

ROSEBROOK CAPITAL

## Rosebrook Capital Partners, LLC

1 East 52<sup>nd</sup> Street, 3<sup>rd</sup> Floor  
New York, NY 10022  
(212) 999-4401  
[www.rosebrook.com](http://www.rosebrook.com)

October 2015

---

### Form ADV Part 2A

This Brochure provides information about the qualifications and business practices of Rosebrook Capital Partners, LLC (“Rosebrook”). If you have any questions about the contents of this Brochure, please contact us at (212) 999-4401 or [www.rosebrook.com](http://www.rosebrook.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Rosebrook Capital Partners, LLC is an SEC-registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of Rosebrook should be considered carefully in your decision to hire or retain

us to provide advisory services. Additional information about Rosebrook is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Since filing our last Annual Amendment in March of 2015, the following material business changes have taken place:

Effective October 1, Jonathan Lewis, previously Managing Member at Rosebrook Capital Partners LLC stepped down from day-to-day involvement with the company in order to pursue new business initiatives.

With effect October 9, Andrew Lawrence, currently Managing Member at Rosebrook, was appointed to the additional role of Chief Executive Officer. In this role, Mr. Lawrence is responsible for all executive management and operational elements of the company, supported by long-tenured team members.

This section of the Brochure addresses only “material changes” since the Adviser’s previous filing. Clients or prospective clients of Rosebrook may request a current copy of this Brochure at any time by contacting Joseph Huber, Chief Compliance Officer, at (212) 999-4403 or [joseph.huber@rosebrook.com](mailto:joseph.huber@rosebrook.com).

## **Item 3 -Table of Contents**

<b>Item 2 – Material Changes.....</b>	<b>2</b>
<b>Item 3 -Table of Contents .....</b>	<b>3</b>
<b>IMPORANT NOTE ABOUT THIS BROCHURE.....</b>	<b>4</b>
<b>Item 4 –Advisory Business.....</b>	<b>5</b>
<b>Item 5 – Fees and Compensation .....</b>	<b>6</b>
<b>Item 6 – Performance-Based Fees and Side-By-Side Management.....</b>	<b>9</b>
<b>Item 7 – Types of Clients.....</b>	<b>10</b>
<b>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....</b>	<b>11</b>
<b>Item 9 – Disciplinary Information .....</b>	<b>14</b>
<b>Item 10 – Other Financial Industry Activities and Affiliations .....</b>	<b>14</b>
<b>Item 11 – Code of Ethics .....</b>	<b>14</b>
<b>Item 12 – Brokerage Practices.....</b>	<b>17</b>
<b>Item 13 – Review of Accounts.....</b>	<b>19</b>
<b>Item 14 – Client Referrals and Other Compensation .....</b>	<b>20</b>
<b>Item 15 – Custody .....</b>	<b>21</b>
<b>Item 16 – Investment Discretion .....</b>	<b>21</b>
<b>Item 17 – Voting Client Securities .....</b>	<b>21</b>
<b>Item 18 – Financial Information .....</b>	<b>22</b>
<b>Exhibit A – Material Risks .....</b>	<b>23</b>

## IMPORANT NOTE ABOUT THIS BROCHURE

### *This Brochure is not:*

- ◆ *an offer or agreement to provide advisory services to any person;*
- ◆ *an offer to sell interests (or a solicitation of an offer to buy interests) in any investment product or vehicle advised by the Adviser;*
- ◆ *a complete discussion of the features, risks or conflicts of interest associated with any investment product or vehicle advised by the Adviser;*
- ◆ *to be relied upon in determining whether to invest in a fund or account advised by, or otherwise establish an advisory relationship with, the Adviser.*

*The Investment Advisers Act of 1940, as amended (“Advisers Act”), requires the Adviser to provide this Brochure to current and prospective clients. The Adviser may also, in its discretion, provide this Brochure, in addition to other offering documents, to current or prospective investors in a private fund sponsored or advised by the Adviser.*

*Although this Brochure describes the investment advisory services of the Adviser, persons who receive this Brochure (whether or not from the Adviser) should be aware that it is designed solely to provide information about the Adviser as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this Brochure may differ from information in the materials that govern an account or investor relationship, such as an advisory contract, private placement memorandum, limited partnership agreement, operating agreement, or prospectus (“Offering Materials”).*

*More complete information about each fund, as well as the Adviser’s investment advisory services in general, is included in relevant Offering Materials, certain of which may be provided to current and eligible prospective clients or investors only by the Adviser or another designated party. To the extent that there is any conflict between discussions herein and similar or related discussions in any Offering Materials, the relevant Offering Materials shall govern and control.*

*In no event should this Brochure be considered to be an offer of interests in a private fund, or relied upon in making a determination to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.*

## **Item 4 –Advisory Business**

Rosebrook Capital Partners, LLC is a New York-based investment advisory firm specializing in the management of hedge fund shareholder interests acquired through secondary transactions. The Firm was founded in 2009 and is currently organized as a limited liability company that is majority owned by Andrew D. Lawrence. At the time of inception, the Firm was doing business as Rosebrook Partners; in October of 2010, the entity Rosebrook Capital Partners, LLC was formed.

Rosebrook is registered with the SEC as an investment adviser. This Brochure has been prepared by Rosebrook to comply with SEC regulations requiring advisers to disclose important information about their business including the scope of client services offered, fee structures, conflicts of interest, and material risks of investment.

Since its founding, Rosebrook's clients have included both separately managed accounts for institutional investors and private funds. In 2012, Rosebrook was appointed investment manager to two Irish Qualifying Investor Funds ("QIFs"). In June of 2013, pursuant to the Investment Management Agreement between Rosebrook and Aggregator Solutions PLC, Rosebrook was appointed as Investment Adviser to the Funds and Deutsche Alternative Asset Management (UK) Limited, an Affiliate of Deutsche Bank AG, was appointed as Investment Manager. Through these vehicles Rosebrook advises on the acquisition of interests in side pockets, special purpose vehicles, funds in liquidation and funds of funds in liquidation. The Firm possesses the distinct competencies necessary for hedge fund secondary investment, from acquisition through realization, and the two founding principals collectively have over 40 years of experience in the alternative asset management business. As of the date of this filing, Rosebrook advises on approximately \$360 million in non-discretionary regulatory assets under management.

### **Investment Focus**

Through fund and managed account vehicles, Rosebrook acquires and manages illiquid interests in hedge funds ("Hedge Fund Shares"). The Firm seeks to earn superior risk-adjusted returns through the "fund of funds" investment model. Hedge Fund Shares are acquired through: (i) in-kind contributions of Hedge Fund Shares from investors in exchange for share interests in a fund advised by Rosebrook; and (ii) cash purchases of Hedge Fund Shares in secondary transactions.

Hedge Fund Shares targeted for acquisition are shares of funds, or fund of funds, that are gated, suspended, otherwise not redeemable, or represent illiquid investments or shares of special purpose vehicles that have been formed to liquidate assets (i.e., related to side pockets or interests in funds that are in the process of winding down).

Rosebrook-advised funds acquire Hedge Fund Shares through purchases in secondary transactions from investors who no longer wish to hold those shares. It is expected that such Hedge Fund Shares will produce distributions of cash as assets in the underlying fund are sold or liquidated. With the exception of interests held in Hedge Fund Shares, the Firm does not make direct investments in underlying securities. To the extent that client funds or managed accounts

receive in-kind distributions of securities in respect of any Hedge Fund Shares, Rosebrook will seek to dispose of such assets in a timely and orderly manner.

### **Advisory Services**

For purposes of this Brochure, clients who invest in a QIF, private fund or managed account advised by Rosebrook will be referred to as “Investors.” Rosebrook advises one or more QIFs and/or private funds (“the Funds”) which will be sponsored and/or structured by unaffiliated third party entities. The Funds are generally formed for a specified term wherein the Adviser advises on the acquisition, management, and liquidation of secondary Hedge Fund Shares. Additionally, Rosebrook offers qualified clients the flexibility of investing through individually customized managed accounts (“Managed Accounts”) which invest directly in Hedge Fund Shares. Like the Funds we advise, Managed Accounts may also be formed for a specified term.

Investment guidelines and terms for each Fund and Managed Account are described in constituent documentation, which may include an investment management agreement, sub-advisory agreement, private placement memorandum, investor subscription materials, and/or prospectus (collectively, “Governing Documents”).

Subject to the investment guidelines set forth in Governing Documents, Rosebrook places client funds in illiquid Hedge Fund Shares pursuant to a portfolio management discipline which advocates diversification and extensive due diligence. The investment vehicles advised by Rosebrook entail certain risks and unique investment attributes which are further described in Item 8 - *Methods of Analysis, Investment Strategies and Risk of Loss*.

***Investments in secondary Hedge Fund Shares through both Fund and Managed Account structures may have material tax consequences for Investors upon the sale of assets or liquidation of the account. For those clients that place funds in a Rosebrook product through an “in-kind” transaction, taxable event risk may arise upon consummation of the transaction. Rosebrook does not render tax advice and strongly urges clients to seek their own independent counsel with regard to any commercial, legal, tax, accounting and regulatory issues relating to the risks, merits, and implications of investing in the products discussed throughout this Brochure.***

## **Item 5 – Fees and Compensation**

### **Management Fees**

Rosebrook management fees are based on a percentage of capital committed, including cash and cash equivalents. Generally, management fees are assessed quarterly in advance.

#### *The Funds*

Fees for each Fund advised by Rosebrook are described in the Governing Documents for the particular Fund. Through the end of the Investment Period (which is that period for which the

Fund agrees to accept new Fund Investors), the Adviser will receive a quarterly management fee. This fee will be calculated as a specified percentage of capital commitments to the Fund. After the Investment Period has expired, the Fund's management fee will be calculated as a specified percentage of capital commitments.

#### *Managed Accounts*

Managed Account fee schedules are negotiated and may vary by account and are dependent upon a wide variety of factors including investment mandate, available capital, and other factors that may be evident or negotiated with each particular Investor.

Management fees for Managed Accounts are invoiced directly to the beneficial owner of the account, their authorized agent or custodian. Fees will be calculated as a specified percentage of capital commitments during the Investment Period. After the Investment Period has expired, management fees will be calculated as a specified percentage of capital commitments

#### **Performance Fees**

In addition to the payment of ongoing management fees, Rosebrook Investors may pay performance fees that are based upon a percentage of the Fund or Managed Account's return on invested capital. Performance-based fees for a Fund or Managed Account are detailed in the relevant Governing Documents and generally apply on returns above pre-determined "Preferred Return" thresholds. These fees are generally negotiated and may vary depending upon, among other factors, the amount and timing of capital commitments.

Please see *Item 6 – Performance-Based Fees* for more information.

#### **Other Fees and Expenses**

The fees described above address management fees and performance-based fees only. In addition to these fees, Investors will bear, directly and indirectly, certain additional fees and expenses. Some of these additional fees and expenses are paid to the manager of the underlying hedge fund ("Underlying Fund") who originally issued the Hedge Fund Shares acquired by the Adviser for Investors.

#### *The Funds*

Fund Investors will generally be charged organizational expenses, as well as bear the ongoing operating expenses of the Fund and transactional costs associated with the acquisition, management and liquidation or sale of Hedge Fund Shares. It is important to note that these transactional expenses may be significant given the illiquid nature of the subject assets. Fees charged to a specific Fund are described in applicable Governing Documents.

The following fees and expenses represent some, but not all, additional charges that may apply to the Fund and its Investors:

1. **Organizational Expenses** – The Fund and its Investors will bear all legal and other expenses incurred in the formation of the Fund and the offering of the shares, including the out-of-pocket expenses of the Distributor, subject to an aggregate expense cap.
2. **Ongoing Operational Expenses of the Fund** – The Fund and its Investors will bear the costs and expenses associated with the actual or proposed acquisition of Fund investments, including due diligence expenses, brokerage commissions, fees and expenses of consultants, administration, custody, legal, audit and filing fees, director fees, insurance premiums, shareholder service fees and other similar expenses incurred in the ongoing operation of the Fund.
3. **Subsequent Closing Fees** – Investors who subscribe to a Fund or who make an additional capital commitment after the “initial closing date” of the Fund may be subject to certain capital contributions, rebalancing interest payments, and equalization fee payments as set forth in Governing Documents.
4. **Credit Facilities** – As permitted and referenced in guidelines set forth in Governing Documents, the Adviser may negotiate with third parties for access to credit facilities intended for operating liquidity. Any interest, maintenance or administrative expenses associated with securing and using these credit facilities may be allocated and charged to Investors of the relevant Fund.
5. **Management and Performance Fees Paid to Underlying Fund Managers** – Management fees and performance-based fees charged by the Underlying Fund managers are paid by Fund Investors.
6. **Other Ongoing Expenses of the Underlying Funds** – These expenses are similar to those referenced above in item (ii) however they are assessed by the managers of the Underlying Funds.

#### *Managed Accounts*

Managed Account Investors will bear certain fees and expenses in relation to their account. These fees may include some or all of the following: administration, custody, legal, audit and filing fees and such other operating expenses as disclosed in the relevant Governing Documents. Managed Account fees and expenses will also include management and performance fees paid to managers of the Underlying Funds and other shareholder allocated expenses assessed by the Underlying Funds.

#### **Fee Waivers and Early Terminations**

Rosebrook may reduce or waive its management or performance-based fees for certain of its related persons or service providers that are invested in the Funds. Management agreements to which Rosebrook is a party may be terminated based on the provisions outlined in applicable Governing Documents. In the event of termination of an investment advisory agreement or management agreement, Rosebrook will in certain situations prorate unearned, prepaid fees and refund those unearned fees to applicable accounts. Generally, however, Investors in the Funds are limited in their ability to terminate their participation in the Funds and typically will not be



refunded for their portion of fees paid to the Funds in advance. Such limits are described in applicable Governing Documents.

### **Expenses Associated with Distribution or Liquidation**

As discussed further in *Item 12 – Brokerage Practices*, Rosebrook may, on rare occasions, receive securities or assets as part of a Hedge Fund Share distribution or liquidation. In these cases, Investors will bear the costs and expenses (such as commissions, spreads, and/or brokerage fees) associated with liquidation of such securities or assets. Under no circumstances does Rosebrook or its employees receive commission-based compensation from transactions related to Hedge Fund Shares purchased, sold or recommended to Investors.

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

### **Performance-Based Fees**

In addition to the management fees described above in *Item 5 – Fees and Compensation*, Investors may pay a performance-based fee on the performance of their investment. Performance-based fees are typically incurred once investors have received a 100% return of capital in addition to a specified preferred return.

Performance-based fees are generally assessed in arrears at the end of each calendar quarter or a longer period as specified in Governing Documents. Any performance-based compensation will be paid in accordance with applicable Section 205(3) of the Advisers Act and the rules promulgated thereunder, which specify certain qualification thresholds for clients of the Adviser being assessed such a fee.

### **Conflicts of Interest Associated with Performance Fees**

The fact that Rosebrook is compensated in part based on the performance of the Funds and Managed Accounts may create an incentive for the Firm to make more speculative investments than it would otherwise make in the absence of performance-based compensation.

Rosebrook may face a potential conflict of interest based upon incentives that may favor a specific Investor or class of Investors over another due to fee differentials. Rosebrook follows trade allocation policies and procedures that it believes will mitigate these potential conflicts by ensuring that over time, investment opportunities will be allocated in a fair and equitable manner, taking into account investment mandates and restrictions imposed by applicable Governing Documents.

See *Item 11 – Code of Ethics* for more information about material conflicts of interest and the manner in which Rosebrook mitigates these conflicts.

There may be instances where the Adviser identifies an investment opportunity that is suitable to more than one Fund or Managed Account, wherein pro rata participation by all such accounts is not possible due to transaction size or other constraints. The Adviser's trade allocation policy is designed to address these potential conflicts of interest. See *Item 12 - Brokerage Practices* for more information about allocation practices.

## **Item 7 – Types of Clients**

Investments in secondary Hedge Fund Shares are speculative and entail substantial risks. Clients of the Adviser are subject to applicable suitability requirements, which include the financial capacity to handle such risks.

As noted above in *Item 4- Advisory Business*, Rosebrook serves as investment adviser to two Irish-domiciled funds. Rosebrook may also serve private domestic Funds formed for the benefit of U.S. Investors and private offshore Funds formed for the benefit of both non-US Investors and U.S. tax-exempt Investors. The Firm may serve as adviser to Managed Accounts for the benefit primarily of tax-exempt Investors.

Investors in the Funds and Managed Accounts may include:

- ◆ Governmental plans, state pension and permanent funds, sovereign wealth funds
- ◆ Private retirement plans, corporate pensions, multi-employer pensions
- ◆ Financial institutions and other institutional clients
- ◆ Foundations, endowments and other charitable organizations
- ◆ Family offices and high net worth individuals
- ◆ Offshore partnerships

U.S. investors in private funds must be both accredited investors and qualified purchasers as those terms are defined in federal statutes and also meet professional investor status in the jurisdiction in which the fund is domiciled. Investments by U.S. persons in private funds domiciled offshore are typically limited to U.S. tax-exempt investors. Rosebrook advises one or more Funds operating as a private investment fund primarily for the benefit of non-US persons, in which case Investors will be required to meet the eligibility requirements set forth by applicable Governing Documents, including being qualified to invest in the Fund as a Qualifying Investor Fund. Minimum investment amounts apply and vary by Fund.

Investment strategies and guidelines are not tailored to meet the individualized needs of any particular Investor within the Fund structure. Outside the scope of restrictions set forth in Governing Documents, Investors in the Funds are generally not permitted to impose restrictions on the Adviser's ability to execute the mandated investment strategy of the Fund.

Rosebrook may negotiate certain minimum account size thresholds, investment guidelines and other terms within the Managed Account structure, as long as such guidelines do not constrain the Firm's ability to exercise discretion and meet its fiduciary duty to Investors. All such

investment thresholds, guidelines and terms are outlined within applicable Governing Documents.

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

### **Methods of Analysis**

Rosebrook uses proprietary quantitative investment models and qualitative information systems to source and analyze Hedge Fund Share acquisition targets. Analysis is performed on an array of hedge fund managers and their underlying assets, fee structures, performance records, cash distribution histories, and other relevant factors associated with Hedge Fund Shares.

### **Investment Strategies**

As noted in *Item 4 – Advisory Business*, Rosebrook specializes in the management of illiquid hedge fund shareholder interests acquired in secondary transactions. The Adviser seeks to source Hedge Fund Shares at competitive discounts in the secondary market and realize superior investment returns for Investors through the distribution and liquidation of Shares over a defined investment horizon. This investment strategy is highly specialized and speculative in nature.

Rosebrook seeks exposure to hedge fund interests in a broadly diversified portfolio of underlying hedge fund classes. The Adviser will generally limit Fund and Managed Account exposures by setting thresholds for aggregate commitments by hedge fund share class, by fund, and by fund issuer.

The Funds will generally make distributions of cash proceeds, as available, at the end of each calendar quarter. As specified in Governing Documents, distributable proceeds are generally apportioned among all Investors based on the contribution percentage of each Investor and executed based upon per share Net Asset Value (“NAV”) at the time of distribution. Managed Account distributions generally occur quarterly or as otherwise specified in Governing Documents.

The Adviser, on behalf of one or more Funds, has the authority to borrow funds and may do so when deemed appropriate by the Board of Directors of each Fund. Governing Documents stipulate that any such borrowing will not exceed a specified percentage of the NAV of the Fund, as determined at the time of the borrowing. The Fund may borrow for cash management purposes (e.g., short-term borrowings to make investments in anticipation of additional subscriptions).

## **Client Risk of Loss**

An investment in Funds and Managed Accounts involves a high degree of investment risk. Broadly defined, investment risk is the probability or likelihood that an Investor will *recoup the principal amount of the investment*. An investment in secondary market Hedge Fund Shares is extremely illiquid and therefore affords the Investor very limited opportunity to monetize the underlying asset in the near to intermediate term. Past performance of the Adviser is not necessarily indicative of the future results of its investment strategies, and Investors must be prepared to lose all or substantially all of their investment.

Set forth below is a list of the primary risk sets associated with hedge funds, fund of funds investing, and the related advisory services of Rosebrook. However, it is not possible to identify all applicable risks. The unique risks relevant to a particular Fund or Managed Account will depend on the nature of the account, its investment strategy and the types of Hedge Fund Shares held. The following risks are more fully discussed in Exhibit A of this Brochure. For additional discussion about risks relating to a particular Fund or Managed Account, Investors should consult applicable Governing Documents.

### *Adviser-Specific Risks*

- ◆ Limited Operating History
- ◆ Dependence on the Adviser

### *Investment Strategy Risks*

- ◆ Limited Liquidity
- ◆ Fees and Miscellaneous Risks
- ◆ Tiered Compensation Structure
- ◆ Long-Term Nature of Investment
- ◆ Concentration of Investment Portfolio
- ◆ Risks Associated with Impermissible Transfers
- ◆ Regulatory Risks
- ◆ Identification of Investments

### *Risks Related to Hedge Fund Shares*

- ◆ Access to Information from Underlying Funds
- ◆ Possibility of Different Rights and Information Granted to Other Investors
- ◆ Delays in Reporting
- ◆ Sole Principal Underlying Managers
- ◆ Valuation

### *Risks of the Fund Structure*

- ◆ Diverse Investor Group
- ◆ Side Letters; Different Investor Terms
- ◆ Risks Inherent in Acquiring Hedge Fund Shares by the Fund
- ◆ Pricing of Hedge Fund Shares

- ◆ Exchange Fluctuations

*Market and Economic Risks*

- ◆ Underlying Securities
- ◆ Business and Regulatory Risks of Hedge Funds
- ◆ General Economic and Market Conditions
- ◆ Systemic Risk

## **Item 9 – Disciplinary Information**

Investment advisers are required in this section to disclose facts about any legal or disciplinary events that would be material to a client's or prospective client's evaluation of the Adviser's business or the integrity of the Adviser's management. Rosebrook has no legal or disciplinary events of any kind to report.

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

Rosebrook and its employees are not now and do not intend in the future to become registered as a securities broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor. The Principals and employees of Rosebrook allocate a substantial portion of their business time to managing the Funds and Managed Accounts as referenced in Governing Documents. If this condition were to change wherein either the Firm or an affiliated employee were to engage in related business activities and subsequently create a conflict of interest with fiduciary obligations owed to clients of Rosebrook, this would entail a material change in our business and require timely amendment of this Brochure.

Rosebrook is not registered with any foreign financial regulatory authority. However, as contractually required in order for Rosebrook to qualify for a sub-advisory relationship, in 2012 the Central Bank of Ireland (the "Central Bank") responded to an application by stating in writing that it has no objection to Rosebrook acting as an investment manager to Irish authorized collective investment schemes ("Irish Funds"). The Central Bank supervises Irish Funds and any investment manager appointed to advise them must meet certain criteria. Rosebrook is not registered with the Central Bank and the Central Bank does not supervise Rosebrook.

## **Item 11 – Code of Ethics**

### **Code of Ethics and Fiduciary Duty**

As an investment adviser, Rosebrook assumes a fiduciary duty to all of our clients. This duty is not altered by product offering or client type. The primary precept of our fiduciary duty is to place client interests first and foremost and to disclose and responsibly manage all conflicts of interest. Rosebrook has adopted a Code of Ethics that articulates standards of conduct that are expected of each employee of the Firm.

The Code of Ethics contains policies and procedures relating to: (i) broad standards of conduct for employees; (ii) personal trading; (iii) insider trading; and (iv) gifts, entertainment and political contributions. Employees must agree to abide by the Code of Ethics at the time of hire and affirm this agreement in writing each year thereafter. Rosebrook also supplements the Code of Ethics

with ongoing monitoring of employee activity through the Firm's compliance program as mandated by the Advisers Act.

### **Standards of Conduct**

Rosebrook's standards of conduct are designed to ensure that clients, employees and the Firm itself are protected from unethical and/or unprofessional conduct. Standards of conduct include policies which:

- ◆ Govern outside business activities of employees
- ◆ Protect confidential information, including information pertaining to Investors
- ◆ Prohibit dealings with parties sanctioned by The Office of Foreign Assets Control
- ◆ Facilitate compliance with applicable federal and state securities statutes

### **Personal Trading**

Employees are permitted to have personal securities accounts as long as personal investing practices do not conflict with the fiduciary standard of care owed to clients. The Firm's compliance program addresses regulatory requirements and implements policies to ensure that employees remain in full compliance with applicable securities statutes including those related to trading securities in personal accounts. Rosebrook monitors and controls personal trading by employees through receipt and review of personal securities holdings and transaction reports and pre-approval of initial public offerings, private placements, and limited offerings which include hedge funds.

### **Insider Trading**

Employees are prohibited from illegally acting on, misusing or disclosing any material nonpublic information, also known as 'inside information'. Rosebrook monitors risks associated with unauthorized use or disclosure of inside information by:

- ◆ Requiring pre-authorization of employee service on boards of outside companies
- ◆ Monitoring personal trading of employees and certain household members
- ◆ Implementing strict privacy and confidentiality controls
- ◆ Developing and implementing a compliance program which includes provisions to ensure compliance with applicable insider trading statutes

### **Gifts, Entertainment and Political Contributions**

As a fiduciary, Rosebrook will always strive to place client interests first and foremost. The Adviser's compliance policies and procedures are designed to ensure that the fiduciary standard of care is evident in all interactions with and on behalf of clients. The Adviser's compliance policies govern a number of business practices including gifts, entertainment, and political contributions. These controls include maintaining records of gifts and entertainment, limiting the dollar value of gifts and political contributions, and monitoring entertainment activities.

## **Participation or Interest in Client Transactions**

The fact that Rosebrook is directly compensated through the performance of Funds and Managed Accounts creates an inherent conflict of interest. Rosebrook endeavors at all times to act in the best interests of our clients by observing the fiduciary standard of care, and has developed and implemented internal controls within business processes to ensure that conflicts of interest are identified, disclosed and responsibly managed. The Adviser will provide a copy of its Code of Ethics to any client or prospective client upon request. To obtain this copy, please contact Joseph Huber at (212) 999-4403.

The chart below summarizes potential conflicts of interest that may apply to the business activities of Rosebrook. This summary should be carefully considered (along with more detailed information about conflicts of interest and related risk controls found in applicable Governing Documents) before investing in a Fund or Managed Account.

<b><u>POTENTIAL CONFLICT</u></b>	<b><u>Methods of Mitigation</u></b>
Rosebrook may serve as investment adviser for multiple Funds and Managed Accounts whose investment objectives may not be similar.  There may be limited opportunities to acquire secondary interests in certain Hedge Fund Shares, thereby causing Rosebrook to show preference to certain clients in allocating Shares.	Written allocation policies seek to ensure equitable treatment of Investors over time, considering each account's objectives, programs, restrictions and available capital. Board of Director and/or Advisory Board approvals or notifications may be required for the Funds. The Investment Committee reviews accounts and monitors allocation regularly.
Rosebrook may recommend that one client redeem an Underlying Fund while recommending that another client acquire the same Underlying Fund.	The Investment Committee governs subscription and redemption activities. The Adviser prohibits cross transactions.
The investment strategies employed by Rosebrook in one advised account may affect the prices, availability and/or size of an acquisition or liquidation of Hedge Fund Shares for another advised account.	The Investment Committee follows policies and procedures to ensure that transactions across various advised accounts are executed in a manner it believes to be equitable and in the best interests of all advised accounts over time.
Rosebrook may recommend or buy Hedge Fund Shares on behalf of clients wherein the Firm, its employees or related parties have a pre-existing ownership interest.	Hedge Fund Shares transacted on behalf of clients are not purchased from or sold to Rosebrook or its employees on a "principal" basis, but are transacted with unaffiliated third parties as specified in Governing Documents. Personal trading policies strictly limit, and in some cases, prohibit, employee investments in hedge fund shares. The Compliance Officer monitors employee trading and requires pre-approval for transactions as necessary to uphold the Firm's fiduciary duty.
Rosebrook may incur expenses that are allocable to more than one advised account or to both the Firm and one or more advised accounts.	Strict expense allocation policies and Governing Documents specify permissible practices which endeavor to follow ratable distribution where possible.



## **Item 12 – Brokerage Practices**

### **Broker Selection and Best Execution**

The Investment Committee is chaired by Rosebrook's principals and comprised of senior executives responsible for overseeing due diligence, pricing transactions, and broker selection.

Typically, the purchase or sale of Hedge Fund Shares in the secondary market will involve a privately negotiated transaction with the prospective seller or buyer of the Shares, and generally will not involve the services of a traditional broker or dealer as is customary in the transaction of registered securities. However, the Adviser may on occasion use brokers or other third party entities to purchase or sell interests in Underlying Funds that are closed to new investors but transacted on the secondary market. On rare occasions, the Funds or Managed Accounts may receive individual security positions pursuant to the distribution or liquidation of an Underlying Fund. The Adviser will negotiate and execute all such transactions in compliance with Governing Documents, its fiduciary duty to Investors, and Rosebrook's compliance policy and procedures.

The Adviser maintains policies and procedures which govern the use of brokers, seeking the best overall execution terms available to close the deal expeditiously and on terms most favorable to the accounts involved in the transaction. In assessing the best overall terms available for a transaction, the full range and quality of a broker's expertise will be considered, including execution capability, experience in secondary Hedge Fund Share transactions, network of contacts and relationships, research services, commission rates (or their equivalents), reputation, integrity, and financial responsibility. Broker arrangements are guided by contractual agreements.

The Adviser is responsible for ensuring the timely and accurate transfer of Investor interests acquired by one or more Funds or Managed Accounts, either through direct purchases or in-kind contributions. Transactions are consummated only upon the completion of controlling legal documentation, including Subscription Documents, Purchase & Sale Agreements, and Fund Transfer Documents that have been produced and reviewed by Rosebrook and its counsel.

### **Brokerage for Client Referrals**

Rosebrook does not select brokers for the purchase or sale of Hedge Fund Shares (or underlying securities) based on its interests in receiving client referrals from brokers or third parties. However, Rosebrook may enter into distribution relationships and placement agreements with third parties as further discussed in *Item 14 – Client Referrals and Other Compensation*.

### **Trade Allocation and Aggregation Practices**

An opportunity to acquire specific secondary market Hedge Fund Shares may suit the investment objectives of one or more advised accounts. In these circumstances, transactions will be aggregated across participating Funds or Managed Accounts in order to achieve more favorable

terms. Aggregated transactions are allocated among participating accounts on a pro rata basis, with exceptions based on applicable account operating metrics, including investment objectives, restrictions, available cash, and other guidelines.

Although Rosebrook seeks to allocate transactions and opportunities in a manner it believes to be equitable over time, there may be times when certain limitations associated with the acquisition or liquidation of Hedge Fund Shares do not permit pro rata allocation across all Funds and Managed Accounts. To manage the potential conflicts of interest associated with these circumstances, Rosebrook maintains written allocation policies and procedures to ensure equitable treatment of all Investors over time. The Investment Committee will bring potential conflicts of interest to the attention of the Board of Directors or Advisory Board of one or more Funds as required by Governing Documents in order to resolve conflicts equitably and transparently. Furthermore, the Investment Committee will perform dispersion analysis to account for significant performance variance among adviser accounts.

### **Cross and Principal Transactions**

The Adviser does not generally engage in cross transactions where Hedge Fund Shares are transferred between advised accounts. If it becomes necessary in the future to engage in cross transactions, approval may be granted by designated parties with written authorization from participating clients. Approval will only be granted if the transaction is consistent with the Adviser's fiduciary obligations to each account participating in the cross transaction and is permissible under Governing Documents and relevant securities statutes.

Hedge Fund Shares transacted on behalf of clients are not purchased from or sold to Rosebrook or its employees on a "principal" basis, but are transacted in the secondary market with unrelated third parties as noted above.

### **Directed Brokerage and Soft Dollars**

The Adviser does not permit the direction of any purchase or sale of Hedge Fund Shares to any broker by an Investor (a practice known as "directed brokerage") nor does the Firm engage in soft dollar arrangements. Soft dollar arrangements are a means of paying brokerage firms for their research or brokerage services through commission revenue rather than by direct hard dollar payments. However, the Adviser may receive general unsolicited research from certain brokers, investment banks, or other third parties specializing in Hedge Fund Shares. The Adviser has no contractual obligation to compensate or otherwise remunerate these research providers. The Adviser reserves the right to use soft dollars to pay for research products or services in the future. Were we to do so, the Firm would rely upon the safe harbor provisions afforded under Section 28(e) of the Securities Exchange Act of 1934, as amended, and as permitted under the Advisers Act.

## **Item 13 – Review of Accounts**

### **Review of Funds and Managed Accounts**

As noted above in *Item 12 – Brokerage Practices*, the Investment Committee is chaired by Rosebrook principals and comprised of senior executives responsible for overseeing due diligence, transaction pricing, and Hedge Fund Share allocations in accordance with Investor mandates. The Committee generally meets twice each month to review Fund and Managed Account holdings and opportunities. Factors such as asset allocation, cash management, industry and market outlook, global net exposure, mix of Hedge Fund investments, and new investment opportunities are reviewed and monitored by the Committee during such reviews.

Reviews may also be triggered by significant market events, material cash flows, distributions, and other factors as referenced in Governing Documents. Rosebrook principals are available to meet or teleconference with clients upon request.

### **Review of Underlying Hedge Funds**

Rosebrook's Investment Committee is responsible for monitoring managers of Underlying Funds. After performing due diligence on the hedge fund manager and the underlying portfolio, the Firm may elect to acquire assets available in the secondary market. Subsequent to acquisition, the Hedge Fund Shares and their underlying assets are reviewed periodically (at least quarterly) to ensure compliance with Fund and Managed Account investment objectives.

These reviews focus on a variety of factors which may include:

- ◆ Organizational Structure and Governance – corporate legal entities and ownership, risk management and governance, assets under management by product and strategy, portfolio manager expertise and compensation, litigation and outside business activities
- ◆ Investment Strategy – product focus, performance attribution, and adherence to manager mandate
- ◆ Investment Portfolio – issues and controls which influence valuation, trading and operational risk management
- ◆ Accounting – internal controls relating to NAV calculation methodologies, investor reporting, side pocket accounting, and audits
- ◆ Compliance – key policies, such as personal trading, handling of restricted securities, insider trading, privacy and information systems, prior regulatory findings, and compliance team resource allocation

Additional reviews may be triggered by other factors which may include, but are not limited to, socio-economic and market events, performance anomalies, material changes in Underlying Fund assets or terms of investment, and turnover of key personnel at the Underlying Fund level.

## **Reports to Investors**

The nature and timing of reports to Investors are specified in the Governing Documents. Examples of typical reports are outlined below.

### *The Funds*

Fund Investors will receive periodic reports as specified in Governing Documents. Reports may include quarterly NAV reports prepared by Fund administrators; quarterly Fund Updates which generally contain holding, transaction, and performance related data; investment commentary; and annual audited financial statements of the Fund made available to Investors within 180 days of the Fund's fiscal year end.

### *Managed Accounts*

Managed Account Investors receive periodic reports as specified in Governing Documents. Quarterly client reports may include information such as market commentary, portfolio overview and holdings summary, transaction summary, portfolio performance and performance of Underlying Funds, risk profile and liquidity analysis.

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

Fees and expenses borne by Investors have been described above in *Item 5 – Fees and Compensation* and *Item 6 – Performance-Based Fees and Side-By-Side Management*. All applicable fees and compensation that accrue to Rosebrook, as referenced in this Brochure, are specified in applicable Governing Documents. The Adviser and its employees are prohibited from receiving any additional economic benefits, such as sales awards or other incentives, from third parties in relation to advisory services provided to Investors.

Rosebrook may enter into an agreement with one or more unaffiliated global investment companies for the distribution of Funds domiciled outside the U.S. to Investors predominantly located outside the U.S. In the future, the Adviser may also initiate arrangements with U.S. brokerage and other firms for the placement of Investors in the Funds domiciled in the U.S. Terms of compensation for these arrangements will be subject to negotiation and subsequently disclosed to Investors in such Funds.

Rosebrook may also enter into agreements with unaffiliated third-party solicitors who recommend prospective Managed Account Investors to the Adviser. The agreements would specify a fee based on the capital commitment of the referred Investor. Fees will be disclosed to the Managed Account Investor referred through this arrangement. Applicable solicitation fees will be paid by Rosebrook. The Investor will not bear any expense associated with the referral of their business to the Firm by a third party nor would the use of a solicitor, if any, be a factor in fee negotiations or otherwise influence Investor suitability standards that may apply.

## **Item 15 – Custody**

Custody occurs when the Adviser or a related person directly or indirectly holds client funds or securities, or has the ability to gain possession of them. Rosebrook does not expect to maintain custody over client funds or securities held in the Funds or Managed Accounts. All client assets will be held in custody by qualified, unaffiliated broker-dealers or banks at the direction of the Investor in the case of Managed Accounts or the management company in the case of the Funds. The Adviser does not have the responsibility to appoint custodians on behalf of Investors. Upon appointment, the custodians must affirm their duty to provide investment statements to Investors. The SEC custody rule requires qualified custodians to provide Investors with statements of account on at least a quarterly basis reflecting securities held with a current mark to market valuation. Designated custodians for a Managed Account or Fund will be referenced in applicable Governing Documents.

Where applicable, Funds advised by Rosebrook are subject to an annual audit prepared in accordance with Generally Accepted Accounting Principles (“GAAP”) by a qualified independent auditor. Audited financial statements are distributed to Fund Investors within 180 days of the Fund’s fiscal year-end as required under the Advisers Act for fund of fund investment vehicles.

Upon the final liquidation of a Fund, the Adviser or a designated party will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to all Investors promptly after completion of the audit.

## **Item 16 – Investment Discretion**

As discussed in *Item 4 – Advisory Business*, the Adviser provides discretionary and non-discretionary investment advisory services to Funds and Managed Accounts on a contractual basis. Rosebrook advises Funds under Aggregator Solutions PLC on a non-discretionary basis as stipulated in its advisory agreement with the management company of each applicable Fund. For Managed Accounts, the level of discretionary authority is determined by the Investor and conveyed to the Adviser at the outset of the advisory relationship through a duly executed investment management agreement between parties. Governing Documents authorize Rosebrook to oversee and direct the acquisition, management and distribution of assets in the Managed Account, subject to certain restrictions and terms agreed by both parties.

In exercising its discretion, Rosebrook will at all times observe the written investment policies, limitations and restrictions contractually imposed by the Funds and Managed Accounts.

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

Rosebrook does not retain investment authority over individual securities held within Underlying Hedge Funds. Therefore, as a matter of policy and practice, Rosebrook does not retain any

authority to and does not vote proxies for individual securities held within the Underlying Funds on behalf of Investors.

However, the Adviser has adopted policies to govern the voting of proxy proposals, amendments, consents or resolutions (collectively “Proxies”) relating to Hedge Fund Shares. These policies ensure that when required, Rosebrook directs the Underlying Fund to vote Proxies in the best interest of Investors in accordance with the Adviser’s fiduciary duty. The authority and scope of the Adviser’s Proxy voting requirements is specified in applicable Governing Documents. Where Rosebrook has the authority to vote Proxies relating to Hedge Fund Shares, the general policy is to vote these Proxies in a manner that serves the best interest of Investors as determined in its sole discretion.

Rosebrook will cast most of its Proxy votes, particularly on routine proposals, in accordance with management’s recommendations. Routine proposals are generally those that do not change the structure, governing rules or operations of the Underlying Fund to the detriment of Investors. These issues may include, among others, approval of outside auditors and routine Board of Director elections. Non-routine proposals are more likely to influence the structure and/or operations of the Underlying Fund and therefore may have a greater impact on Investor interests in them. Rosebrook will make a determination with regard to non-routine proxy matters on a case-by-case basis. Examples of non-routine proposals include, among others, director nominations in contested elections and changes in redemption terms.

When voting Proxies, Rosebrook will disclose actual or perceived material conflict of interest to Investors impacted by the vote. At such time, Rosebrook will obtain consent or direction before voting, as required by Governing Documents. Rosebrook seeks to resolve conflicts of interest in the best interest of its Investors. Rosebrook may in its sole discretion abstain from voting a Proxy if it concludes that the effect on Investors’ economic interests is indeterminable or insignificant, if it expects to sell the Hedge Fund Shares in the near future, or if the cost of voting the Proxy exceeds the expected benefit.

Investors may obtain a copy of Rosebrook’s proxy voting policies or information about how proxies have been voted by contacting Joseph Huber at (212) 999-4403.

## **Item 18 – Financial Information**

Registered investment advisers are required in this section to provide certain financial information or disclosures about their financial condition. Rosebrook is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Investors.

## **Exhibit A – Material Risks**

This Exhibit presents a partial list of material risks that Investors should consider in connection with a Fund or Managed Account advised by Rosebrook. The information contained below does not disclose every potential risk associated with the Firm's investment strategies, nor does it address the full range of risks confronting Rosebrook Investors. Please refer to Governing Documents for additional information about the specific risks that may apply to a particular Fund or Managed Account.

### **Adviser-Specific Risks**

#### *Limited Operating History*

Rosebrook Capital Partners, LLC is a recently formed entity with a limited operating history upon which Investors may evaluate the expertise of its senior managers and the profitability of its executed investment strategies. The past performance of the managing members of the Adviser is not an indication of the future success of any current or future Fund or Account that it may advise. There can be no assurance that the Adviser will achieve the Fund's or Managed Account's investment objective or that the strategies described herein will be successful.

#### *Dependence on the Adviser*

The investment success of the Funds and Managed Accounts is significantly dependent upon the ability of the Adviser to develop and effectively implement stated investment objectives. Investors will be relying entirely on the Adviser to conduct and manage the affairs of each account, in some cases subject to oversight by a Board of Directors or Advisory Board with regard to the Funds.

### **Investment Strategy Risks**

#### *Limited Liquidity*

Investor holdings in Rosebrook advised Funds and Managed Accounts entail significant liquidity risk. In virtually every case, the Firm will acquire interests from Underlying Fund investors whose original investment (comprised of a pro rata share of the securities held by the fund) has been subject to a fund lock-up, side pocket or other similar liquidity impairment. In many cases this impairment can be several months or even years in duration. The Firm may also invest in financial instruments that are not publicly traded thereby further limiting portfolio liquidity. An investment in the Funds and Managed Accounts is suitable only for sophisticated investors who do not require generally available liquidity for their investments.

#### *Fees and Miscellaneous Risks*

Funds and Managed Accounts are subject to substantial fees and expenses, both directly from the Adviser and indirectly through ownership interests in the Underlying Funds. These fees and expenses must be covered by investment profits in order for such accounts to generate a positive investment return to Investors. Certain fees and expenses may be incurred regardless of whether portfolio investments are profitable.

### *Tiered Compensation Structure*

The Hedge Fund Shares owned by the Fund or Managed Account are subject to management and performance fees by the Underlying Funds in addition to the management and performance fees charged by the Adviser. Management fees are assessed at all levels regardless of any realized or unrealized profits. If the value of the Fund's or Managed Account's interest in Hedge Fund Shares appreciates, the Underlying Fund may debit the Fund's or Managed Account's interest in respect of incentive compensation due to the portfolio manager of the Underlying Fund even if the Fund or Managed Account as a whole has not made a profit. As a result of the Fund's or Managed Account's investment strategy, the Fund or Managed Account, and indirectly an Investor in same, may bear multiple management fees, along with multiple incentive fees, that in the aggregate may exceed the fees that would typically be borne by directly investing in the hedge funds.

### *Long-Term Nature of Investment*

Investment in a Fund or Managed Account requires a long-term commitment with no certainty of return. Because of the nature of the investment program, there can be no assurance that the Fund or Managed Account will be able to realize returns on its investments in a timely manner or at all. It is uncertain as to when investment returns, if any, will be realized. Losses on unsuccessful investments may be realized before gains are realized on successful investments. The return of capital and realization of gains, if any, from an investment in the Fund or Managed Account may not occur until a number of years after the Investor purchases interests.

### *Concentration of Investment Portfolio*

The ability of the Adviser to diversify the Fund's or Managed Account's investment portfolio will be dependent upon the investment strategy of the Underlying Funds available in secondary transactions. The Adviser can make no assurances that a sufficient quantity of Hedge Fund Shares will be acquired on a timely basis at a prudent price to provide appropriate asset diversification at all times. As such, there is a risk that occasionally and for extended periods of time the investment holdings of the Funds or Managed Accounts may face concentrated exposure to a particular Underlying Fund or strategy.

### *Risks Associated with Impermissible Transfers*

The Adviser will endeavor to ensure that it meets the suitability requirements required by Underlying Funds in secondary transactions. In addition, the Adviser will endeavor to follow any applicable rules and regulations imposed by the SEC and other U.S. and non-U.S. regulatory agencies with respect to such secondary transactions. Notwithstanding the foregoing, it is possible that an assignment or transfer of such hedge fund interests from a beneficial owner of interest in an Underlying Fund to a Fund or Managed Account may be deemed an impermissible transfer pursuant to the governing documents of the Underlying Fund and/or any laws, rules or regulations governing such transfers. Further, underlying hedge funds may not permit certain transfers if such hedge fund believes the transfer will cause the hedge fund that is classified as a partnership for U.S. Federal tax purposes to be treated as a publicly traded partnership taxable as a corporation. In addition, it is possible that a creditor may have claims against the shares that the transferor is transferring to a Fund or Managed Account even though it has represented otherwise. In such circumstances, there are risks that the Fund or Managed Account may be



involved in litigation with respect to such claims and any potential settlement associated with such claims.

#### *Regulatory Risks*

The regulatory risks associated with secondary transactions involving interests in hedge funds and other similar pooled investment vehicles are evolving. The laws and regulations applicable to secondary transactions relating to Hedge Fund Shares, and more generally, the laws relating to the regulation of hedge funds and the protection of hedge fund investors, are in flux. The SEC and other U.S. and non-U.S. regulatory agencies may impose additional regulations with respect to secondary transactions such as those contemplated by the Fund or Managed Account as well as additional laws and regulations pertaining to hedge funds, hedge fund managers and the offering of interests in hedge funds. There is a risk that new government legislation and regulations or different interpretation of existing law and regulation could lead to fewer opportunities for a Fund or Managed Account or make the acquisition of Hedge Fund Shares more difficult, more expensive and/or less profitable.

#### *Identification of Investments*

The success of the Firm's strategies depends on the ability of Rosebrook to identify potential acquisitions, perform appropriate due diligence, and acquire Hedge Fund Shares (through in-kind contributions or secondary transactions). The availability of Hedge Fund Shares to fulfill the investment mandate generally will be subject to current macroeconomic conditions and specific stress loads placed upon the underlying hedge fund assets that are under consideration for acquisition. In addition, since such Hedge Fund Shares are acquired from current owners of underlying hedge funds, the consent of the applicable underlying manager may be required prior to the acquisition by the Firm, thus presenting a potential legal hurdle to be cleared prior to acquisition as there is no assurance that the Adviser will be able to obtain such consent from the applicable underlying manager.

### **Risks Related to Hedge Fund Shares**

#### *Access to Information from Underlying Funds*

The Adviser expects to receive periodic reports from the underlying managers along with any other investor in such Underlying Fund. The Adviser generally will request detailed information on a continuing basis from each Underlying Fund regarding the Hedge Fund Shares. However, the Adviser may not always be provided with sufficiently detailed information regarding all the investments made by the Underlying Funds.

#### *Possibility of Different Rights and Information Granted to Other Investors in Underlying Funds*

The Underlying Funds may enter into a written side arrangement with other investors varying the standard terms of its offering documents. Such variations may include, without limitation, variations to fees, minimum investment or redemptions, with the effect that not all investors in the Underlying Fund, including the Fund or Managed Account, will invest on the same terms and some investors may benefit from more favorable terms than others. In addition, certain investors in the Underlying Funds may receive information regarding the Underlying Funds' portfolio that is not generally available to other investors, including the Fund or Managed Account, and, as a

result, may be able to take actions (i.e., make redemptions) on the basis of such information which, in the absence of such information, other investors, including the Fund or Managed Account, do not take.

#### *Delays in Reporting*

For the Adviser to provide a timely annual report to its Investors, it must receive information on a timely basis from the administrators of the Underlying Funds. An Underlying Fund administrator may not provide this information in a timely manner and thus could impede the Firm in its efforts to provide timely management reports to Investors.

#### *Sole Principal Underlying Managers*

Some of the underlying managers to whom the Adviser has allocated or may allocate capital may consist of only one principal. If that individual dies or becomes incapacitated, the Fund or Managed Account might sustain losses.

#### *Valuation*

The Adviser anticipates that market prices will not be readily available for most Underlying Funds in which the Fund or Managed Account invests. The Fund's or Managed Account's valuation procedures provide that the fair value of the investments in Underlying Funds ordinarily will be the value determined for each Underlying Fund in accordance with the Underlying Fund's valuation methodologies. The Adviser will have limited or no means of independently verifying valuations provided by the Underlying Fund managers. If such valuations are inaccurate for any reason, the Fund's or Managed Account's valuation will also be inaccurate.

### **Risks of the Fund Structure**

#### *Diverse Investor Group*

Fund Investors may have conflicting investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of individual Investors may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser that may be more beneficial for one Fund Investor than for another.

#### *Side Letters; Different Investor Terms*

The Fund, the Adviser or their affiliates may from time to time enter into letter agreements or other similar agreements (collectively, "Side Letters") with one or more Fund Investors that alter, modify or change the terms of the Shares held by such Investors. Side Letters may provide such Investor(s) with additional and/or different rights than those applicable to other Investors (including, without limitation, with respect to Fees payable to the Adviser, redemption rights, informational rights, reimbursements of expenses, capacity rights and other rights). The Fund, the Adviser or their affiliates may exercise these rights in any manner deemed appropriate by the Adviser, including the issuance of additional shares of the Fund or its subsidiary and/or making distributions to such Investor, so long as the implementation of such arrangement does not

adversely affect the economic rights of the other Investors. The Fund is not required to notify any or all of the other Investors of any such Side Letters or any of the rights and/or terms or provisions thereof, nor is the Fund required to offer such additional and/or different rights and/or terms to any or all of the other Investors.

#### *Risks Inherent in Acquiring Hedge Fund Shares by the Fund*

The success of the Fund's investments in general is subject to a variety of risks, including, without limitation, those related to: (i) general economic conditions; (ii) the quality of the management of Underlying Funds; (iii) the quality of the Hedge Fund Shares contributed to the Fund and acquired in secondary transactions; (iv) the quality of the investments in which the Fund has invested through Underlying Funds; (v) the Contribution Value agreed to with the various Investors and the price paid to purchase the Fund's investments; and (vi) the ability of the Underlying Funds to successfully operate and manage their underlying investments and liquidate their underlying investments. Generally, the Fund will not have the ability to direct or influence the management and control of the Underlying Funds or the operating companies in which the Underlying Funds invest.

#### *Pricing of Hedge Fund Shares*

The Fund's strategy of acquiring Hedge Fund Shares may be based, in part, upon the premise that such Hedge Fund Shares will be available at prices that the Adviser considers favorable. No assurance can be given that Hedge Fund Shares can be acquired at favorable prices or that, once acquired these Hedge Fund Shares will perform to the Adviser's expectations. Additionally, during the closing period of a given Fund there may be fluctuations in the prices at which the Adviser can acquire Hedge Fund Shares. Accordingly, it is a possible that the Adviser may agree to different contribution values for the same Hedge Fund Shares or for Hedge Fund Shares that have exposure to the same or similar underlying investments.

#### *Exchange Fluctuations*

The Fund's net asset value will be computed in U.S. Dollars whereas the Underlying Funds may make their investments in a wide range of currencies. In addition, the Adviser does not intend to manage the Fund's exposure to foreign currencies. To the extent investments denominated in foreign currencies are not hedged, the value of the Fund's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of the Fund's investments in the various foreign markets and currencies.

### **Market and Economic Risks**

#### *Underlying Securities*

While Fund and Managed Account assets will be invested in Underlying Funds generally structured to limit risk of loss, the following are some of the more common risks which may arise in connection with the activities of the portfolio managers running such funds: exposure to commodities, use of derivatives and hedging strategies, exposure to emerging markets, use of leverage, short selling, and other risks.

### *Business and Regulatory Risks of Hedge Funds*

Legal, tax and regulatory developments that may adversely affect the Fund or Managed Account could occur during the term of the Fund or Managed Account. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, other regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. 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 actions. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities may adversely affect the ability of the Adviser to pursue its investment strategy, its ability to obtain leverage and financing and the value of investments held by a Fund or Managed Account. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. It is impossible to predict what, if any, changes in regulations may occur, but any regulations which restrict the ability of a Fund or Managed Account to trade in secondary Hedge Fund Shares or the ability of a Fund or Managed Account to employ, or brokers and other counterparties to extend, credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on the Fund's or Managed Account's portfolio.

### *General Economic and Market Conditions*

The success of the Fund's or Managed Account's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's or Managed Account's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of financial instruments' prices and the liquidity of the Fund's or Managed Account's investments. Volatility or illiquidity could impair the Fund's or Managed Account's profitability or result in losses. The Fund or Managed Account may maintain substantial positions that can be adversely affected by the level of volatility in the financial markets wherein the larger the positions, the greater the potential for loss.

### *Systemic Risk*

Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Underlying Funds interact on a daily basis. Systemic risk could result in increased volatility of financial markets and a greater risk of counterparty default.