

# DeepCurrents Investment Group LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of DeepCurrents Investment Group LLC. If you have any questions about the contents of this brochure, please contact us at 646-350-4621 or by email at: [info@deepcurrentsinvestment.com](mailto:info@deepcurrentsinvestment.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 state securities authority.*

*DeepCurrents Investment Group LLC's registration with the SEC does not imply that any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.*

*Additional information about DeepCurrents Investment Group LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). DeepCurrents Investment Group LLC's CRD number is: 288159.*

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## **Item 2: Material Changes**

This constitutes DeepCurrents Investment Group's Other-Than-Annual Amendment to its Form ADV. Since the Firm's recent Annual Updating Amendment filed on March 28, 2018. The following change has been made in this brochure:

- Item 1. The Disclosure Brochure has been amended to reflect that DeepCurrents Investment Management Group LLC's address has changed.
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- There have been no other changes since the last update to this Disclosure Brochure on March 28, 2018

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## **Item 4: Advisory Business**

### **A. General Description of Advisory Business**

DeepCurrents Investment Group LLC (hereinafter “DCIG” or the “Firm”) is a limited liability company organized in the state of Delaware. The Firm was formed in September 2016, and the principal owner is Kai (Steve) Zheng. DCIG registered as an investment advisor with the SEC in April of 2017.

### **B. Description of Advisory Services**

DCIG is an investment adviser providing discretionary investment advisory services to a variety of clients. Currently, DCIG has the following clients: DCIG Capital Master Fund LP, a Cayman Islands limited partnership (the “Master Fund”), DCIG Capital LP, a Delaware limited partnership (the “Onshore Feeder”), and DCIG Capital Ltd, a Cayman Islands limited company (the “Offshore Feeder” and together with the Master Fund and the Onshore Feeder, “DCIG Capital”). The Onshore Feeder and the Offshore Feeder invest in the Master Fund, which serves as the trading vehicle. DCIG Capital seeks to achieve positive absolute returns while minimizing downside volatility. A more complete description of the investment strategy specific to DCIG Capital is set forth in DCIG Capital’s relevant offering documents. DCIG has ultimate discretion and control over DCIG Capital and its investments. The terms of the advisory relationship between DCIG Capital and DCIG, as well as the terms governing an investment in DCIG Capital, are set forth in DCIG Capital’s offering and related documents (the “Offering Documentation”).

DCIG also acts as a sub-adviser to a private investment fund (the “Sub-Advised Fund”), providing discretionary investment advisory services subject to the terms of the Sub-Advised Fund’s investment management agreement and other related agreements which set forth certain guidelines or restrictions related to DCIG’s permitted and restricted investment activities as they relate to the Sub-Advised Fund. With respect to the Sub-Advised Fund, DCIG (i) does not have custody of its assets, (ii) cannot determine the final value of the Sub-Advised Fund’s positions, (iii) cannot transfer cash or securities out of the Sub-Advised Fund, and (iv) cannot enter into any agreements on behalf of the Sub-Advised Fund.

DCIG Capital, the Sub-Advised Fund, and any future funds or separately managed accounts advised by DCIG are referred to as “Clients” and investors in DCIG Capital are referred to as “Investors” in this brochure.

### **C. Availability of Customized Advisory Services**

The investment services offered by DCIG with respect to any Client are subject to the terms and conditions set forth in the investment management agreement with such Client and, with respect to DCIG Capital, are set forth in the Offering Documentation. Investors in DCIG Capital generally may not impose restrictions on the types of securities or investments that are made on DCIG Capital’s behalf.

### **D. Wrap Fee Programs**

DCIG does not currently offer wrap fee programs.

### **E. Assets Under Management**

As of February 28, 2018, DCIG had approximately \$440.6 million in discretionary regulatory assets under management.

## **Item 5: Fees and Compensation**

### **A. Advisory Fees and Compensation**

With respect to DCIG Capital, DCIG receives a management fee based on total capital. Such fees are paid by DCIG Capital to DCIG and are ultimately borne by Investors in DCIG Capital. The fees applicable to an Investor in DCIG Capital are set forth in the Offering Documentation and the subscription documentation relating to such Investor.

An affiliate of DCIG Capital, DCIG GP LLC, the general partner of the Master Fund and the Onshore Feeder (the “General Partner”), is also entitled to receive incentive compensation based on appreciation of the portfolio, subject to a high-water mark. Please see Item 6: Performance-Based Fees and Side-By-Side Management, for more details.

For the investment services provided to the Sub-Advised Fund, DCIG receives a pre-negotiated management fee, and a performance based fee, as determined in accordance with the investment management agreement.

Generally, DCIG’s fees are not negotiable.

### **B. Payment of Fees**

With respect to DCIG Capital, the fees described above are deducted directly out of DCIG Capital’s accounts. Asset based management fees are deducted and paid monthly in advance. Incentive based compensation is generally accrued monthly and paid annually or upon a withdrawal by an Investor from a Client.

The compensation for advisory services provided by DCIG to the Sub-Advised Fund is paid in accordance with the investment management agreement.

### **C. Other Fees and Expenses**

Expenses incurred by DCIG Capital that are borne by Investors are described in the Offering Documentation and include, without limitation, custodian and administrator fees, brokerage fees, transaction fees, financing costs, audit and tax preparation costs, legal and other professional fees, and certain other fees and expenses relating to the research and trading activities of DCIG on behalf of DCIG Capital.

### **D. Fees Paid in Advance**

Except for asset based management fees described above, which are paid monthly in advance, DCIG does not require Investors in DCIG Capital to pay fees in advance. Management fees with respect to capital withdrawn prior to a month end will be rebated pro rata.

### **E. Compensation for the Sale of Interests**

None of DCIG or any of its supervised persons accepts compensation for the sale of securities or other investment products, including interests in DCIG Capital.

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

As mentioned in Item 5: Fees and Compensation, DCIG's affiliate, the General Partner, receives performance based compensation from DCIG Capital and DCIG receives performance based compensation from the Sub-Advised Fund. DCIG (or an affiliate) may in the future receive performance based fees from other clients. As a result, DCIG faces conflicts of interest in the allocation of investment opportunities (i.e., DCIG personnel may have an incentive to allocate favorable opportunities or otherwise favor clients from which DCIG receives greater performance based fees). In order to mitigate these conflicts of interest, DCIG has an allocation policy that is designed to treat Clients fairly and in a manner consistent with DCIG's fiduciary obligations. Incentive based compensation is generally accrued monthly and paid annually or upon a withdrawal by an Investor from a Client.

## **Item 7: Types of Clients**

DCIG currently provides advisory services only to pooled investment vehicles.

There is a \$1,000,000 minimum to invest in DCIG Capital, subject to reduction or waiver in certain limited instances.

## **Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

DCIG utilizes a variety of relative value arbitrage strategies including but not limited to credit, convertible, volatility, capital structure, sovereign and event driven. In conjunction with quantitative processes, DCIG may perform fundamental research at either or both of the micro and macro levels to develop and implement trades and hedging strategies. DCIG may invest in any type of financial instrument and is not limited by geography, size, asset class or by any other component in its pursuit of its investment strategy. DCIG's investment process can generally be broken down into three steps:

Idea Sourcing - DCIG uses proprietary tools to scan its trading universe for mispriced securities.

Trade Construction - Trade ideas are analyzed in terms of perceived risk/reward and discrete risks, with a focus on non-traditional dimensions of value.

Portfolio Optimization - Strategies are initially sized and subsequently hedged based on overall portfolio dynamics.

The above methods of analysis and investing strategies involve the risk of loss which Investors should be prepared to bear.

## B. Material Risks Relating to Investment Strategies

The methods of analysis and strategies utilized by DCIG in providing investment services involve various risks which could lead to significant Investor losses. Below is a description of certain risks that may be present for instruments used by DCIG when executing a Client's investment strategy.

***Investment and Trading Risks Generally.*** All investments risk the loss of capital. No guarantee or representation is or will be made that DCIG's program will be successful. DCIG's investment program may involve, without limitation, risks associated with limited diversification, short-selling, equity risks, distressed issuers, interest rates, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in DCIG's activities. Certain investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which investors may be subject. In addition, DCIG's investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where DCIG invests its assets.

DCIG's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

***Turnover.*** DCIG's capital will be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions, mark-ups and fees. These commissions and fees will, of course, reduce investment returns.

***Reliance on Quantitative Analysis.*** DCIG's investment strategies may rely upon quantitative models and systems. Such models and systems may entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that DCIG will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose Clients to the risk of significant losses. In addition, the analytical techniques used by DCIG cannot provide any assurance that Clients will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by DCIG change in ways not anticipated by DCIG. The effectiveness of quantitative models and systems may diminish over time, and attempts to apply existing quantitative models and systems to new or different markets, strategies or securities may prove ineffective.

To the extent that information regarding the Client positions or trades becomes or is required to be made publicly available, there is a material risk that other market participants may seek to reverse engineer DCIG's quantitative investment strategies from such public information. The use of DCIG's investment strategies by other persons, whether as a result of reverse engineering, "frontrunning" or other actions, may have a material adverse effect on the performance of Client portfolios.

***Reliance on Fundamental Analysis.*** DCIG may base its trading decisions, in whole or in part, on fundamental analysis. Fundamental trading systems consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, the fundamental trading systems may not be able to detect and/or accurately predict price trends. There can be no guarantee that DCIG's fundamental trading systems will enable DCIG to accurately value the securities in which DCIG invests or that any anticipated price trends will materialize with respect to such investments.

***Discretionary Aspects of DCIG's Strategies.*** While DCIG does make use of quantitative analysis and computer models to assist its trading, it also relies on its market judgment and experience in trading, which exposes Clients to the risk of error or incorrect judgments on the part of DCIG.

***Relative Value and Directional Investments.*** Many of DCIG's investment strategies depend on its ability to accurately predict future price movements or the convergence of market prices toward the theoretical values expected by DCIG. Any such attempt to predict future price movements is inherently risky and inaccurate. Often, price movements are determined by unanticipated factors, and DCIG's analysis of known factors may prove incorrect, in each case potentially leading to substantial losses to Clients.

***General Risks of Arbitrage Transactions.*** The success of arbitrage strategies (whether convertible arbitrage, merger arbitrage, volatility arbitrage, capital structure arbitrage, sovereign arbitrage or otherwise) depends often on the ability to execute two or more simultaneous transactions at desired prices. Should such transactions not be executed simultaneously at the desired prices, losses may be incurred on both sides of the transaction. Additionally, separate costs are incurred on both sides of an arbitrage transaction, and substantial favorable price moves may be required before a profit can be realized. There can be no assurances that the hedging and arbitrage strategies used by DCIG will be successful. The market values of related securities may not move in correlation with each other or in ways anticipated by DCIG, and intervening events may cause hedged positions not to perform as anticipated. A hedged position may perform less favorably in generally rising markets than an unhedged position.

***Convertible Arbitrage Transactions.*** DCIG will take long and short positions in convertible bonds. In an effort to remain market neutral with respect to its purchase of convertible securities, DCIG may hedge the purchase of convertible securities by the simultaneous short sale of another related security (e.g., the short sale of some portion of the common stock into which the securities on the long side are convertible or the sale of the related option). To the extent that there are losses on a long position, and the hedged portion (short position) of the strategy is not sufficient to completely offset such losses, Clients will incur a loss. Losses also may be incurred if the prices of two securities which are arbitrated against each other do not move as expected. Additionally:

- Losses may result if DCIG holds securities of a company that is taken over at a price that does not generate profits on the long portion of the convertible security sufficient to recoup the premiums paid and any accrued but unpaid interest that would be lost if conversion became necessary.
- If an issuer's credit status weakens, the value of the convertible position may decline, resulting in losses due to decreases in the position's market conversion value and investment value, a decline in the market price of the underlying common stock and/or a reduction in liquidity. While these losses will, to some extent, be offset by the hedge component of the position (i.e., the short sale of the common stock or option), such losses nonetheless potentially are significant.
- Certain securities are callable by the issuer. If the call is at a price below the then-current market price, losses may result due to interest that has been accrued but has not been paid at the time of the conversion of the called security. Additionally, losses may occur if an issuer declares a special dividend or spin-off which either causes a reduction in the premium of the security and/or forces a premature conversion.
- DCIG's Clients may incur losses if a security lender demands that the Client return its borrowed security and the Client is unable to find an alternative-lending source. In such event, the Client may be forced to convert the security, lose accrued interest, unwind the



position at unfavorable prices or purchase securities to cover the position at a price that is higher than that which would be available in an orderly market.

***Capital Structure Arbitrage.*** DCIG may trade the spreads in the debt of companies with multiple classes of debt, trading the spreads in the equity of companies with multiple classes of equity and/or trading combinations of a company's debt and equity, in each case to take advantage of relative mispricings. DCIG may be incorrect in its assumption and the Client may not realize profits from such investments. Moreover, DCIG may be correct in its assumption but may not be able to maintain such investments long enough for them to be profitable.

***Event Driven/Risk Arbitrage.*** DCIG may engage in event driven and risk arbitrage transactions where it will purchase or sell short securities at prices below or above the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer or other similar transaction. If the proposed merger, exchange offer, tender offer or other similar transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security purchased by DCIG may decline sharply and result in losses if such securities are sold, transferred or exchanged for securities or cash, the value of which is less than the purchase price. Alternatively, DCIG may sell a security short or enter into an option strategy in anticipation of the security's price not exceeding a specific value or remaining within a certain value range. If the proposed merger, exchange offer, tender offer or other similar transaction were to occur at a price in excess of that anticipated at the time of such trade, the Client may incur a loss on such short sale or option strategy. In certain transactions, DCIG may not be "hedged" against market fluctuations. This can result in losses, even if the proposed transaction is consummated. In addition, a security to be issued in a merger or exchange offer may be sold short by DCIG in the expectation that the short position will be covered by delivery of such security when issued. If the merger or exchange offer is not consummated, DCIG may be forced to cover their short position at a higher price than its short sale price, resulting in a loss.

***Credit Arbitrage.*** Credit arbitrage strategies generally involve spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss on the position will occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably, causing a loss to the spread position. Substantial risks are involved in trading in government securities, corporate securities, investment company securities, commodity and financial futures, options, and the various other instruments and investments that fixed income arbitrage strategies may trade. Substantial risks are also involved in borrowing and lending against such investments. The prices of these investments can be volatile, market movements are difficult to predict and financing sources and related interest and exchange rates are subject to rapid change. Certain corporate, asset-backed and mortgage-backed securities may be subordinated (and thus exposed to the first level of default risk) or otherwise subject to substantial credit risks, including the risk of an issuer's inability to meet principal and interest payments on its obligations. Government policies, especially those of the Federal Reserve Board and non-U.S. central banks, have profound effects on interest and exchange rates that, in turn, affect prices in areas of the investment and trading activities of fixed income arbitrage strategies. Many other unforeseeable events, including actions by various government agencies and domestic and international political events, may cause sharp market fluctuations.

***Limited Diversification and Risk Management Failures.*** As described herein, the portfolios of DCIG's Clients will likely not be diversified to any material extent and, as a result, could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers whose securities are owned, decline. In addition, DCIG's Clients portfolios could become significantly concentrated in a limited number of issuers, types of financial instruments, industries, strategies, and will

be limited to a single country, and any such concentration of risk may increase losses. This limited diversity could expose DCIG's Clients to losses disproportionate to market movements in general. Although DCIG generally will attempt to identify, monitor and manage significant risks, these efforts will not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in DCIG's risk management efforts could result in material losses.

The above description of risks relating to the primary methods of analysis and strategies utilized by DCIG is by no means exhaustive and Investors should consult the Offering Documentation for a fuller description of the risks involved in an investment in DCIG Capital.

### C. Risks Associated with the Securities we Trade

**Equity Risks.** DCIG will invest in equity securities. The market price of such securities may go up or down, sometimes rapidly or unpredictably. A risk to DCIG's Clients is that the equity securities in their respective portfolios will decline in value due to factors affecting equity securities markets generally or the sectors in which DCIG invests. 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 DCIG believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame DCIG anticipates. As a result, a Client may lose all or substantially all of its investment in any particular instance.

**Use of Derivatives.** DCIG uses derivative instruments, including without limitation, option contracts, swap agreements and forward contracts, and derivative techniques, including without limitation, synthetic short sales, for various hedging and/or speculative purposes. The use of such instruments and techniques may result in leveraging Client assets, thereby exposing the Client to significant risks.

Among other things, the prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Uncertainties remain as to how the markets for these instruments will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a trader, thereby causing substantial losses. Many of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force a trader to close out its positions).

Futures. In the futures markets, margin deposits typically range between 2% and 15% of the value of the futures contract purchased or sold. Because of these low margin deposits, futures trading is inherently highly leveraged. As a result, a relatively small price movement in a futures contract may result in immediate and substantial losses to the trader. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent DCIG from promptly liquidating unfavorable positions and thus subject Client’s to substantial losses. In addition, DCIG may not be able to execute futures contract trades at favorable prices if little trading in the contracts involved is taking place. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Certain commodity exchanges have also established limits, referred to as “position limits,” on the maximum net long or net short positions which any person may hold or control in particular commodity futures contracts. DCIG may have to modify its investment and trading decisions, and might have to liquidate positions, in order to avoid exceeding such limits. If this should occur, it could adversely affect DCIG’s Clients.

Options. There are various risks inherent in options trading. For example, the seller (writer) of a covered call option (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security to a level below the purchase price of the security, less the premium received by the writer for writing the option. The writer of a covered call option also gives up the opportunity for gain on the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium invested in the option. The seller (writer) of a covered put option (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option less the premium received on the put option. The buyer of a put option assumes the risk of losing the premium it paid to purchase the put option. There is an unlimited risk of loss associated with selling options.

The options markets have the authority to prohibit the exercise of particular options, which if imposed when trading in the option has also been halted, would lock holders and writers of that option into their positions until one of the two restrictions has been lifted.

DCIG also may trade options on futures contracts. Such an option is a right, purchased for a certain price, to either buy or sell the underlying futures contract during a certain period of time for a fixed price. Trading options on futures is speculative and highly leveraged.

Specific market movements of the futures contracts underlying an option cannot accurately be predicted. If DCIG purchases an option, it will be subject to the risk of losing the entire purchase price of the option. On the other hand, if DCIG writes (sells) an option, it will be subject to the risk of loss resulting from the difference between the amount received for the option and the price of the futures contract underlying the option which DCIG must purchase or deliver upon exercise of the option.

Combination Transactions. DCIG may engage in spreads or other combination options transactions involving the purchase and sale of related options and futures contracts. These transactions are considerably more complex than the purchase or writing of a single option. They involve the risk that executing simultaneously two or more buy or sell orders at the desired prices may be difficult or impossible, the possibility that a loss could be incurred on both sides of a multiple options transaction, and the possibility of significantly increased risk exposure resulting from the hedge against loss inherent in most spread positions being lost as a result of the assignment of an exercise to the short leg of a spread while the long leg remains outstanding. Also, the transaction costs of combination options transactions can be especially significant because separate costs are incurred on each component of the combination.

Straddles. In straddle writing, where the investor writes both a put and a call on the same underlying interest at the same exercise price in exchange for a combined premium on the two writing transactions, the potential risk of loss is unlimited. To the extent the price of the underlying interest is either above or below the exercise price by more than the combined premium, the writer of a straddle will incur a loss when one of the options is exercised. If the writer is assigned an exercise on one option position in the straddle and fails to close out the other position, subsequent fluctuations in the price of the underlying interest could cause the other option to be exercised as well, causing a loss on both writing positions.

Forward Trading. DCIG may utilize forward contracts and options thereon which, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market in which DCIG trades due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which DCIG would otherwise recommend, to the possible detriment of Client portfolios. Market illiquidity or disruption could result in major losses to DCIG’s Clients.

In the forward markets, margin deposits may be even lower than in other markets or may not be required at all. Such low or non-existent margin deposits are indicative of the fact that any trading in the forward markets typically is accompanied by a high degree of leverage.

Investing in the forward markets typically is accompanied by a high degree of leverage.

**Swaps.** DCIG may enter into swap agreements and options on swap agreements (“*swaptions*”). These agreements can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. DCIG, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, financial instruments, indexes of financial instruments and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease exposure to, for example, equity financial instruments, long-term or short-term interest rates, foreign currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. DCIG is not limited to any particular form of swap agreement. Whether DCIG’s use of swap agreements or swaptions will be successful will depend on its ability to select appropriate transactions. Swap transactions may be highly illiquid and may increase or decrease the volatility of Client portfolios. Moreover, DCIG’s Clients will bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. DCIG’s Clients will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of DCIG to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect DCIG’s ability to terminate swap transactions or to realize amounts to be received under such transactions.

**Short Selling.** DCIG expects to engage in short selling. 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, DCIG will engage in short sales only where it believes the value of the security will decline between the date of the sale and the date it is required to return the borrowed security. The making of short sales will expose DCIG’s Clients to the risk of liability for the market value of the security that is sold, which will be 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 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 DCIG 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.

**Highly Volatile Markets.** The prices of financial instruments in which DCIG may invest can be volatile. Price movements of the financial instruments in which Client assets may be invested will be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. DCIG’s Clients will be subject to the risk of failure of any of the Exchanges on which its positions trade or of its clearinghouses. In addition, governments from time to time intervene in certain markets, directly, by regulation and otherwise, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

**Litigation.** DCIG’s investment activities may subject Clients, the General Partner and DCIG to the risks of becoming involved in litigation with third parties. The expense of defending against claims against

a Client by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by the Client, reduce distributions and could require Investors to return distributed capital and earnings to the Client. The General Partner, DCIG and their respective affiliates will generally be indemnified by Clients in connection with any such litigation, subject to certain conditions.

**Trading Decisions.** Trading decisions made by DCIG will be based on fundamental and other analysis. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that DCIG's strategies will be successful under all or any market conditions.

**Competition.** The markets in which DCIG expects to participate are extremely competitive. There can be no assurance that DCIG will be able to identify or successfully pursue attractive investment opportunities in this environment. Investors should expect that DCIG's investments will involve substantially more company specific and market risk and associated volatility in the future than the risks involved in such investments in the past. DCIG will compete with many firms, some of which may have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to DCIG and its Clients.

**Less Liquid Instruments.** DCIG may invest in securities which may be thinly traded. In addition, DCIG may from time to time hold large positions in Client portfolios with respect to a specific type of instrument, which may reduce liquidity. DCIG may be unable to timely dispose of certain assets, which would adversely affect DCIG's ability to rebalance Client portfolio's or to meet withdrawal requests. In addition, such circumstances may force DCIG to dispose of assets at reduced prices, thereby adversely affecting performance. If there are other market participants seeking to dispose of similar assets at the same time, DCIG may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if a Client portfolio incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, DCIG's counterparties could incur losses of their own, thereby weakening their financial condition and increasing DCIG's Clients' credit risk to them.

DCIG may also invest in securities that are subject to legal or other restrictions on transfer. DCIG or a Client may be contractually prohibited from disposing of such investments for a specified period of time. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and DCIG may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

**Hedging Transactions.** DCIG may utilize financial instruments, both for investment purposes and for risk management purposes, in order to: (i) protect against possible changes in the market value of a Client's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect unrealized gains; (iii) facilitate the sale of any such investments; (iv) preserve returns, spreads or gains on any investment in a Client portfolio; (v) hedge against a directional trade; (vi) protect

against any increase in the price of any securities DCIG anticipates purchasing at a later date; or (vii) for any other reason that DCIG deems appropriate.

The success of DCIG's hedging strategies will depend, in part, upon its ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of DCIG's hedging strategy will also be subject to the its ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While DCIG may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if it had not engaged in such hedging transactions. For a variety of reasons, DCIG may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent DCIG from achieving the intended hedge or expose Clients to risk of loss. DCIG will not be required to hedge any particular risk in connection with a particular transaction or its portfolios generally. Moreover, it should be noted that Client portfolios will always be exposed to certain risks that may not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings.

***Trend Following.*** DCIG may use its models to identify apparently overpriced or underpriced options in relationship to an assumed norm. In addition, analyses of price and other fluctuations over time will be relied upon which utilize charts and computers in order to discern and predict trends. Trading based on such analyses is subject to the risks that options premiums will not increase or decrease as predicted by the analysis, or that trades dictated by the analysis may not be executed in time to take advantage of the price disparities. This latter risk is likely to materialize when numerous market makers use similar analyses, all of which dictate the desirability of executing identical or similar contracts. In the past, there have been periods without identifiable trends and, presumably, such periods will continue to occur. Trading models or analyses that depend upon the forecasting of trends will not be profitable if there are not identifiable trends of the kind that the models or analyses seek to follow. Any factor which would make it more difficult to execute trades in accordance with the models or analyses signals, such as a significant lessening of liquidity in a particular market, would also be detrimental to profitability.

***Fixed Income Securities.*** DCIG will invest in bonds and other fixed income securities of issuers including, without limitation, debt obligations issued by the US government. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which DCIG invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

***Trading in Non-U.S. Companies and Markets.*** DCIG will trade in non-U.S. markets and/or trade in the securities of non-U.S. companies involves certain considerations not usually associated with trading in securities of U.S. companies, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gains or other income; the small size of some markets in foreign countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict investment opportunities. In addition, accounting and financial reporting standards that prevail in foreign countries generally are not

equivalent to United States standards and, consequently, less information may be available to investors in companies located in foreign countries than is available to investors in companies located in the United States.

There is also less regulation, generally, of the financial markets in foreign countries than there is in the United States. For example, some foreign exchanges, in contrast to domestic exchanges, are “principals’ markets” in which performance is the responsibility only of the individual member with whom the trader has entered into a contract and not of an exchange or clearing corporation. In such a case, an investor is subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts.

**Currency Risk.** DCIG’s Clients may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the a position in Client portfolios. DCIG may trade currencies and financial instruments in interbank and forward contract markets which DCIG believes to be well-established and of recognized standing. DCIG may effect such trades with brokers and other market participants which it believes to be creditworthy.

**Trading in OTC Markets.** DCIG may engage in over-the-counter (“**OTC**”) derivative transactions, such as currency forward contracts traded in the interbank market; options on currency forward contracts and certain swap agreements.

In general, there is less governmental regulation and supervision of transactions in the OTC markets than of transactions entered into on organized exchanges. Most of the protections afforded to participants on U.S. and certain non-U.S. exchanges, such as daily price fluctuation limits and the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions.

DCIG’s Clients will be exposed to greater risk of loss through default than if they confined their trading to organized exchanges.

**Foreign Exchange Trading.** DCIG will trade Foreign exchange currencies (“**Forex**”). There are no restrictions on the currency pairs traded by DCIG trading Forex.

The assets Client portfolios allocated to trading Forex are at risk for fluctuations in the exchange rate between the currencies in which they trade and U.S. dollars. There is no restriction on how much of DCIG’s trading might be on foreign markets. DCIG may also trade options on currencies. Although the currency market is not believed to be necessarily more volatile than the markets in other commodities, there is less protection against defaults in Forex trading because such contracts are not effected on or through an exchange or clearinghouse. Therefore, with respect to this trading, Client assets allocated to trading Forex are not afforded the protections provided by trading on regulated exchanges, including segregation of funds. In any principal contract, DCIG must rely on the creditworthiness of their counterparty.

The trading of Forex subjects Clients to a variety of risks including: 1) counterparty risk; 2) basis risk; 3) interest rate risk; 4) settlement risk; 5) legal risk; and 6) operational risk. Counterparty risk is the risk that the counterparties trading Forex might default on their obligation to pay or perform generally on their obligations. The over-the-counter markets and some foreign markets are “principals’ markets.” That means that performance of the contract is the responsibility only of the individual firm or member on the other side of the trade and not any exchange or clearing corporation. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where DCIG has concentrated its transactions with a single or small group of counterparties. Basis risk is the risk attributable to the movements in the spread between the derivative contract price and the future price of the underlying instrument. Interest rate risk is the general risk associated with movements in interest rates.



Settlement risk is the risk that a settlement in a transfer system does not take place as expected. Legal risk is the risk that a transaction proves unenforceable in law or because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and procedures. Transactions in over-the-counter derivatives may involve other risks as well, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Additionally, Forex trading is highly leveraged and a small movement in the relative value of the currencies traded may result in a large gain or loss for DCIG. The use of leverage magnifies the degree of risk as well as the opportunity for gain.

***Cash and Cash Equivalent Investments.*** DCIG may invest Client assets in cash or cash equivalent items for investment purposes, pending other investments, as collateral or as provision of margin for derivative instruments. These cash items generally are of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by DCIG. While these investments generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses.

***Broad Investment and Trading Mandate.*** DCIG Capital's organizational documents and investment management agreements do not impose significant restrictions on DCIG's investing and trading for and permits DCIG to invest and trade in a broad range of financial instruments. DCIG may engage in any strategies from time to time (either in lieu of or in addition to the strategies described herein) to take advantage of changing market conditions and investment opportunities, without notice to the Investors. This could involve changes in the types of financial instruments in which DCIG trades and invests, as well as changes in the markets in which such instruments trade. There can be no assurance that pursuing additional strategies, either in lieu of or in addition to the three principal strategies described herein, would be successful or not result in losses.

### **Leverage and Liquidity Risks**

DCIG generally will have the power to borrow funds on behalf of Clients (or otherwise incur leverage) and may do so when deemed appropriate. DCIG may borrow funds from brokers, banks and other lenders to finance its investing and trading operations, which borrowings may be secured by Client assets. The use of such leverage can, in certain circumstances, maximize the losses. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or the portfolio as a whole is leveraged. The cumulative effect of the use of leverage in a market that moves adversely to DCIG's investments could result in a substantial loss, which would be greater than if leverage had not been employed. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options and other derivatives.

The use of margin, derivatives and short-term borrowings may result in substantial interest and financing costs and may create other or additional risks. Specifically, DCIG may use a significant portion of Client capital for margin and collateral deposits. If the value margined securities or derivatives positions falls below the margin or collateral levels required by a prime broker, custodian or other counterparty, additional margin or collateral deposits would be required. If the Client is unable to satisfy any margin or collateral call by a prime broker, custodian or other counterparty, then such custodian or other counterparty could terminate transactions, liquidate such Client's position in some or all of the financial instruments that are in the Client's margin or collateral accounts at the custodian or other counterparty and otherwise cause the Client to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of

other material defaults under margin or other financing agreements, may trigger cross-defaults under the Client's agreements with other brokers, custodians, lenders or counterparties, multiplying the adverse impact to the Client. In addition, because the use of leverage will allow the Client to control positions worth significantly more than its investments in those positions, the amount that Client may lose in the event of adverse price movements may be high in relation to the amount of its investments.

In the event of a sudden drop in the value of a Client's assets, DCIG might not be able to liquidate assets quickly enough to satisfy its margin or collateral requirements or other contractual obligations. In that event, the Client may become subject to claims of financial intermediaries that extended margin loans or other types of credit. Such claims could exceed the value of the assets of the Client. The banks, dealers and other custodians and counterparties that provide financing to the Client can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks, dealers and other custodians or counterparties in any of the foregoing may result in large margin or collateral calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that DCIG will be able to secure or maintain adequate financing, without which the Client may not continue to be viable.

The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involves little or no margin deposit and, therefore, will provide substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to Client portfolios. In addition, DCIG will have unlimited discretion to use derivative instruments, which generally provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment.

### **Counterparty Risks**

DCIG expects to establish relationships to obtain financing, engage in derivative transactions and obtain prime brokerage and other services and enter into various transactions with third parties, all of which will permit DCIG to trade in any variety of markets or asset classes over time; however, there can be no assurance that DCIG will be able to maintain such relationships or establish such relationships in the future. An inability to establish or maintain such relationships would limit DCIG's trading activities and could create losses, preclude DCIG from engaging in certain transactions, derivative intermediation financing and prime brokerage services and prevent DCIG from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative and prime brokerage services provided by any such relationships or a significant change in terms relating to financing rates or leverage by such counterparties could have a significant and/or negative impact on DCIG's business and Client portfolios, including requiring the liquidation of positions on unfavorable terms.

Some of the markets in which DCIG may effect its transactions are "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes DCIG's Clients to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the Client to suffer a loss. In addition, in the case of a default, the Client could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where DCIG has concentrated transactions with a single counterparty or small group of counterparties. *See "Brokerage and Custody."*

Furthermore, there is a risk that any of DCIG's counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of such counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of Client securities and other assets

from prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

DCIG may use counterparties located in jurisdictions outside the United States. Such counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to Client assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on DCIG and its Clients' assets.

DCIG is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, DCIG's internal process for evaluating the creditworthiness of its counterparties may prove insufficient. The ability of DCIG to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of DCIG's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by DCIG's Clients.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client/investor, should be prepared to bear.**

**Investors should review the Offering Documentation for a more detailed discussion of the risks involved in DCIG's investment strategies, including without limitation, operational and business risks, liquidity risk, tax risk, regulatory risk and counterparty risk.**

## **Item 9: Disciplinary Information**

There are no criminal or civil actions, administrative proceedings, or self-regulatory organization proceedings to report.

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

A. Neither DCIG nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

B. Neither DCIG nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

C. The General Partner, a related person of DCIG, serves as the Master Fund's and the Onshore Feeder's general partner. This relationship creates an incentive for DCIG to make investment allocations that are riskier or more speculative than would be the case if the General Partner did not receive incentive compensation from the Master Fund for serving as the general partner.

D. DCIG does not utilize nor select third-party investment advisers. All assets are managed by DCIG management.

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

DCIG has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. DCIG's Code of Ethics is available free upon request to any client/investor or prospective client/investor.

DCIG does not recommend that clients buy or sell any security in which a related person to DCIG or DCIG has a material financial interest.

From time-to-time, representatives of DCIG may buy or sell securities for themselves that they also recommend to Clients. This may provide an opportunity for representatives of DCIG to buy or sell the same securities before or after recommending the same securities to Clients resulting in representatives profiting off the recommendations they provide to Clients. Such transactions may create a conflict of interest. DCIG will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

From time-to--time, representatives of DCIG may buy or sell securities for themselves at or around the same time as Clients. This may provide an opportunity for representatives of DCIG to buy or sell securities

before or after recommending securities to Clients resulting in representatives profiting off the recommendations they provide to Clients. Such transactions may create a conflict of interest; however, DCIG's Code of Ethics prohibits in trading that operates to the Client's disadvantage if representatives of DCIG buy or sell securities at or around the same time as Clients.

## **Item 12: Brokerage Practices**

### **A. Selection of Broker Dealers**

DCIG is authorized to determine the broker or dealer to be used for each securities transaction for Clients. In selecting brokers or dealers to execute transactions, DCIG need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. DCIG selects brokers based on a number of factors, including quality of execution, price, value of research and market information provided and value of trade ideas provided. DCIG currently does not use "soft dollars." If DCIG does establish such arrangements in the future, it intends to remain within the safe harbor parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended. DCIG may trade equity or other securities with brokers, or may custody securities with prime brokers, that provide cap intro or other services. DCIG will periodically review trading activity with such brokers to confirm that it is in compliance with applicable rules and regulations. To the extent brokers or custodians provide cap intro or research services, DCIG may have an incentive to favor such brokers or custodians in allocating trades and custodial services.

DCIG currently receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party. DCIG does not engage in directed brokerage.

### **B. Aggregation of Orders**

DCIG often aggregates orders when trading securities for its clients in order to facilitate execution. DCIG's aggregation policy requires that all clients be treated fairly and equitably over time and that unless otherwise noted, each participating account receives pro rata the average price of aggregated trades while transaction costs are shared pro rata based on participation.

## **Item 13: Review of Accounts**

All Client accounts for DCIG's advisory services provided on an on-going basis are reviewed at least monthly by Kai (Steve) Zheng, Managing Member, with regard to Clients' respective investment policies and risk tolerance levels and may be reviewed more frequently as necessary from time to time depending on market circumstances, among other things.

DCIG will provide periodic (generally, monthly) written reports to Investors containing certain performance information.

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

DCIG does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to DCIG's Clients.

DCIG does not directly or indirectly compensate any person who is not advisory personnel for Client referrals.

## **Item 15: Custody**

The General Partner, an affiliate of DCIG, serves as the general partner to the Master Fund and the Onshore Feeder and DCIG directly with respect to the Offshore Feeder, is deemed to have custody over the funds and securities of DCIG Capital. DCIG does not have custody of the assets of the Sub-Advised Fund.

Investors in DCIG Capital receive monthly written reports from DCIG Capital's administrator and on an annual basis receive a report summarizing the audit undertaken by a PCAOB approved firm.

## **Item 16: Investment Discretion**

DCIG provides discretionary investment advisory services to Clients. The advisory contract established with each Client sets forth the discretionary authority for trading. Where investment discretion has been granted, DCIG manages the Client's account and makes investment decisions without consultation with the Client or Investors in the Client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share.

## **Item 17: Voting Client Securities (Proxy Voting)**

With respect to DCIG Capital, DCIG has authority to vote proxies. DCIG has established general guidelines for voting proxies. DCIG may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that a Client's interests are better served by abstaining. Further, because proxy proposals and individual company facts and circumstances may vary, DCIG may vote in a manner that is contrary to the general guidelines if it believes that doing so would be in a Client's best interest. If a proxy proposal presents a conflict of interest between DCIG and a Client, then DCIG will disclose the conflict of interest to the Client prior to the proxy vote and, if participating in the vote, will vote in accordance with the Client's wishes.

Clients may obtain a complete copy of the proxy voting policies and procedures by contacting DCIG in writing and requesting such information. Each Client may also request, by contacting DCIG in writing, information concerning the manner in which proxy votes have been cast with respect to portfolio securities held by the relevant client during the prior annual period.

## **Item 18: Financial Information**

DCIG neither requires nor solicits prepayment of more than \$1,200 in fees per Client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

Neither DCIG nor its management has any financial condition that is reasonably likely to impair DCIG's ability to meet contractual commitments to Clients.

DCIG has not been the subject of a bankruptcy petition in the last ten years.