Procedures) services; corporate, formation and registration fees; professional and fund liability insurance (including insurance costs related to the operation of the Funds, such as a portion of the Directors and Officers, or Errors & Omissions insurance or costs for the Adviser or the Adviser Affiliates); administrator fees and expenses (including, but not limited to, for accounting, risk reporting, tax preparation, financial statement preparation, trade file maintenance, FATCA and other services provided by the administrator); consulting, advisory, investment banking and other professional fees and expenses relating to particular investments or contemplated investments; costs of establishing Fund subsidiaries to make Fund investments; investment expenses such as commissions, brokerage and research fees and expenses; clearing costs; interest on margin accounts and other indebtedness; borrowing charges on Securities sold short; custodial fees (including bank prime brokerage, and commodity storage and transport fees and expenses); costs relating to any indemnification of the Adviser Affiliates; any other expenses reasonably related to the purchase, sale or transmittal of Fund assets and, for the Offshore Funds, director fees and board support services. Certain research and brokerage services may be paid for through the use of soft dollars.

Expenses jointly incurred (*e.g.*, on behalf of multiple Funds; or on behalf of a Fund and the Adviser) will be allocated in a fair and equitable manner in accordance with the Adviser’s policies and procedures.

Neither the Adviser nor the Adviser Affiliates accept compensation or commissions for the sale of Securities to or from the Funds.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

See Item 5, “FEES AND COMPENSATION,” for a description of the incentive reallocation which is paid by each of the Funds.

ITEM 7. TYPES OF CLIENTS

The Adviser currently provides investment advisory services to the Funds. See Item 4, “ADVISORY BUSINESS.”

The Adviser may in the future provide advisory services to other funds or to separately managed accounts for high net worth individuals, trusts, estates, charitable organizations, pension plans, corporations, limited partnerships, limited liability companies, and similar entities. Any new client or fund would be at the Adviser’s sole discretion, and there is no specific dollar minimum.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

The Funds managed by the Adviser generally utilize the investment strategies described below, as described more fully in the offering memorandum of the applicable Fund. See also Item 4, “ADVISORY SERVICES,” for a general overview of the Funds.

The Adviser generally expects to pursue an opportunistic and value-oriented investment approach, and does not intend to focus on any one strategy, industry or asset class. While it is anticipated that the Funds (other than the narrowly focused Fund) will invest primarily in publicly traded equity Securities, the Funds generally have broad and flexible investment authority. The flexibility to invest in different industries, products and instruments (*e.g.*, publicly traded value and growth stocks, spin-offs, risk arbitrage, bankruptcies, post-bankruptcies, commodities, interest rate or currency derivatives, private investments, and credit derivatives referencing corporate or sovereign debt, among other Securities) should broaden the range of possible investment opportunities for the Funds. The mixture of investments owned by the Funds may change considerably over time as market conditions fluctuate. The Funds generally take a value-oriented approach to investing, often seeking opportunities that can be classified as either “absolute value” or “relative value.”

Absolute Value Strategy

“Absolute Value” investments, which may be “longs” or “shorts,” are Securities that, in the judgment of the Adviser, are trading at a price below (longs) or above (shorts) their intrinsic value. While many of these investments will be event-driven, there is no requirement for them to be so.

Relative Value Strategy

“Relative Value” investments involve the taking of a long position in one Security and a short position in another Security where the two Securities have some economic relationship to one another. Depending on the type of trades utilized, a Fund would profit if the spread between the two Securities either converged or diverged. One side of these “relative value” investments may have some of the characteristics of the “absolute value” investments discussed above (*e.g.*, spin-offs or accounting complexities). These investments may include paired trades, which involve the taking of a long position in an issuer in one industry and the simultaneous taking of an offsetting position in a different issuer in the same industry. Other types of relative value trades may include intra-capitalization trades, convertible arbitrage and merger arbitrage.

Other Strategies

The above investment themes illustrate some of the strategies the Funds will utilize to seek investment opportunities. This is meant to represent a general overview and does not include all methods and

strategies to be utilized. Many of these opportunities may be of a long-term nature and would require multi-year investments. The Funds may also seek to take advantage of short-term price dislocations based on value-driven analysis or market momentum. In addition to value investing, the Funds may also engage in other strategies as new opportunities or shifting market dynamics present themselves. The Funds generally utilize similar strategies; although the narrowly focused Fund utilizes an approach tailored to a specific investment thesis.

There can be no assurance that a Fund will achieve its investment objective. Investing in Securities involves risk of loss that clients should be prepared to bear.

Please refer to Appendix A for a description of the investment risks associated with an investment in the Funds.

ITEM 9. DISCIPLINARY INFORMATION

Item 9 is not applicable to the Adviser, as it has no reportable legal or disciplinary events.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Related Broker-Dealers

Neither the Adviser nor any of its management persons is registered or has an application pending to register, as a broker-dealer or a registered representative.

Related Commodity Pool Operator

The Adviser is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator (“CPO”) under the Commodity Exchange Act, as amended (the “CEA”). Certain of the Adviser’s management persons are registered as associated persons of the CPO. With respect to the Funds, the Adviser has claimed an exemption pursuant to Rule 4.7 for relief from certain disclosure, reporting and recordkeeping requirements applicable to a registered commodity pool operator.

Related General Partners/Affiliated Advisers

Affiliates of Kensico (Kensico Capital, LLC, Kensico Offshore II, LLC, and MCK Opportunity I, LLC) serve as general partners or shareholders of certain of the Funds, and are entitled to receive incentive reallocations. For a description of material conflicts of interest created by the relationship among Kensico and these affiliates, as well as a description of how such conflicts are addressed, please see Item 11, “CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING” below.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

The Adviser has adopted a Code of Ethics (the “Code of Ethics”) that states that the Adviser, and its employees, are in a position of trust and confidence with respect to its clients and have a duty to place the best interests of the clients first. Pursuant to this fiduciary duty, the Adviser’s and its employees’ conduct will be measured against a higher standard of conduct than that applicable to mere commercial transactions. This standard of conduct includes, among other things: a duty of undivided loyalty and utmost good faith; a duty to employ reasonable care to avoid misleading clients and to provide clients

with full and fair disclosure of material facts; a duty to minimize, monitor and/or make full and frank disclosure of, material conflicts that might incline the Adviser or its employees to render advice that is not disinterested; and a duty to refrain from gaining some unfair personal or financial advantage to the detriment of client interests.

The Code of Ethics outlines written policies and procedures regarding, among other things:

- Employee reporting of conflicts, outside activities and disciplinary events;
- Receipt and monitoring of material, nonpublic information;
- Contacts with paid research consultants;
- Personal trading restrictions for employees and their households, including preapproval and preclearance requirements, quarterly trade reporting and trade limits; and
- Restrictions, pre-approval and reporting of certain gifts and political contributions.

This summary is qualified in its entirety by the Adviser's Code of Ethics, which is available to clients and prospective clients upon request to info@kensicocapital.com.

Conflicts of Interest

Conflicts Generally. The conflicts of interest encountered by the Funds may include those discussed below, although the discussion below is not exhaustive and does not necessarily describe all of the conflicts that may be faced by the Adviser, the Adviser Affiliates or the Funds. Other conflicts may be disclosed throughout this brochure and in the offering documents of each Fund and these materials should be read in their entirety.

Other Activities. The Adviser and Adviser Affiliates will use their best efforts in connection with the purposes and objectives of each Fund and will devote so much of their time and effort to the affairs of each Fund as may, in their judgment, be necessary to accomplish the purposes of the Fund. The Adviser and Adviser Affiliates may conduct any other business, including any business within the securities industry, whether or not such business is in competition with a Fund or involves relationships with brokers, service providers or other parties with whom the Adviser, Adviser Affiliate or the Funds may themselves have relationships. Without limiting the generality of the foregoing, any of the Adviser Affiliates may act as investment adviser or investment manager for others, may manage funds, separate accounts or capital for others, may make personal investments in other funds, accounts or Securities, and may serve as an officer, director, consultant, partner or stockholder of one or more investment funds, partnerships, securities firms or advisory firms or any other company or business whether or not such business is in competition with, or does business with, a Fund, the Adviser or portfolio companies, and the Adviser or Adviser Affiliates may be compensated by third parties for such services, including by portfolio companies which may pay compensation to Adviser Affiliates in connection with their services as directors to such portfolio companies. In the event that an Adviser Affiliate serves as a director, or plays a similar role, for a company or business in which a Fund holds an ownership interest, the Fund may indirectly bear any fees or expenses paid by the company or business to the Adviser Affiliate in his or her capacity as a director or similar role.

Trading Restrictions. Although internal policies are in place that are designed to prevent the unauthorized receipt of such information, from time to time, the Adviser and Adviser Affiliates may come into possession of non-public information concerning specific companies, including during the course of activities that are not for the benefit of the Funds. For example, the Adviser Affiliates may elect to serve

on one or more boards of directors, and as a result, the Funds may be restricted from participation in certain investments. Under applicable securities laws, this may limit the Adviser's flexibility to buy or sell Securities issued by such companies. The Funds' investment flexibility may be constrained as a consequence of the Adviser's inability to use such information for investing purposes.

Personal Investments or Outside Relationships. In addition, Adviser Affiliates (and their families) may, directly or through investments in other investment funds or otherwise, have personal or other interests in the Securities in which a Fund invests as well as interests in investments in which a Fund does not invest or other business, non-profit or other activities. They may also have personal or business relationships with brokers, service providers or other parties with whom the Adviser or the Funds may themselves have relationships. As a result, the Adviser Affiliates may have conflicts of interest in allocating their time and activity between the Fund and other entities, in allocating investments among the Fund and other entities and in effecting transactions or retaining services for the Fund and other entities, including ones in which the Adviser Affiliates (and their families) may have a greater financial interest.

Variations Among Funds. A Fund may have investment objectives or may implement investment or tax strategies similar or different to those of another Fund. For example, the Adviser may engage in different investment decisions or trading strategies for different Funds, particularly as between the domestic and Offshore Funds, in order to maximize the tax efficiency for such Funds in light of their respective tax and regulatory status. The Adviser will consider the tax suitability and advantages of certain transactions, which may result in a substantial variation in performance of the Funds.

The portfolios of the Funds with similar strategies may differ as a result of purchases and redemptions or withdrawals being made at different times and in different amounts, as well as because of different tax and regulatory considerations and different strategies and risk profiles. The Adviser expects that tax considerations may cause the Adviser to consider the tax efficiency and benefits of different investments when evaluating their suitability for each of the Funds and accounts, and, consequently, different investment decisions, which may result in a substantial variation in performance of the Funds and accounts, particularly between the Adviser's domestic Funds and the Offshore Funds.

Allocation of Investment Opportunities. The Adviser may give advice or take action with respect to such other entities, investments or accounts that differs from the advice given with respect to a Fund. To the extent a particular investment is suitable for multiple Funds, such investments will be generally allocated among the Funds in a manner that the Adviser considers fair and equitable on an overall basis and consistent with each Fund's investment objectives. In each instance, the Adviser will attempt to allocate investment opportunities among the Funds and any future clients in a manner that the Adviser determines is fair and equitable under the circumstances to all clients. However, there can be no assurances that an investment opportunity that comes to the attention of the Adviser will not be allocated wholly or primarily to other entities or accounts, with a particular Fund being unable to participate in such investment opportunity or participating only on a limited basis. In addition, from the standpoint of a particular Fund, simultaneous identical portfolio transactions for multiple Funds or clients may tend to decrease the prices received, and increase the prices required to be paid, by the Fund for its portfolio sales and purchases. Where less than the maximum desired number of shares of a particular security to be purchased is available at a favorable price, the shares purchased will be allocated among the relevant Funds or clients in an equitable manner as determined by the Adviser. Additionally, because a particular Fund may be investing alongside other Funds, they may be aggregated together for regulatory, reporting or other purposes, which may pose added costs, risks or restrictions on the Fund.

In addition, there may be circumstances under which the Adviser Affiliates will consider participation by themselves or the other entities or accounts in investment opportunities in which a particular Fund does not intend to invest, or intends to invest only on a limited basis. The Adviser will evaluate for the

particular Fund and the other entities or accounts a variety of factors which may be relevant in determining whether a particular situation or strategy is appropriate and feasible for the particular Fund or another entity or account at a particular time, including the nature of the investment opportunity taken in the context of the other investments at the time, the liquidity of the investment relative to the needs of the particular entity, the investment or regulatory limitations on the particular entity, the investment goals and strategies of the particular entity, the privacy of its shareholders or partner and the transaction costs involved. These considerations may differ for a particular Fund, and therefore, in the context of any particular investment opportunity, the investment activities of one or more of the other entities or accounts of the Adviser Affiliates and that of a Fund may differ considerably over time.

Cross Trades. The Adviser may, without notice to the Fund Investors, enter into cross-trades between the Funds which have the same investment objectives for the purpose of rebalancing when contributions, withdrawals or redemptions of capital to or from the Funds change the asset ratios among the Funds. The purpose of such cross-trades would be to bring each Fund's exposure to a commonly held investment into line with such Fund's percent of total equity under management. A Fund could be a purchaser or a seller in such cross-trade. All cross-trades: (i) will be effected for cash consideration at the current market price of the particular Securities, (ii) will not involve restricted Securities or Securities for which market quotations are not readily available, and (iii) if executed through a broker will not involve any fee or other remuneration being paid to the Adviser Affiliates.

There may be occasions when a particular Fund will enter into derivative or other transactions with other Funds that have similar investment objectives in order to provide all Funds with similar investment objectives with roughly equivalent exposure to the same investments. This would be done where regulatory, minimum lot or size requirements or other restrictions make it difficult for a Fund to make or rebalance such investment directly. Such derivative or other transactions could have an adverse effect on the Fund by exposing it to counterparty risk from the other Funds.

ITEM 12. BROKERAGE PRACTICES

Brokerage Policy and Procedures

The Adviser seeks "best execution" when it determines which broker or dealer to select for executing a particular transaction and when it determines which counterparty to select for a trade in non-equity over-the-counter derivatives or physical commodities. "Best execution" means executing securities transactions so that a client's total costs (or proceeds) in each transaction are the most favorable under the circumstances, taking into account a variety of considerations. This requires consideration of a broader array of factors than just price and commission when selecting a broker or dealer. In determining whether a particular broker or dealer is likely to provide best execution in a particular transaction, the Adviser takes into account all factors that it deems relevant to the broker-dealer's execution capability. This may include, by way of illustration: price; transaction size; ability to find liquidity; nature of the market for the security; commission rate; timing of the transaction given market prices and trends; confidentiality concerns; the reputation, experience and financial stability of the broker or dealer; quality of service rendered by the broker or dealer in other transactions with the Adviser; quality and usefulness of brokerage and research services and investment ideas presented by the broker-dealer or third parties; the broker-dealer's ability to accommodate any special execution or order handling requirements that may surround the particular transaction; and other factors deemed appropriate.

The Adviser uses its best efforts to obtain the most favorable commission rates on all transactions placed for the Funds, subject in all cases to the overriding obligation to obtain best execution. Paying a broker a higher commission rate can be appropriate if the difference in cost is reasonably justified by the quality of the service offered, including the value of "research services" received by the Adviser from or at the

expense of the broker. The Adviser may cause a Fund to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

The Adviser also considers the best execution factors listed above when selecting counterparties for over-the-counter derivatives trades. Counterparties are evaluated qualitatively, based on a review of ISDA terms, operational experience, trader experience and counterparty risk exposure. Spreads, mark-ups and mark-downs will be evaluated at the time of the trade in the context of the overall price of the particular transaction. When purchasing or selling over-the-counter Securities with market makers, the Adviser generally seeks to select market makers it believes to be actively and effectively trading the security being purchased or sold.

Research and Other Soft Dollar Benefits

Where execution may be obtained from more than one dealer, the Adviser may purchase and sell Securities through dealers who provide or pay for brokerage or research services, statistical and other information, although commissions generated by a particular Fund may not necessarily, in any particular instance, be the direct or indirect beneficiary of the information or research services provided in exchange for those commissions. Research furnished or paid for by brokers may include, but is not limited to, written information, verbal communication and other analyses concerning specific Securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; statistical and pricing services, as well as discussions with research or company personnel. Research services obtained by the use of commissions arising from the Funds' portfolio transactions may be used by the Adviser in its other investment activities. If the Adviser uses client brokerage commissions to obtain research or other products or services, the Adviser receives a benefit because it does not have to produce or pay for the research, products or services. The Adviser may have an incentive to select or recommend a broker-dealer based on the Adviser's interest in receiving the research or other products or services, rather than on the Funds' interest in receiving most favorable execution. The Adviser may use soft dollar benefits to service all of the Funds' accounts; however, the Adviser may not be able to allocate soft dollar benefits to the Funds proportionately to the soft dollar credits a Fund generates. All of the foregoing commission arrangements are expected to be within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended, which permits the use of commissions or "soft dollars" to obtain "brokerage and research" services. In negotiating commission rates, the Adviser will take into account the financial stability and reputation of brokerage firms and the brokerage and research services provided by such brokers, although a particular Fund may not, in any particular instance, be the direct or indirect beneficiary of the research services provided.

The products and services provided or paid for by broker-dealers within the last fiscal year include: subscription, sell-side and bespoke Securities and industry research reports and analysis; industry conferences and consultants; meetings with research analysts and company management; macroeconomic or industry periodical subscriptions; subscriptions to data services ranging from business trends or behavior analytics to regulatory filings to Securities market pricing and trends; statistical analysis tools; and consultants on political, legal or regulatory developments affecting portfolio Securities or investment opportunities. Such research services may be provided in the form of access to various computer-generated data, written reports or in person or telephonic meetings.

Directed Brokerage

The Adviser generally does not have client directed brokerage arrangements.

Aggregation of Orders

Subject to the discretion of the Adviser, the Adviser generally “bunches” buy or sell orders for two or more Funds into a single large order for execution. In many instances, such “bunching” of orders can result in lower commissions, a more favorable net price or more efficient execution than if each Fund’s order were placed separately. There may, however, be instances in which order bunching results in a less favorable transaction than a particular Fund would have obtained by trading separately. Similarly, when orders are not bunched, there may be circumstances when purchases or sales of portfolio Securities for one or more Funds will have an adverse effect on other Funds. The Adviser is not obligated to place all transactions on a “bunched” basis, and in determining whether or not to “bunch” orders the Adviser relies on the judgment of certain of its trading personnel as to what course of action is likely to be fair and in the best interests of the relevant accounts on an overall basis. That is, the Adviser seeks to avoid putting any Fund account at an advantage or disadvantage compared to the Adviser’s other client accounts that are buying or selling the same security. Each Fund participating in a “bunched” order will participate at the same price as all other participants (on an average price basis), and all transaction costs on the order will be allocated *pro rata* to all participating Funds, based on the beginning of month net asset value of the Funds.

ITEM 13. REVIEW OF ACCOUNTS

Oversight and Monitoring

The Adviser provides continuous advisory services for the Funds and performs various daily, weekly, monthly, quarterly and periodic reviews of each Fund’s portfolio. The portfolio investments of each Fund are primarily reviewed by the two principals of the Adviser, including through review of daily portfolio and exposure reports. In addition, a review may be triggered by special circumstances.

Reporting

The Adviser prepares and distributes monthly or quarterly capital account statements (depending on the Fund), quarterly investor letters, and annual K-1 reports with respect to certain of the Funds. In addition, the Adviser distributes audited financial statements prepared in accordance with U.S. generally accepted accounting principles to all investors annually.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

The Adviser does not receive compensation from non-clients for providing advisory services to clients, and does not participate in referral arrangements.

ITEM 15. CUSTODY

Item 15 is not applicable to the Adviser, as the Funds’ “qualified custodian” is not required to send account statements directly to the Adviser’s clients under Rule 206(4)-2 (the “Custody Rule”) of the Advisers Act. Instead, the Adviser meets the provision of the Custody Rule for pooled investment vehicles providing audited financial statements as described above in Item 13.

ITEM 16. INVESTMENT DISCRETION

The Adviser provides investment advice directly to its Funds pursuant to written investment advisory agreements. No investment advice is provided directly to Fund Investors. Powers of attorney and any restrictions on the Adviser’s authority are set forth in the organizational documents and subscription documents of the Funds.

ITEM 17. VOTING CLIENT SECURITIES

The Adviser has adopted voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to Fund Securities, such proxies are voted in the best interest of its Funds. It is the policy of the Adviser to vote proxies for the exclusive benefit of the relevant Funds. If the Adviser identifies a potential conflict of interest with respect to a particular proxy vote, the Chief Compliance Officer (“CCO”) will be consulted to determine whether a conflict exists. Where an actual conflict has been identified, the CCO will take necessary and appropriate steps to ensure that the Adviser votes the proxy consistent with the best interests of the Funds and in a manner not affected by the conflict of interest. The CCO may consider, among other things, the following as potential methods for resolving conflicts: (i) where a personal relationship is involved, shifting primary responsibility for voting the proxy to a member of the investment team who does not have such personal relationship; or (ii) seeking guidance from outside legal counsel. The Adviser may elect to abstain from voting if it deems such abstention in the Funds’ best interests.

This summary is qualified in its entirety by the Adviser’s voting policies and procedures. The Adviser will make information regarding how proxies were voted available to any client upon written request and a copy of the Adviser’s voting policies and procedures is available to any client upon written request sent to info@kensicocapital.com.

ITEM 18. FINANCIAL INFORMATION

The Adviser does not require or solicit prepayment of fees six months or more in advance, so the balance sheet information is not required.

The Adviser is not currently aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds, and it has not been subject to a bankruptcy petition during the past ten years.

ITEM 19. REQUIREMENTS FOR STATE-REGISTERED ADVISERS

Not applicable; the Adviser is not registered with any State securities authority.

APPENDIX A

RISK FACTORS

The following is a summary of the investment risks associated with an investment in the Funds. The Funds may be subject to any one or more of the following risks, and, in particular, certain of the issues described below may not be applicable to the narrowly focused Fund.

I. General Risks

An investment in a Fund involves a high degree of investment risk, including the risk that the entire amount invested may be lost. A Fund will make investments using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of a Fund will be realized. There is no guarantee that this is a complete list of the risks, that a Fund will be able to control these risks or that the risks will not aggregate in a manner adverse to a Fund. Additional risks associated with an investment in a Fund may be disclosed in the offering documents of that Fund.

i. Absence of Regulatory Oversight

The Funds are not registered as investment companies under the 1940 Act. Accordingly, investors in the Funds are not accorded the protections of the 1940 Act (which, among other matters, require most registered investment companies to have a majority of disinterested directors, require Securities held in custody at all times to be segregated and marked to clearly identify the owner of such Securities, and regulates the relationship between the investment adviser and the investment company). In addition, the Funds' interests have not been and will not be registered under the Securities Act.

The Adviser is registered as a "commodity pool operator" with the CFTC and is a member of the National Futures Association in such capacity under the CEA. With respect to the Funds, the Adviser has claimed an exemption pursuant to Rule 4.7 for relief from certain disclosure, reporting and recordkeeping requirements applicable to a registered commodity pool operator.

The regulatory environment may change over the course of the Funds' terms. This could introduce additional obligations, oversight or restrictions that could impact costs, performance or liability of the Funds.

ii. Legal and Regulatory Changes

Legal, tax and regulatory changes could occur during the term of a Fund that may adversely affect a Fund. For example, legal, tax and regulatory changes may result in lower valuations of a Fund's investments or may decrease the market price of Securities owned by a Fund. New (or revised) laws or regulations may be imposed by the CFTC, the SEC, the U.S. Federal Reserve or other banking regulators, other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations, including entirely new entities, that supervise the financial markets that could adversely affect a Fund. In particular, these agencies are empowered to promulgate a variety of new rules pursuant to recently enacted financial reform legislation in the United States. A Fund may also be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by these governmental regulatory authorities or self-regulatory organizations. The regulatory environment for private funds is evolving, and changes in the regulation of private funds may adversely affect the ability of a Fund to execute its investment strategy. The CFTC, the SEC, the Federal Deposit Insurance Corporation, other regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies.

The U.S. government has enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) which includes provisions for regulation of private funds and financial institutions. Such regulatory requirements could, among other things, restrict a Fund’s ability to execute its investment strategy and/or impact the costs of such investment strategy, and a Fund may be unable to generate investment returns as a result. Due to upcoming regulatory changes that will affect financial institutions like prime brokers, including regulatory changes resulting from the Volcker Rule (a provision of Dodd-Frank) and the Basel III reform measures (developed by the Basel Committee on Banking Supervision), the amount of leverage available to a Fund could be limited and/or more expensive, which could restrict the ability of a Fund to execute its investment strategy.

It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Compliance with any new laws or regulations could be more difficult and expensive and may affect the manner in which a Fund conducts business. Furthermore, new laws or regulations may subject a Fund to increased taxes or other costs.

iii. Cyber-security Risk

With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, the Funds and their service providers (including the Adviser) may be prone to operational and information security risks resulting from cyber-attacks and/or other technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Funds, the Adviser, or a custodian or other third-party service provider may adversely affect the Funds or Fund Investors. For instance, cyber-attacks may affect a Fund’s ability to calculate its NAV, cause the release of private Fund Investor information or confidential Fund information, impede trading, expose Fund, Fund Investor or Adviser assets to theft or embezzlement, cause reputational damage, and subject the Funds to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. While the Adviser has established business continuity plans and systems designed to prevent cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Similar types of cyber security risks also are present for issuers of securities in which the Funds invest, which could result in material adverse consequences for such issuers, and may cause a Fund’s investment in such securities to lose value.

II. Investment in Funds Risks

i. Nature of Investments

The Adviser will have broad discretion in making investments for a Fund through a broad range of asset classes, issuers, Securities, and transactions and expects (other than for the narrowly focused Fund) to invest primarily in publicly traded Securities. Within these broad parameters, the Adviser will make investment decisions for a Fund as it deems appropriate in its sole discretion. While a Fund may, historically, have concentrated on U.S. Securities, there is no assurance that such concentration will be maintained. No assurance can be given that a Fund will be successful in obtaining or identifying suitable investments. A Fund’s investments may be 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 investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments as well as market fluctuations, may significantly affect the results of a Fund’s

activities and the value of its investments. In addition, the value of a Fund's portfolio (especially options, fixed income Securities and derivatives) may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that a Fund's investment objective will be achieved.

ii. Valuation of a Fund's Assets and Liabilities

The Adviser, in its sole discretion, has the authority to calculate the value of investments held by a Fund pursuant to the investment valuation policies set forth in each Fund's organizational documents, but the Adviser may delegate, subject to the supervision and direction of the general partner or Board of Directors, as applicable, the day-to-day determination of such valuation of the assets and liabilities to a Fund's administrator and/or the Adviser. In general, those policies provide a Fund with wide latitude as to specific valuations. When no market exists for an investment or when the Adviser determines that the market price does not fairly represent the value of the investment, the Fund will value such investment as it reasonably determines. There is no guarantee that the value used will represent the value that will be realized by the Fund on the eventual disposition of the investment or that could, in fact, be realized upon an immediate disposition of the investment. All values assigned by the Adviser are final and conclusive as to all of the Fund's Investors.

iii. Reliance on Management and Key Personnel

Fund Investors have no right or power to take part in the management of a Fund. Accordingly, no investor should purchase Interests unless such investor is willing to entrust all aspects of the management of a Fund to the Adviser. The investment performance of a Fund depends largely on the skill of key personnel and investment professionals of the Adviser, including, in particular, Michael Lowenstein and Thomas Coleman (the "Principals"), who are the principals of each Fund's general partner or investment manager and the Adviser. If key personnel, including key investment or key technical staff, were to leave the Adviser, it might not be able to find comparable replacements in a timely fashion and the performance of a Fund could, as a result, be adversely affected.

iv. Potential Conflicts of Interest

See Item 11, "CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING" in the brochure for a discussion of potential conflicts of interest.

v. Performance-Based Fees

The reallocation of a percentage of a Fund's total net profits to the Adviser (and indirectly to certain employees of the Adviser) may create an incentive for the Adviser to cause a Fund to make investments that are riskier or more speculative than would be the case if this reallocation were not made. Since the reallocation is calculated on a basis which includes unrealized appreciation of assets, such allocation might be lower if it were based solely on realized gains.

vi. Financial Market Fluctuations

General fluctuations in the market prices of Securities may affect the value of the investments held by a Fund. Instability in the Securities markets may also increase the risks inherent in a Fund's investments. In particular, major market upsets (including those caused by war, terrorism, or other world events), general market cessations, changes in interest rates, availability of credit, inflation rates, political and economic uncertainty, changes in laws (including laws relating to taxation of a Fund's investments), trade barriers, currency exchange rates and controls, government debt burdens and monetary and deficit policies, the relative volatility between investments or equity derivative risk, the participation by other

investors in the financial markets, macroeconomic dislocations and revaluations, the effectiveness of a Fund's hedging and risk management strategies and extreme market conditions can affect the value of a Fund's Securities. These factors may affect the level and volatility of Securities prices and the liquidity of a Fund's investments. Volatility or illiquidity could impair a Fund's profitability or result in losses. A Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets. Typically, the larger the positions, the greater the potential for loss. In addition, however, certain positions may have inherent leverage that can pose significant risk of loss from what appears to be a comparatively small position.

vii. Right of Fund to Force Redemption or Withdrawal

As described below, the Adviser, in its sole discretion, may require certain Fund Investors to redeem or withdraw all or any part of their capital account with respect to any interest from a Fund on, depending on the circumstances, 5 or 20 days' notice. Such involuntary redemption or withdrawal may force a Fund Investor to redeem or withdraw their interests during disadvantageous market conditions, to miss out on certain investment opportunities or involve tax ramifications.

viii. Limited Withdrawal, Redemption and Transfer Rights

For capital not subject to a capital holding period, a Fund Investor generally will be permitted to withdraw or redeem all or any part of his or her capital only as of the end of any calendar year. For capital subject to a multi-year capital holding period, a Fund Investor will generally be permitted to withdraw or redeem all or a portion of their investment no later than on the last day of the calendar quarter occurring on or after the expiration of such capital holding period. Furthermore, it should be noted that a new capital holding period will automatically commence upon the termination of an existing capital holding period unless the affected Fund Investor indicates its intention to redeem or withdraw all or a portion of such capital by giving at least 90 days' written notice to the Adviser. In addition, the payment to a retiring investor (or his or her legal representative) of his or her capital will be subject to the retention of a reserve for fund liabilities as provided in a Fund's organizational documents.

An investment in a Fund may be a highly illiquid investment as interests are not generally transferable and the Fund Investors generally have no rights of redemption or withdrawal other than in very limited circumstances. Transfers of the interests will be permitted only with the written consent of the Adviser at its sole discretion. Accordingly, the interests should only be acquired by investors willing and able to commit their funds for an appreciable period of time.

ix. Repayment of Certain Distributions

In the event that a Fund is unable to meet its obligations, the Fund Investors may, in the Adviser's discretion, be required to repay to the Fund, or to pay to creditors of the Fund, distributions previously received by them pursuant to the laws of the State of Delaware or other jurisdictions. In addition, Fund Investors may be required to pay to a Fund amounts that are required to be withheld by the Fund for tax purposes.

x. Contingent Capital Commitment Obligations

With respect to the narrowly focused Fund, Fund Investors may also be responsible for contributing an aggregate amount of up to 25% of their initial capital commitment amount in the event certain events are triggered by such Fund. Furthermore, all or a portion of such contingent capital commitment may be required to be funded upon short notice by the Adviser, from time to time in its sole discretion. Fund

Investors may lose the entire amount of such contingent capital commitment to the extent it is contributed.

xi. **Narrowly Focused Fund and Concentration of Investments**

With respect to the narrowly focused Fund, Fund Investors may be subject to a comparatively higher degree of investment risk. The investments of the narrowly focused Fund are based upon a single investment thesis. As a result, such investments are highly concentrated and will not provide any diversification. Such lack of diversification will result in higher risk of loss than a diversified investment fund and will render the Fund highly susceptible to any single adverse event.

Overall risk may be reduced by geographic diversification, and increased by focusing investments in a limited number of countries or geographic regions. With respect to the narrowly focused Fund, the Fund intends to geographically focus its investments, making it particularly vulnerable to events affecting the regions. Because a high percentage of assets may be invested in the Securities of a limited number of geographies, the underlying Securities may be more susceptible to any single economic, political or regulatory occurrence than the Securities of a diversified investment fund. In addition, the Fund may make highly concentrated long-term investments, providing little to no liquidity for investors, who are not entitled to any withdrawal rights until the expiration of the Fund's investment period.

The narrowly focused Fund intends to make highly concentrated long-term investments based upon a single investment thesis as proposed by the Adviser. No assurance can be made that the investment objective of the Fund will be achieved. To the extent the Adviser's investment thesis proves to be wrong, investors could lose their entire investment in the Fund.

III. Investment Strategy Risks

i. **Equities**

The market price of Securities owned by a Fund may go up or down, sometimes rapidly or unpredictably. A risk of investing in a Fund is that the equity Securities in its portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity Securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity Securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, Securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, a Fund may lose all or substantially all of its investment in any particular instance.

ii. **Short Sales**

The Adviser is expected to make short sales of investment Securities. In a short sale, the seller sells a Security that it does not own, typically a Security borrowed from a broker or dealer. Because the seller remains liable to return the underlying Security that it borrowed from the broker or dealer, the seller must purchase the Security prior to the date on which delivery to the broker or dealer is required. As a result,

the Funds expect to engage in short sales where, among other reasons, it believes the value of the Security will decline between the date of the sale and the date the Fund is required to return the borrowed Security. The making of short sales exposes a Fund to the risk of liability for the market value of the Security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that Securities necessary to cover a short position will be available for purchase or that Securities will be available to be borrowed by a Fund at reasonable costs. If a request for return of borrowed Securities occurs at a time when other short sellers of the Security are receiving similar requests, a “short squeeze” can occur, and a Fund may be compelled to replace borrowed Securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the Securities short.

The SEC and regulatory authorities in other non-U.S. jurisdictions may also adopt bans on short sales of certain Securities in response to market events or additional restrictions on borrowing shares for short-sale. In addition, the SEC is considering rules that could mandate reporting of a Fund’s short positions and may in the future adopt such or similar reporting requirements. In addition, other non-U.S. jurisdictions where the Funds may trade have adopted their own reporting requirements. If a Fund’s short positions or its strategy become generally known, it could have a significant effect on the Adviser’s ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a “short squeeze” in the Securities held short by a Fund forcing the Fund to cover its positions at a loss. Such reporting requirements may also limit a Fund’s ability to access management and other personnel at certain companies where the Adviser seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as a Fund, the cost of borrowing Securities to sell short could increase drastically and the availability of such Securities to a Fund could decrease drastically. Such events could make a Fund unable to execute its investment strategy.

iii. Special Situation Investments

A Fund may invest part of its assets in investments that the Adviser deems to be illiquid or lacking a readily ascertainable market value (*i.e.*, special situation investments), but will not invest more than 20% of its capital (measured at the time the investment or commitment is made) into such special situation investments. The Adviser may designate as special situation investments any investments that were previously acquired by the Fund and, in the Adviser’s sole discretion, have since become illiquid or lacking a readily ascertainable market value. In addition, the Adviser may designate current special situation investments to be moved into the Fund’s regular investment accounts upon liquidation of a special situation investment or in the event a special situation investment becomes freely tradable (as determined by the Adviser).

Special situation investments will generally be carried on the books of a Fund at cost (or, in the case of a pre-existing Fund investment that is designated as a special situation investment after it is acquired, at estimated fair market value as of the date of such designation) as reasonably determined by the Adviser. There is no guarantee that cost will represent the value that will be realized by a Fund on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment; it could be substantially less. Subject to any deemed sale, as described in the organizational or offering documents of the applicable Fund, a withdrawing Fund Investor with an interest in a special situation investment will not receive any amount with respect to such interest until the related special situation investment is realized or deemed realized or freely tradeable.

Special situation investments may include investments which, in the sole discretion of the Adviser, are illiquid or without a readily ascertainable market value. In addition, a Fund may not be able to readily

dispose of such investments, and, in some cases, may be contractually prohibited from disposing of such Securities for a specified period of time. These limitations on liquidity of a Fund's investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized.

Investments in special situation investments may occur as a result of, among other things, direct investments or the purchase of debt instruments that convert to illiquid or private interests in the event of a reorganization of an entity's capital structure. A Fund's special situation investments may involve a high degree of business and financial risk.

iv. Counterparty Insolvency

The Funds' prime brokers, ISDA counterparties and custodians ("Counterparties") will have custody of the Funds' Securities, cash, and any other rights or proceeds distributed to the Funds' Securities accounts. The SEC rules require certain Counterparties to maintain physical possession and control of fully paid Securities held in a Fund's account and to establish certain reserves for the benefit of customers. However, subject to these limitations, a Counterparty generally has the ability to loan, pledge, and rehypothecate the Securities in a Fund's accounts, as is typical market practice, and may have insufficient assets to meet all of its obligations to customers in the event of an insolvency of such Counterparty. Indeed, the Counterparty may fail to comply with the regulatory limitations. In such an event, a Fund would not have an absolute right to recover its Securities held by an insolvent Counterparty, but would rather participate pro rata with other customers of the insolvent Counterparty in the aggregate customer property held by the insolvent Counterparty. Also, even if the insolvent Counterparty does have sufficient assets to meet all customer claims, there could be a delay before a Fund receives assets to satisfy its claims. In order to manage the risks associated with Counterparty insolvency, a Fund may establish relationships with more than one Counterparty. However, there can be no assurance that a Fund will be able to establish or maintain such relationships, particularly in light of the size of the Funds and their investment strategies. In addition, a Fund may not be able to identify potential solvency concerns with respect to the Fund's Counterparties or to transfer assets from one Counterparty to another Counterparty in a timely manner.

The Counterparties may hold a Fund's Securities through third parties such as clearing corporations, other brokers or banks. As a result, a Fund may be subject to credit risk with respect to such third parties as well as with respect to the Counterparties. In addition, certain of a Fund's assets may be held by entities other than the Counterparties. For example, a Fund may provide certain of its assets as collateral to counterparties in connection with over-the-counter derivatives contracts such as swaps, forwards and certain options, and is likely to be an unsecured creditor of any such counterparty in the event of its insolvency. Moreover, if a Counterparty becomes insolvent, it may be unable to meet its contractual obligations, (*e.g.*, in a derivatives arrangement), rendering worthless or impaired any uncollateralized portions of the Securities (and any future value it might have).

A Fund may change the Counterparties described in this Form ADV at any time without notice to Fund Investors.

v. Derivatives and Counterparty Risk

The Funds may utilize derivative transactions to further the objectives of a Fund. Notional amounts of derivative transactions are not subject to any limitations, and derivative contracts may expose a Fund to unlimited risk of loss. Derivatives may be used as an alternative to futures contracts. To the extent a Fund invests in repos, swaps, forwards, futures, options, and other "synthetic" or derivative instruments, counterparty exposures can develop and the Fund takes the risk of nonperformance by the other party on

the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of Counterparty default. In the international Securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits.

Generally, a Fund may only close out a derivative contract with the consent of the particular Counterparty, may only transfer or novate a position with the consent of the particular Counterparty, and following transfer or novation of a position, may only close out the transaction with the permission of the new Counterparty. Also, if the Counterparty defaults, the Fund will have contractual remedies pursuant to the agreement related to the transaction, but there is no assurance that contract Counterparties will be able to meet their obligations pursuant to such contracts or that, in the event of default, the Fund will succeed in enforcing its contractual remedies. The Fund thus assumes the risk that it may be unable to obtain payments owed to it under derivatives contracts, over-the-counter options, and other bilateral contracts, or that those payments may be delayed or made only after the Fund has incurred the costs of litigation. In addition, due to the size of the Funds and their investment strategies, a Fund may have a limited number of Counterparties and, accordingly, may not be able to diversify its counterparty risk. This could also further limit the liquidity and price of the derivatives transactions into which a Fund enters.

Certain derivatives markets in which the Funds may effect transactions include the over-the-counter or “interdealer” markets or unregulated private markets. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the investor to the risk that a Counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing a Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of Counterparties. A Fund may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods. The Funds are not restricted from dealing with any particular Counterparty or from concentrating any or all transactions with one Counterparty. The ability of a Fund to transact business with any one of a number of Counterparties, the lack of any meaningful and independent evaluation of such Counterparties’ financial capabilities, and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Fund.

Under recently adopted rules and regulations, transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared. In a transaction involving those swaps (“cleared derivatives”), the Funds’ counterparty is a clearing house, rather than a bank or broker. Since the Fund is not a member of clearing houses and only clearing members can participate directly in the clearing house, the Funds will hold cleared derivatives through accounts at clearing members. In cleared derivatives transactions, the Funds will make payments (including margin payments) to and receive payments from a clearing house through its accounts at clearing members. Clearing members guarantee performance of their clients’ obligations to the clearing house.

In many ways, cleared derivative arrangements are less favorable to the Funds than bilateral arrangements. For example, the Funds may be required to provide more margin for cleared derivatives transactions than for bilateral derivatives transactions. Also, in contrast to a bilateral derivatives transaction, following a period of notice to the Funds, a clearing member generally can require

termination of an existing cleared derivatives transaction at any time or an increase in margin requirements above the margin that the clearing member required at the beginning of a transaction. Clearing houses also have broad rights to increase margin requirements for existing transactions or to terminate those transactions at any time. Any increase in margin requirements or termination of existing cleared derivatives transactions by the clearing member or the clearing house could interfere with the ability of the Funds to pursue their investment strategy. Further, any increase in margin requirements by a clearing member could expose the Fund to greater credit risk to its clearing member, because margin for cleared derivatives transactions in excess of a clearing house's margin requirements typically is held by the clearing member.

Some types of cleared derivatives are required to be executed on an exchange or on a swap execution facility. A swap execution facility is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for the Funds. For example, swap execution facilities typically charge fees, and if a Fund executes derivatives on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. Transactions executed on a swap execution facility are subject to the rules of that facility, and a Fund could be held liable for violations of such rules. Also, a Fund may indemnify a swap execution facility, or a broker intermediary who executes cleared derivatives on a swap execution facility on the Fund's behalf, against any losses or costs that may be incurred as a result of the Fund's transactions on the swap execution facility.

- *Options.* The Adviser may invest in both exchange-traded and over-the-counter options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying Securities. In addition, the entire amount of the purchase price for the option may be lost if, upon expiration, the value of the option contract is under water. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying Securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying Securities interest becomes restricted.

Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows a Fund greater flexibility to tailor an option to its needs, over-the-counter options generally involve greater and less diversified credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded, and may be significantly less liquid.

- *Market Risk.* This is the general risk attendant to all investments that the value of a particular investment will change in a way detrimental to a Fund's interests.
- *Management Risk.* Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. The use of a derivative requires an understanding not only of the underlying instrument, but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of additional controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to a Fund's portfolio.

- *Documentation Risk.* Many derivative instruments also have documentation risk. Because the contract for each over-the-counter derivative transaction is individually negotiated with a specific Counterparty, there exists a need for additional documentation to reflect the transaction. This imposes additional risk that the documentation be finalized, properly executed, and the risk that the parties may interpret contractual terms (*e.g.*, the definition of default) differently when a Fund seeks to enforce its contractual rights. If that occurs, the cost and unpredictability of the legal proceedings required for a Fund to enforce its contractual rights may lead the Fund to decide not to pursue its claims against the Counterparty.
- *Liquidity Risk.* Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid (as is the case with many over-the-counter derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price. Less liquid derivatives may also fall more in price than other Securities during market falls.
- *Leverage Risk.* Because many derivatives have a leverage component, adverse changes in the value or level of the underlying asset, rate, or index may result in a loss substantially greater than the amount invested in the derivative itself. In the case of swaps, the risk of loss generally is related to a notional principal amount, even if the parties have not made any initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment.
- *Regulatory Risk.* In July 2010, the U.S. government enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act which revises and expands regulation of the derivatives market, including clearing, margin, reporting and registration requirements. Similar requirements have been enacted in the European Union and in various other jurisdictions, which apply when the Funds enter into derivatives transactions with counterparties in those jurisdictions. While certain of the rules implementing the legislation are now effective, other rules are not yet final, so it is not possible at this time to gauge the exact nature and scope of the impact of this legislation on the Funds. New regulations could, among other things, adversely affect the value of the investments held by the Funds, restrict a Fund's ability to engage in, or increase the cost to a Fund of, derivatives transactions (for example, by making some types of derivatives transactions no longer available to a Fund or increasing margin or capital requirements). Additionally, the new requirements may result in increased uncertainty about counterparty credit risk and could result in a Fund facing less creditworthy counterparties to derivatives transactions, due to restructuring of banks and broker-dealers to comply with the new requirements, which increases the risk of loss to such Fund from such transactions if its counterparties are unable to perform their obligations. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

vi. Fixed-Income Securities

The Funds may from time to time invest, directly or indirectly, in fixed-income Securities, either long or short, including those Securities issued by U.S. federal, state, local and non-U.S. governments or entities. A Fund's fixed income investments may have all types of interest rate, payment and reset terms including fixed rate, adjustable rate, zero coupon, principal only, interest only, contingent, deferred, pay-in-kind, and auction rate features. The Funds may invest in both "investment grade" debt Securities and lower rated Securities or "junk bonds."

U.S. government Securities include Securities issued or guaranteed by the U.S. government or its authorities, agencies, or instrumentalities. Non-U.S. government Securities include Securities issued or guaranteed by non-U.S. governments (including political subdivisions) or their authorities, agencies, or

instrumentalities or by supra-national agencies. Different kinds of U.S. and non-U.S. government Securities have different kinds of government support. For example, some U.S. government Securities (e.g., U.S. Treasury bonds) are supported by the full faith and credit of the United States. Similarly, some non-U.S. government Securities are supported by the full faith and credit of a non-U.S. national government or political subdivision and some are not. Securities issued or guaranteed by certain non-U.S. countries may involve varying degrees of credit risk as a result of financial or political instability in such countries, and the possible inability of a Fund to enforce its rights against the non-U.S. government issuers. As with issuers of other fixed income Securities, sovereign issuers may be unable or unwilling to make timely principal or interest payments.

As with other fixed-income Securities, U.S. and non-U.S. government Securities expose their holders to market risk because their values typically change as interest rates, budget deficits and market economies fluctuate. For example, the value of U.S. or non-U.S. government Securities may fall during times of rising interest rates or growing deficits.

In addition to investing directly in U.S. and non-U.S. government Securities, the Funds may purchase certificates of accrual or similar instruments evidencing undivided ownership interests in interest payments and/or principal payments of U.S. and non-U.S. government Securities. Certificates of accrual and similar instruments may be more volatile than other government Securities.

Yields on U.S. and non-U.S. government Securities tend to be lower than those of corporate Securities of comparable maturities. Certificates of accrual and similar instruments representing participation in U.S. or non-U.S. government Securities may be more volatile than other government Securities.

If a Fund invests in “zero coupon” fixed-income Securities, it is required to recognize income on these Securities to its investors as the income accrues, even though the Fund is not receiving the income in cash on a current basis. The market value of zero coupon Securities is often more volatile than that of non-zero coupon fixed-income Securities of comparable quality and maturity. Fixed-income Securities are also subject to credit and liquidity risks.

vii. Use of Leverage

The Adviser may utilize leverage in investing the Funds’ assets, including through engaging in trading on margin by borrowing funds and pledging Securities or other assets as collateral. While such use of borrowed funds increases returns if a Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the Fund fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of a Fund than if the Fund were not so leveraged. Any use by a Fund of short-term margin borrowings will result in certain additional risks to the Fund. For example, the Securities pledged to Counterparties to secure a Fund’s margin accounts could be subject to a “margin call,” pursuant to which the Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged Securities to compensate for the decline in value. A sudden, precipitous drop in value of a Fund’s assets accompanied by corresponding margin calls could force the Fund to liquidate assets quickly, and not for what the Adviser perceives to be their fair value, in order to pay off its margin debt. In addition, a Fund may engage in certain derivative transactions which implicitly contain leverage and subject the Fund to the same risks discussed above as well as various other risks including counterparty and credit risks.

viii. Non-U.S. Securities

The Funds may invest, directly or indirectly, either long or short, in non-U.S. Securities. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes (possibly at confiscatory rates), the need for approval by government or other authorities to make investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Adviser. Furthermore, issuers of non-U.S. Securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which a Fund may invest have substantially less volume than those in the United States, and Securities of certain companies in these countries are less liquid and more volatile than Securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of Securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. Securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries there are restrictions on investments or investors such that the only practicable way for a Fund to invest in such markets is by entering into swaps or other derivative transactions with its Counterparties or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by the Adviser. Additionally, transactions in non-U.S. Securities may subject a Fund to foreign market reporting (including for short positions) or other regulatory requirements, which may be onerous and increase investment risk.

ix. Currency Risk

Investment in a Fund may entail exposure to non-U.S. currency. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Officials in foreign countries may from time to time take actions in respect of their currencies that could significantly affect the value of a Fund's assets or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency. The Funds may invest in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof, or in companies that face currency risk in their underlying businesses.

x. Credit Market Illiquidity

A Fund may have exposure to the credit markets in a variety of ways, including through leverage, short-selling, collateral, margin, derivatives contracts, treasuries and others. There is no guarantee that the credit markets will not experience a significant lack of liquidity or increased volatility in the future. Lack of liquidity creates a number of risks. It is also possible that illiquidity in the market could cause prices to decline, which may have the result of forcing a Fund or other leveraged investment vehicles to sell assets to satisfy requirements under its borrowing arrangements or to meet margin calls, which could, in turn, create further downward price pressure. If there is a substantial decline in the market value of a Fund's portfolio of investments, investments may need to be liquidated quickly, and perhaps not at fair value. Upheavals in the credit markets may cause margin borrowing costs and Securities borrowing costs to increase. Such increases in borrowing costs may impact a Fund's ability to generate returns.

xi. Lack of Liquidity

The markets for some instruments may be thinly traded from time to time. A Fund may invest in assets and derivatives which it may not be able to readily sell or dispose of, including assets whose disposition is restricted by compliance rules, securities laws or other legal requirements. A Fund's ability to sell assets or derivatives may be adversely affected by limited trading volume, lack of a market maker, or legal restrictions. Other instruments, and in particular, caps, floors, collars, and certain other derivatives, may also have varying liquidity and/or pricing availability. Short sales are particularly subject to liquidity risk because a Fund's purchase of Securities or currencies to close out a short position can itself cause the price of the Securities or currencies to rise further, thereby exacerbating the loss. It is also possible that an exchange or governmental authority may suspend or restrict trading on an exchange or in particular Securities or other instruments. In such case, a Fund may not be able to liquidate an investment efficiently or expeditiously should market conditions demand it. It may not always be possible to execute a buy or sell order at the desired price or to liquidate an open position, either due to market conditions or due to the operation of daily price fluctuation limits (the maximum permitted fluctuation in the price of a futures or options contract during any trading day) or "circuit breakers." This lack of liquidity could disadvantage a Fund, both in realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. A Fund may be reliant on and subject to its Counterparties to furnish liquidity and financing for a particular investment. The sale of any Securities during periods of limited liquidity may result in substantial impairments to value and may hinder the ability to accurately value any such Securities.

xii. Special Events

A Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take more time than expected 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 Fund 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 Fund 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 Fund may invest, there is a potential risk of loss by a Fund of its entire investment in such companies.

xiii. Hedging Transactions

A Fund may, but is not obligated to, adopt a variety of hedging and risk management strategies with respect to certain investments or the portfolio as a whole. Such strategies in general are usually intended to limit or reduce investment risk but can also be expected to limit or reduce the potential for profit. No assurance can be given that a Fund will adopt any particular hedging or risk management strategy or that, if adopted, any particular such strategy will be successful.

xiv. Lack of Diversification

The Adviser generally does not anticipate that the net cost of any single investment will exceed 20% of the net assets of a Fund (determined at the time the investment is made). However, broad diversification of investments in number or by industry or geography is not a primary investment objective of the Adviser. Accordingly, the investment portfolio of a Fund may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wider diversification among types of Securities and other instruments. Furthermore, if the net asset value of a Fund changes over time, the

value of a single investment or of special situation investments could exceed the general 20% of net assets guideline.

xv. Purchasing Securities of Initial Public Offerings

A Fund may purchase Securities of companies in initial public offerings or shortly thereafter. Special risks associated with these Securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies and, thus, for a Fund's interests. The limited number of shares available for trading in some initial public offerings may make it more difficult for a Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies making initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

xvi. Exchange-Traded Funds

Investments in exchange-traded funds ("ETFs") involve the risk that the ETF's performance may not track the performance of the underlying product, focus or index the ETF is designed to track. Unlike the underlying product, focus or index, an ETF incurs administrative expenses and transaction costs in trading Securities. In addition, the timing and magnitude of cash inflows and outflows from and to investors buying and redeeming shares in the ETF could create cash balances that cause the ETF's performance to deviate from the underlying product, focus or index (which remains "fully invested" at all times). Performance of an ETF and the underlying product, focus or index it is designed to track also may diverge because the composition of the underlying product, focus or index and the Securities held by the ETF may occasionally differ. The underlying product or index an ETF is designed to track may not achieve its investment objective. In addition, ETFs often use derivatives to track the performance of the relevant product, focus or index and, therefore, investments in those ETFs are subject to some of the same derivatives-related risks discussed above.

xvii. Possible Effect of Substantial Redemptions or Withdrawals

Substantial redemptions or withdrawals of interests could require the Funds to liquidate their positions more rapidly than otherwise desired in order to raise the cash necessary to fund such withdrawals or redemptions. Illiquidity in certain Securities could make it difficult for the Funds to liquidate positions on favorable terms, which could result in losses or a decrease in the net asset value of the Funds. Substantial levels of withdrawals or redemptions could also trigger a suspension or restriction of withdrawals or redemptions, significantly limiting an investor's liquidity.

IV. Other Possible Risks

There is no assurance that the above list is complete or that there are not other risks that may exist now or may arise in the future.