

Athanor Capital, LP

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This “**Brochure**” provides information about the qualifications and business practices of Athanor Capital, LP. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Hilario Ramos, by email at Hilario.ramos@athanorcapital.com. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Athanor Capital, LP is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that Athanor Capital, LP or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Athanor Capital, LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Since the last ADV filing, the Firm has launched new separately managed accounts. As such, the separately managed accounts have been added to this Brochure.

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Item 4: Advisory Business

Athanor Capital, LP is a Delaware limited partnership (hereinafter "**Athanor**", "**we**", "**us**", "**our**", the "**Firm**", the "**Partnership**", or the "**Investment Manager**") founded in 2017 by Parvinder Thiara (the "**Principal**"). Athanor serves as the investment adviser, with discretionary trading authority over private pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the "**1940 Act**"), and whose securities are not registered under the Securities Act of 1933, as amended (the "**Securities Act**") (such vehicles, the "**Funds**"). The Funds' investors are hereafter collectively referred to as the "**Investors**" where appropriate. We do not tailor our advisory services to the individual needs of any particular Investor.

In addition, Athanor serves as an investment adviser with discretionary trading authority over separately managed accounts (the "**Separately Managed Accounts**"). Separately Managed Accounts, Funds, and Investors may be referred to as Clients throughout this document.

Athanor has a strategic relationship with a strategic investor and certain of its affiliates (collectively, the "**Strategic Investor**"). The Strategic Investor has made investments in the Funds.

*This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. The Funds' securities are offered and sold on a private placement basis under exemptions promulgated under the "**Securities Act**" of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be "accredited investors" as defined in Securities Act and "qualified purchasers" as defined in the Investment Company Act of 1940. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

Our investment decisions and advice with respect to each Fund are subject to such Fund's investment objectives and guidelines, as set forth in its respective offering documents.

We do not currently participate in any Wrap Fee Programs.

The Firm has regulatory assets under management of \$594,035,259, all managed on a discretionary basis. Athanor aims to achieve risk-adjusted returns through a multidisciplinary relative value approach that attempts to exploit perceived inefficiencies. Athanor utilizes a hypothesis-driven process to select, size, and manage exposures. Athanor expects to express its view through investments in publicly traded equities, commodity derivatives, foreign exchange, interest rate instruments, credit instruments, options, and other listed and OTC instruments.

Item 5: Fees and Compensation

The fees applicable to each Fund and Separately Managed Accounts are set forth in detail in the respective Fund's offering documents and investment management agreements. A brief summary of such fees is provided below.

Management Fee

Athanor is paid an aggregate fixed management fee (the “**Management Fee**”) for its services, calculated and payable in advance as of the first business day of each month at a rate equal to a percentage of (a) the net asset value each Investor’s capital account pursuant to the terms of the investment management agreement between the Funds and the Investment Manager, and (b) the account notional value of each Separately Managed Account pursuant to the terms of the respective investment management agreements, each as applicable.

The Investment Manager may reduce, waive or calculate differently the Management Fee with respect to any Investor. The Investment Manager generally intends to waive the Management Fee for employees of the Investment Manager and certain affiliates and estate-planning vehicles thereof.

Performance Allocation

For each fiscal year, the general partner of the Funds (the “**General Partner**”) will be entitled to a performance allocation (the “**Performance Allocation**”) that is a percentage of any net profit allocable to each Investor’s capital account for such fiscal year in excess of any loss recovery with respect to such Investor’s capital account, adjusted for subscriptions, redemptions and distributions as described in the Agreements.

Performance Allocations will be allocated from capital accounts as of the close of each fiscal year (and as of each other date on which the General Partner determines it is appropriate or necessary to make a determination of the Performance Allocation with respect to an Investor, including a date on which an investor withdraws all or a portion of its capital account).

The General Partner may reduce, waive or calculate differently the Performance Allocation with respect to any Investor. The General Partner generally intends to waive the Performance Allocation for employees of the Investment Manager and certain affiliates and estate-planning vehicles thereof.

In addition, for each fiscal year, the Firm will be entitled to a performance fee (the “**Performance Fee**”) that is a percentage of any net profit of each Separately Managed Account for such fiscal year in excess of any loss recovery with respect to such Separately Managed Account.

Other Types of Fees or Expenses

The Investment Manager and its affiliates are authorized to incur and pay in the name and on behalf of the Funds all expenses which they deem necessary or advisable. The Investment Manager will be responsible for and shall pay, or cause to be paid, all Overhead Expenses that are not Fund or Separately Managed Account expenses. Generally, “**Overhead Expenses**” borne by the Investment Manager include expenses such as rent, utilities, charges for furniture, fixtures and office equipment, employee benefits including insurance, payroll and other taxes and compensation (and related costs) of all Investment Manager employees.

The Funds shall bear all expenses related to formation and operations (“**Fund Expenses**”) that are not Overhead Expenses, as set forth in the Agreements, including legal, accounting, bookkeeping, tax compliance, auditing, consulting and other professional expenses, including those of valuation firms; expenses associated with compliance with securities and commodities regulations and other regulatory matters, including AIFMD and the preparation

and filing of Form PF, Form D, and Form CPO-PQR; administration fees and other expenses charged by or relating to the services of third-party providers of administration services; third-party and out-of-pocket market data expenses (including, without limitation, news, quotation, statistics and pricing services, systems and software used in connection with the operation of the Funds and investment related activities, and hardware, software, data bases and other technical and services and equipment used in investment, order and portfolio management related activities and processes); fees and expenses, including interest (including, without limitation, commitment, structuring, and underwriting fees) on margin loans, committed loan facilities, total return swaps and other indebtedness; bank service, custodial and similar fees; fees and expenses related to the analysis, purchase, monitoring, custody, holding, restructuring, transfer, settlement, or sale of potential or existing investments, and other investment related expenses, whether or not the investments to which they relate are consummated; expenses associated with activist investment activities (including public relations, tender offer and proxy solicitation expenses); fees and expenses in connection with any advisory board or committee; taxes; filing and legal fees; costs and expenses incurred in connection with the reorganization, dissolution, winding up or termination of the Funds; costs and expenses incurred in connection with any meeting of the Investors relating to the Funds; costs and expenses associated with the admission of any Investor to the Funds, including in connection with the negotiation of an entry into side letters, modifications of the subscription agreement, or any similar agreements; expenses related to the Fund's indemnification obligations hereunder; such insurance, if any, as it shall deem necessary or appropriate for the conduct of the business of the Funds, including, without limitation, key man insurance policies; litigation expenses; and such other ordinary or extraordinary expenses associated with the operations of the Funds and its investment activities as it may deem necessary or proper to incur.

To the extent that expenses to be borne by the Funds and/or Separately Managed Accounts are paid by the Investment Manager or its affiliates, the Funds and/or Separately Managed Accounts will reimburse the Investment Manager or its affiliates for such expenses.

The Investment Manager may use "soft" or commission dollars, and retains the right to do so. If the Investment Manager uses soft dollars generated by the Funds or Separately Managed Accounts to pay certain expenses which would otherwise be payable by the such Clients, the Investment Management intends for such payments to fall within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**").

The Funds intend to amortize certain organizational expenses over a five-year period. Although the amortization of such expenses over a five-year period is a divergence from U.S. generally accepted accounting principles ("**GAAP**"), the Investment Manager believes that doing so is more equitable than requiring the initial Investors to bear all of the Funds' organizational expenses as would otherwise be required under GAAP. Such departure from GAAP may result in a qualified opinion being rendered on the Funds' financial statements, or if the Funds deem it necessary to issue financial statements strictly in accordance with GAAP, the Funds' net asset value may still be calculated by amortizing organizational and offering costs and will therefore differ from the financial statements determined in accordance with GAAP.

The Investment Manager may pay compensation to one or more persons for placement or referral services in connection with the offering of Fund interests, provided that the Funds and/or Separately Managed Accounts will not bear such fees and expenses.

The Funds may charge Investors redemption fees in certain circumstances. Such fees may be payable to the Funds or the Investment Manager as further described in the Agreements.

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

Performance Allocation and Performance Fee. The General Partner and the Investment Manager's principals and certain employees are expected to hold interests in the Funds and any other funds or Separately Managed Accounts that may co-invest side-by-side with the Funds or follow an investment program similar to or different from the Funds' program (the "**Related Funds**"). However, the General Partner's Performance Allocation and/or the Investment Manager's Performance Fee may create an incentive for the General Partner and the Investment Manager (and its principals and certain employees) to cause the Funds and/or Separately Managed Accounts to make investments that are riskier or more speculative than would be the case in the absence of such allocation. In addition, because the Performance Allocation and Performance Fee are calculated on a basis that includes unrealized appreciation of the Clients' assets, it may be greater than if the Performance Allocation and Performance Fee were based solely on realized gains. While there are currently no Related Funds managed by the Investment Manager and its affiliates, in the event a Related Fund is formed, such persons may be subject to conflicts of interest in allocating investments, including if such persons are invested in the Related Fund or if such Related Fund pays a higher Performance Allocation rate than the Funds.

Item 7: Types of Clients

Athantor currently provides investment advisory services to the Funds and the Separately Managed Accounts, as defined above. Investment advice is provided directly to the Funds, subject to the discretion and control of the General Partner or the board of directors of the applicable Fund and not individually to the Investors in the Funds.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

The descriptions set forth in this Brochure of specific advisory services that we offer to clients (including the Funds and Separately Managed Accounts), and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

Investment Process

The Investment Manager's process usually starts with macroeconomic observations including market dislocations, capital flows, regulatory changes, secular shifts and other major macroeconomic events. The Investment Manager seeks to determine whether these events have caused relative value mispricings.

Once a hypothesis that a macro event is causing a mispricing has been established, the Investment Manager seeks to validate or disprove it. The Investment Manager will generally

take significant positions if it can understand both the mispricing and its cause. The investment manager may also exploit opportunities outside of this process and protocol.

Risk of Loss Factors

An investment in the Funds and Separately Managed Accounts involves a high degree of investment risk, including the risk that the entire amount invested may be lost. The Funds will make investments using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of the Funds and Separately Managed Accounts will be realized. Below is a list of potential investment risk factors. There is no guarantee that this is a complete list of the risks, that the Funds will be able to control investment risks or that the risks will not aggregate in a manner adverse to each Fund.

Reliance on Management and Key Personnel. Investors have no right or power to take part in the management of the Funds and Separately Managed Accounts. Accordingly, no investor should purchase interests unless such investor is willing to entrust all aspects of the management of the Funds to the General Partner or board of directors and the Investment Manager. The investment performance of the Funds and Separately Managed Accounts depends largely on the skill of key personnel and investment professionals of the Investment Manager. If key personnel, including key investment or key technical staff, were to leave the Investment Manager, it might not be able to find equally desirable replacements in a timely fashion and the performance of the Funds could, as a result, be adversely affected. The Funds' and Separately Managed Accounts investment strategies permit investments to be made in a broad range of issuers, securities, financial instruments and transactions. Within these broad parameters, the Investment Manager will make investment decisions for the Funds and Separately Managed Accounts as it deems appropriate in its sole discretion. An Investor subscribing for interests must rely upon the ability of the Investment Manager and the Investment Manager's investment professionals in identifying and implementing investments consistent with the Funds' and Separately Managed Accounts investment objective and policies. No assurance can be given that the Funds will be successful in obtaining suitable investments, or that if such investments are made, the objectives of the Funds will be achieved.

Limited Liquidity; No Market for Interests. An investment in the Funds and Separately Managed Accounts may be considered to be a relatively illiquid investment because interests are not generally transferable without the consent of the Investment Manager and the redemption rights of the Investors are restricted as described above and in each Fund's memorandum and articles of association or partnership agreement, and each Separately Managed Account's Investment Management Agreement, as applicable. In addition, transfer of the Interests may be affected by restrictions on resales imposed by federal and state securities laws. The Funds and Separately Managed Accounts are not intended as a complete investment program and are designed only for persons who are able to bear economic risk of investment and who are sophisticated persons in connection with financial and business matters who do not need liquidity with respect to their investments.

In-Kind Distributions. Redemptions may be paid in cash, in kind or a combination of cash and in kind, in the Investment Manager's sole discretion. There can be no assurance that the Funds or Separately Managed Accounts will have sufficient cash to satisfy redemption requests, or that it will be able to liquidate investments at favorable prices at the time such redemptions are requested. Investments distributed in kind may not be readily marketable or saleable and may have to be held by Investors for an indefinite period of time, and may include interests in

special purpose vehicles established by the Funds for tax, regulatory or other reasons. The risk of loss and delay and expense relating to liquidating or transferring these securities will be borne by such Investors, with the result that such Investors may receive less cash than they would have otherwise received on the date of redemption or based on the valuation of these assets upon their distribution from the Funds. Investors have no right to request in-kind distributions, and should not expect the Funds to accommodate any such request. In certain instances, such assets may be difficult or hard to value, increasing such risks.

Regulatory Oversight. The Funds are not registered and do not intend to register as investment companies under the 1940 Act, and, accordingly, investors in the Funds are not accorded the protections of the 1940 Act (which, among other matters, requires most registered investment companies to have a majority of disinterested directors, requires securities held in custody at all times to be segregated and marked to clearly identify the owner of such securities, and regulates the relationship between the investment adviser and the investment company). The interests have not been and will not be registered under the Securities Act. The Investment Manager is registered as an investment adviser under the Investment Adviser's Act of 1940 ("**Advisers Act**").

Inside Information. The Funds' and Separately Managed Accounts investment activities may expose the Funds to receipt of material non-public information. In addition, due to the other activities of the principals and employees of the Investment Manager and its affiliates, the Funds, the General Partner and the Investment Manager may be at risk for exposure to material non-public information that would not be the case in the absence of the existence of such activities. In the course of such activities, the Investment Manager and its affiliates may come into possession of or be imputed with receipt of material, non-public information concerning such company, and the possession of such information may limit the ability of the Investment Manager to cause the Funds or Separately Managed Accounts to buy or sell the securities issued by such company. Therefore, the Funds and Separately Managed Accounts may be required to refrain from buying or selling such securities at times when the Investment Manager might otherwise wish to cause the Funds to buy or sell such securities. Inadvertent trading on material non-public information could have material adverse effects on the Investment Manager's reputation, result in the imposition of regulatory or financial sanctions and, as a consequence, negatively impact the Investment Manager's ability to perform its investment management services on behalf of the Funds.

Long-Term Nature of Investments; Retention of Proceeds. The Funds and Separately Managed Accounts are intended to be long-term investments and are for investors who can accept the risks associated with making speculative investments, which may from time to time be in a relatively small number of investments. Although the Funds are expected to realize profits on investments, profits are available for reinvestment and are not generally expected to be regularly distributed to Investors in the absence of a withdrawal from the Funds or Separately Managed Accounts.

Limited Access to Information. The Investment Manager, in its sole discretion, will from time to time provide to the Investors reports and other information regarding the condition and prospects of the Funds and Separately Managed Accounts and the investments in which they have invested. The Investment Manager's duties, obligations and liability to the Investors with respect to the content, completeness and accuracy of such information will be determined solely under the Articles. In connection with monitoring the Funds' investments, the Investment Manager may obtain material information that will not be disclosed to Investors, and such information may be material to determining the value of such investments. Such information may be withheld from Investors in order to comply with duties to such portfolio

companies or applicable law, or otherwise to protect the interests of such portfolio companies or the Funds. In addition, the Investment Manager may agree to provide one or more Investors with special rights to additional information about the Funds (including performance and portfolio information), including the Strategic Investor.

Business, Legal and Regulatory Risks of Hedge Funds. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Funds and the ability of the Funds to obtain the leverage they might otherwise obtain or to pursue their trading strategies. The financial services industry generally, and the activities of alternative investment funds, separately managed accounts, and their managers in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Funds', the Investment Manager's and/or the General Partner's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on the Investment Manager and/or the General Partner, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Investment Manager's and/or the General Partner's time, attention and resources from portfolio management activities.

New (or revised) laws or regulations or interpretations of existing laws may be issued by the U.S. Internal Revenue Service (the "**IRS**") or the U.S. Treasury Department ("**Treasury Department**"), the Commodities and Futures Trading Commission ("**CFTC**"), the SEC, the U.S. Federal Reserve or other banking regulators, or other U.S. or non-U.S. governmental regulatory authorities or self-regulatory organizations that could adversely affect the Funds. In particular, these agencies are empowered to promulgate a variety of new rules pursuant to recently enacted financial reform legislation in the U.S. The Funds also may be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by these governmental regulatory authorities or self-regulatory organizations. For example, there has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry. It is impossible to predict what, if any, changes in regulations may occur, but any regulation that restricts the ability of the Funds to trade in securities could have a material adverse impact on the Funds' performance.

In addition, the securities and futures markets are subject to comprehensive statutes, regulations, and margin requirements. The CFTC, the SEC, the Federal Deposit Insurance Corporation, other regulators, and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of securitization and derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") covers a broad range of market participants including banks, non-banks, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders, broker-dealers and investment advisers. The CFTC, SEC and other federal regulators have been tasked with developing the rules and regulations enacting the provisions of the Dodd-Frank Act. However, recent governmental changes in the United States may result in changes to the implementation or enforcement of the Dodd-Frank Act and such changes may be difficult to predict or cause regulatory uncertainty. The Dodd-Frank Act may also affect the Funds in a number of other ways. The Dodd-Frank Act creates the Financial Stability Oversight Council (the "**Council**") that is charged with monitoring and mitigating systemic risk. As part of this responsibility, the Council would have the authority to subject banks and other financial firms

(like the Funds) to regulation by the U.S. Federal Reserve Board, which could limit the amount of risk-taking engaged in by the Funds.

In addition, the U.S. government has enacted legislation that provides for new regulation of the derivatives market, including clearing, margin, reporting, and registration requirements. The European Union and certain other countries are implementing similar requirements that will affect the Funds when they enter into derivatives transactions with a counterparty organized in such a country or otherwise subject to that country's derivatives regulation. In addition, the U.S. government and the European Union have adopted mandatory minimum margin requirements for bilateral derivatives. Such requirements could increase the amount of margin required to be provided by the Funds and Separately Managed Accounts in connection with their derivatives transactions and, therefore, make derivatives transactions more expensive. Because these requirements are new and evolving (and some of the rules are not yet final), their ultimate impact remains unclear. New regulations could, among other things, restrict a Funds' ability to engage in derivatives transactions (for example, by making certain types of derivatives transactions no longer available to the Funds) and/or increase the costs of such derivatives transactions, and the Funds may be unable to execute its investment strategy or execute it as currently intended as a result.

The CFTC and certain futures exchanges have established limits, referred to as "position limits," on the maximum net long or net short positions which any person or entity may hold or control in particular options and futures contracts. The CFTC has proposed position limits for certain swaps. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Funds do not intend to exceed applicable position limits, it is possible that different clients managed by the Investment Manager and its affiliates may be aggregated for this purpose. Although it is possible that the trading decisions of the Investment Manager may have to be modified and that positions held by the Funds may have to be liquidated in order to avoid exceeding such limits, the Investment Manager believes that this is unlikely. The modification of investment decisions or the elimination of open positions, if it occurs, may adversely affect the profitability of the Funds.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de-minimis threshold and may adopt rules requiring monthly public disclosure in the future. In addition, other non-U.S. jurisdictions where the Funds may trade have adopted reporting requirements. If the Funds' short positions or strategy become generally known, it could have a significant effect on the Investment Manager's ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities held short by the Funds forcing the Funds to cover positions at a loss. Such reporting requirements may limit the Investment Manager's ability to access management and other personnel at certain companies where the Investment Manager seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as the Funds, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to the Funds and Separately Managed Accounts could decrease drastically. Such events could make the Funds unable to execute their investment strategy. Short sales are also subject to certain SEC regulations. If the SEC were to adopt additional restrictions regarding short sales, they could restrict the Funds' ability to engage in short sales in certain circumstances, and the Funds may be unable to execute their investment strategy as a result.

The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases, have adopted) bans on short sales of certain securities in response to market events. Bans on short

selling may make it impossible for the Funds to execute certain investment strategies and may have a material adverse effect on the Funds' ability to generate returns.

In addition, there is a possibility that the Funds and Separately Managed Accounts may be subject to new or revised legislation or regulations, which may be enforced by entirely new governmental agencies. In addition, the securities markets are subject to comprehensive statutes, regulations and margin requirements. The effect of any future regulatory change on the Funds could be substantial and adverse.

Redemption Risk. Should a large number of Investors decide to redeem from the Funds and Separately Managed Accounts, the Funds could be forced to liquidate investments prematurely, causing losses to the Funds. Actions taken to meet substantial redemption requests from the Funds could result in prices of securities held by the Funds decreasing and in Fund Expenses increasing (e.g., due to increased transaction costs incurred in the liquidation of positions or in connection with the termination of counterparty agreements). Substantial redemptions could also significantly restrict the Funds' ability to obtain financing or derivatives counterparties needed for its investment and trading strategies, which would have a further material adverse effect on the Funds' performance. Further, the Funds and Separately Managed Accounts may suspend redemptions which actions would limit the ability of Investors to redeem their capital and the value of such investments may decline prior to the time when redemption is permitted.

Indemnification. The various agreements and other documents entered into by the Funds will contain various provisions limiting the liability of the service providers to the Funds, including the Investment Manager and the Funds' administrator, and provide broad indemnification to such persons. The Funds will be required to indemnify the General Partner, the Investment Manager, and their respective shareholders, partners, members, officers, directors, employees, managers and agents for certain losses, as described in each Fund's memorandum and articles of association or partnership agreement and the Separately Managed Account's investment management agreements, as applicable. Such losses may be material and have an adverse effect on the returns to the Investors. Any indemnification obligations of the Funds are payable from the assets of the Funds.

Misconduct of Employees and of Third Party Service Providers. Misconduct by employees of the Investment Manager or by third party service providers to the Funds and the Separately Managed Accounts could cause significant losses to the Funds. Employee misconduct may include binding the Funds to transactions that present unacceptable risks and unauthorized activities or concealing unsuccessful activities (which, in either case, may result in unknown and unmanaged risks or losses). Losses could also result from actions by third party service providers, including, without limitation, failing to record transactions or improperly performing the responsibilities of an administrator. In addition, employees and third-party service providers may improperly use or disclose confidential information, which could result in litigation or serious financial harm, including limiting the Funds' business prospects. Although the Investment Manager has adopted measures it believes are reasonably designed to prevent and detect employee misconduct and to select reliable third-party providers, such measures may not be effective in all cases.

Non-Disclosure of Positions. In an effort to protect the confidentiality of its positions, the Funds generally will not disclose all of their positions to Investors on a real-time basis, although the General Partner, in its sole discretion, may permit such disclosure on a select basis to certain Investors, and has agreed to such disclosures to the Strategic Investor.

Side Letters. The Funds may enter into side letter agreements with certain prospective or existing Investors whereby such Investors may be subject to terms and conditions that are more advantageous than those set forth in the governing documentation of the Funds and Separately Managed Accounts. For example, such terms and conditions may provide for special rights to make future investments in the Funds, other investment vehicles or managed accounts; special withdrawal rights or better liquidity; transfer rights; a reduction or rebate in of Management Fees or Performance Allocation to be borne by the Investor; rights to receive reports from the Funds on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions); rights to co-investment opportunities, and such other rights as may be negotiated by the Funds and Separately Managed Accounts and such Investors and are not generally available to other Investors. The modifications are solely at the discretion of the General Partner and may, among other things, be based on the size of the Investor's investment in the Funds and Separately Managed Accounts, or affiliated investment entity, an agreement by an Investor to maintain such investment in the Funds for a significant period of time, or other similar commitment by an Investor to the Funds. The General Partner has entered into certain such arrangements with the Strategic Investor.

Risks Related to Electronic Communication. The General Partner and/or the Administrator may provide to Investors statements, reports and other communications relating to the Funds and/or the Investors' interests in the Funds in electronic form, such as email or via a password protected website ("Electronic Communications"). Electronic Communications may be modified, corrupted, or contain viruses or malicious code, and may not be compatible with an Investor's electronic system. In addition, reliance on Electronic Communications involves the risk of inaccessibility, power outages or slowdowns for a variety of reasons, in addition to the risk of cyber-attacks which may exposure such information. Investors must bear their own costs related to any software or systems required for such access. These periods of inaccessibility may delay or prevent receipt of reports or other information by the Investors.

Cybersecurity. With the increased use of technologies such as the Internet and the dependence on computer systems to perform necessary business functions, the Funds and their service providers (including the Investment Manager and Administrator) may be prone to operational and information security risks resulting from cyber-attacks and/or other technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among other things, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Funds, the Investment Manager, the Administrator, or a custodian or other third-party service provider may adversely affect the Funds or investors. For instance, cyber-attacks may affect the Funds' ability to calculate its net asset value, cause the release of private investor information or confidential Fund information, impede trading, expose the Funds, Investment Manager or Investor assets to theft or embezzlement, cause reputational damage, and subject the Funds to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. The General Partner and its affiliates are not liable for such cyber-attacks and the consequences thereof except as set forth in each Fund's memorandum and articles of association or partnership agreement, as applicable.

Systems Risks. The Funds and Separately Managed Accounts may rely on computer programs to evaluate certain securities and other investments, to monitor the Funds' portfolio, to trade, clear and settle securities transactions, to manage risk exposures, and to generate asset, risk management and other reports that are utilized in the oversight of the Funds' and Separately

Managed Accounts activities. No such computer systems, including any risk control system, is fail-safe. For example, with respect to risk controls, any target exposures developed for the Funds, if any, will likely be based upon historical trading patterns for the instruments in which the Funds trade and will rely upon pricing models for the behavior of the instruments in response to various changes in market conditions. No assurance can be given that the historical trading patterns will accurately predict future trading patterns or that the pricing models will necessarily accurately predict the manner in which the instruments are priced in financial markets in the future. Furthermore, programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by computer 'worms,' viruses and power failures. Any such defect or failure could have a material adverse effect on the Funds and Separately Managed Accounts. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Funds' ability to monitor their investment portfolio and its risks. Any such defect or failure could cause the Funds to suffer financial loss, the disruption of business, liability to clients or third parties, regulatory intervention or reputational damage. In addition, certain of the Funds' and the Investment Manager's operations interface with or depend on systems operated by third parties, including custodians, brokers, market counterparties, and other service providers, and the Investment Manager may have relied on statements or representations of parties of the adequacy of such systems, or may otherwise not be in a position to verify the risks or reliability of such third-party systems. The General Partner and its affiliates are not liable for such losses except as set forth in each Fund's memorandum and articles of association or partnership agreement and Separately Managed Accounts investment management agreements, as applicable.

Fully-Funded Subscriptions. The Funds anticipate accepting subscriptions whereby each subscription is required to be fully funded as of the date Interests are issued to the applicable investor (as opposed to accepting commitments from investors to fund capital over time). Because the Funds may accept a large amount of capital as of any date the Funds accept subscriptions, there may be a significant period of time before the Investment Manager is able to invest all or substantially all of such capital contributions. During any period in which the Funds' assets are not substantially invested in accordance with its principal investment strategies, the Funds' performance may suffer.

Investment Risks

An investment in the Funds involves a high degree of investment risk, including the risk that the entire amount invested may be lost. The Funds and Separately Managed Accounts will make investments using strategies and financial techniques with significant risk characteristics. No guarantee is made that the investment objectives of the Funds will be realized. Below is a list of potential investment risk factors. There is no guarantee that this is a complete list of the risks, that the Funds will be able to control investment risks or that the risks will not aggregate in a manner adverse to the Funds. The risks associated with particular investments by the Fund include, but are not limited to, the following:

Equity Risk. The market price of securities owned by the Funds may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Funds is that the equity securities in the Funds' portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions that 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. In addition, securities which the Investment Manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Investment Manager anticipates. As a result, the Funds and Separately Managed Accounts may lose all or substantially all of their investment in any particular instance.

Short Sales. The Investment Manager may make short sales of investment securities on behalf of the Funds. 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. The Funds and Separately Managed Accounts will incur a loss as a result of a short sale if the price of the security, currency or other instrument increases between the date of the short sale and the date on which the Funds replace the borrowed security, currency or other instrument. The Funds will realize a gain if the price of the security, currency or other instrument declines between those dates. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of the premium, dividends or interest the Funds may be required to pay in connection with a short sale. Short selling exposes the Funds to unlimited risk with respect to that security, currency or other instrument due to the lack of an upper limit on the price to which an investment can rise. Purchasing securities, currencies or other instruments to close out a short position can itself cause the price of the securities, currencies or other instruments to rise further, thereby exacerbating any losses. Under adverse market conditions, the Funds may have difficulty purchasing securities, currencies or other instruments to meet their short sale delivery obligations, and may have to sell portfolio securities, currencies or other instruments to raise the capital necessary to meet its short sale obligations at a time when it would be unfavorable to do so. If a request for return of borrowed securities, currencies and/or other instruments occurs at a time when other short sellers of the securities, currencies and/or other instruments are receiving similar requests, a “short squeeze” can occur, and the Funds may be compelled to replace borrowed securities, currencies and/or other instruments 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, currencies and/or other instruments short. Short sales of securities, currencies or other instruments the Funds do not own and “short” derivative positions involve forms of investment leverage, and the amount of the Funds’ potential loss is theoretically unlimited. The SEC and other regulators have in the past and may in the future adopt restrictions or other requirements on short sales.

Options. The Funds and Separately Managed Accounts may invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer’s risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer’s loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows the Funds greater flexibility to tailor an option to their needs, over-the-counter options

generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

Stock Index Options. The Funds may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing their investment objective or for the purpose of hedging their portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Funds' portfolio correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Funds realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Funds of options on stock indices will be subject to the Investment Manager's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments.

Futures and Related Options. The Investment Manager may buy and sell futures contracts and related options on behalf of the Funds and Separately Managed Accounts. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. The Funds and Separately Managed Accounts may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income. The use of futures and options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies or other commodities or of the securities or currencies in the Funds' portfolio and Separately Managed Accounts which are the subject of the hedge (to the extent the Fund and Separately Managed Accounts uses futures and options for hedging purposes). The successful use of futures and options further depends on the Investment Manager's ability to forecast market or interest rate movements correctly. Other risks arise from the Funds' potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit the Funds' ability to engage in futures and related options transactions.

Risks of Derivative Instruments. The Funds and Separately Managed Accounts may engage in a variety of derivative transactions. A derivative is a financial contract the market value of which depends upon, or is derived from, the value of underlying assets, reference rates or indices. Derivatives may relate to securities, commodities, currencies, currency exchange rates, interest rates, inflation rates and related indices, and include futures, non-U.S. currency contracts, swap contracts, options on securities and indices, options on futures contracts, options on swap contracts, forward contracts, contracts for differences, interest rate caps, floors and collars, repurchase or reverse repurchase agreements and other over-the-counter contracts. The Funds may use derivatives for many purposes, including as a substitute for direct investment, as a way to adjust its exposure to various securities, markets and currencies without actually having to sell existing investments and/or make new investments, and as a means to hedge other investments and to manage liquidity and excess cash. Notional amounts

of swap transactions are not subject to any limitations, and swap contracts may expose the Fund to unlimited risk of loss. Swaps may be used as an alternative to futures contracts.

The use of derivatives involves the risk that their value may not change as expected relative to changes in the value of the assets, rates or indices they are designed to track. In addition, all derivative instruments involve risks that are in addition to, and potentially greater than, the risks of investing directly in securities and other more traditional assets, including:

- **Management Risks** – Derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with equities and fixed income securities. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. In particular, the use and complexity of derivatives require the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to the Funds' portfolio.
- **Over-the-Counter Trading/Counterparty Risk** – This is the risk that a loss may be sustained by the Funds as a result of the failure of the other party to a derivative (usually referred to as a "counterparty") to comply with the terms of the derivative contract. To the extent the Funds invest in repos, swaps, forwards, futures, options and other "synthetic" or derivative instruments, counterparty exposures can develop and the Funds take the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits. The Funds and Separately Managed Accounts may post or receive collateral related to changes in the market value of a derivative. The Funds and Separately Managed Accounts also may invest in derivatives that (i) do not require the counterparty to post collateral, (ii) require collateral but that do not provide for the Funds' security interest in it to be perfected, (iii) require significant upfront deposits unrelated to the derivatives' fundamental fair (or intrinsic) value, or (iv) do not require that collateral be regularly marked-to-market. When a counterparty's obligations are not fully secured by collateral, the Funds run a greater risk of not being able to recover what it is owed if the counterparty defaults. Even when derivatives are required by contract to be collateralized, the Funds typically will not receive the collateral for one or more days after the collateral is required to be posted.

Due to the nature of the Funds' and Separately Managed Accounts investments, the Funds and Separately Managed Accounts may invest in derivatives and/or execute a significant portion of their securities transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties may have a pronounced effect on the Funds. In addition, the creditworthiness of a counterparty may be adversely affected by larger than average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital. The Investment Manager evaluates the creditworthiness of the counterparties to the Funds' transactions or their guarantors at the time the Funds enter into a transaction. The Funds and Separately Managed Accounts are not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the Funds and Separately Managed Accounts to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the

absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

Counterparties to derivatives contracts may have the right to terminate such contracts if the Funds' net asset value declines below a certain level over a specified period of time. The exercise of such a right by the counterparty could have a material adverse effect on the Funds' and Separately Managed Accounts operations.

Counterparty risk may be further complicated by recently enacted U.S. financial reform legislation which includes provisions for new clearing, margin and reporting requirements for derivatives transactions and new restrictions on the types of derivatives transactions that can be entered into by certain financial companies.

- **Documentation Risk** – The Funds and Separately Managed Accounts may be exposed to documentation risk, which is the risk that ambiguities, inconsistencies or errors in the documentation relating to a derivative transaction may lead to a dispute with the counterparty or unintended investment results. Because the contract for each over-the-counter derivative transaction is individually negotiated, the counterparty may interpret contractual terms (e.g., the definition of default) differently than the Funds, and if it does, the Funds may decide not to pursue their claims against the counterparty to avoid the cost and unpredictability of legal proceedings. The Funds and Separately Managed Accounts, therefore, may be unable to obtain payments the Investment Manager believes are owed to the Funds under derivative instruments or those payments may be delayed or made only after the Funds have incurred the cost of litigation.

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

In some ways, cleared derivative arrangements are less favorable to funds than bilateral arrangements, for example, by requiring that funds provide more margin for their cleared derivatives positions. Also, as a general matter, in contrast to a bilateral derivatives position, following a period of notice to the Funds, a clearing member at any time can require termination of an existing cleared derivatives position or an increase in margin requirements above those required at the outset of a transaction. Clearing houses also have broad rights to increase margin requirements for existing positions or to terminate those positions at any time. Any increase in margin requirements or termination of existing cleared derivatives positions by the clearing member or the clearing house could interfere with the ability of the Funds to pursue their investment strategy. Further, any increase in margin requirements by a clearing member could expose the Funds to greater credit risk to its clearing member, because margin for cleared derivatives positions in excess of a clearing house's margin requirements typically is held by the clearing member. Also, the Funds and Separately Managed Accounts are subject to risk if they enter into a derivatives transaction that is required to be cleared (or that the Investment Manager expects to be cleared), and no clearing member is willing or able

to clear the transaction on the Funds' and Separately Managed Accounts behalf. In those cases, the position might have to be terminated, and the Funds could lose some or all of the benefit of the position, including loss of an increase in the value of the position and loss of hedging protection.

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

These and other new rules and regulations could, among other things, further restrict the Funds' ability to engage in, or increase the cost to each Fund of, derivatives transactions, for example, by making some types of derivatives no longer available to the Funds or otherwise limiting liquidity.

- **Other Risks** – The Funds' use of derivatives may not be effective or have the desired result. Derivatives involve the risk that their value may not change as expected relative to changes in the value of the assets, rates or indices they are designed to track. The risk may be more pronounced when outstanding notional amounts in the market exceed the amounts of the referenced assets. Derivatives are also subject to currency and other risks. Moreover, suitable derivatives may not be available in all circumstances and there can be no assurance that the Funds will be able to identify or employ a desirable derivatives transaction at any time or from time to time, or that any such transactions will be successful. For example, the economic costs of taking some derivatives positions may be prohibitive. In addition, the Investment Manager may decide not to use derivatives to hedge or otherwise reduce the Funds' risk exposures, potentially resulting in losses for the Funds.

The Funds' use of derivatives may be subject to special tax rules and could generate additional taxable income for investors. In addition, the tax treatment of the Funds' and Separately Managed Accounts' use of derivatives may be unclear because there is little case or other law interpreting the terms of most derivatives or determining their tax treatment.

Credit Default Swaps, Total Return Swaps and Other Credit Derivatives. The Funds and Separately Managed Accounts may have exposure to credit default swaps, total return swaps and other credit derivatives in connection with its investments and/or may enter into such derivatives for hedging purposes. These transactions generally provide for the transfer from one counterparty to another of certain credit risks and return characteristics inherent in the ownership of a financial asset such as a bank loan or a debt security. Such risks include the risk of default and insolvency of the issuer of such asset, and the risk that the credit of the issuer or any underlying collateral will decline or that credit spreads for like assets will change (thus affecting the market value of the financial asset). The transfer of credit risk pursuant to a credit derivative may be complete or partial, and may be for the life of the related asset or for a shorter period. Credit derivatives may be used as a risk management tool for a pool of financial

assets, providing the Funds with the opportunity to gain exposure to one or more reference loans or other financial assets (each, a “reference asset”) without actually owning such assets in order, for example, to reduce a concentration risk or to diversify the portfolio.

Credit default swaps, total return swaps and other credit derivatives are a relatively recent development in the financial markets. Consequently, there are certain legal, tax and market uncertainties that present risks in entering into such total return swaps and other credit derivatives. There is currently little or no case law or litigation characterizing total return swaps or other credit derivatives, interpreting their provisions or characterizing their tax treatment. In addition, additional regulations and laws may apply to total return swaps or other credit derivatives that have not heretofore been applied. There can be no assurance that future decisions construing similar provisions to those in any swap agreement or other related documents or additional regulations and laws governing total return swaps or other credit derivatives will not have a material adverse effect on the Funds. Recent turmoil in the securities market generally and among monoline insurers in particular has increased the volatility and other risks associated with these instruments.

The use of leverage will significantly increase the sensitivity of the market value of the total return swaps or other credit derivatives to changes in the market value of the reference assets. The reference assets are subject to the risks related to the credit of the underlying issuers, many of which are described in the Funds’ private placement memoranda. These risks include the possibility of a default or bankruptcy of the issuer or a claim that the pledging of collateral to secure a loan constituted a fraudulent conveyance or preferential transfer that can be subordinated to the rights of other creditors of the issuers or nullified under applicable law.

Sovereign Credit Default Swaps. The Funds may invest in sovereign credit default swaps that reference U.S. and non-U.S. debt (“SCDS”). In exchange for a fee paid to the seller, an SCDS contract can be used to protect the buyer against losses on sovereign debt arising from so-called credit events such as default or debt restructuring. SCDS have been the subject of scrutiny in recent years, particularly by the EU. Currently, EU laws prohibit investors from entering into SCDS on EU sovereign debt, unless such SCDS serves to hedge against (i) the risk of default of the issuer where the investor has a long position in the sovereign debt of that issuer to which the SCDS relates, or (ii) the risk of a decline of the value of the sovereign debt where the investor holds assets or is subject to liabilities, the value of which is correlated to the value of the sovereign debt. In exceptional circumstances, EU member states may also impose additional temporary restrictions on the ability of investors to enter into SCDS or may impose limits on the amount of SCDS positions that can be entered into. Other jurisdictions may impose similar or other prohibitions. Such limitations, if imposed, could limit the ability of the Fund and Separately Managed Accounts to carry out its investment strategy or restrict the methods by which the Fund may seek to liquidate SCDS positions.

Credit Default Indices Risk. The Funds and Separately Managed Accounts may invest in credit default indices, including corporate investment grade credit default indices, corporate high-yield credit default indices, and corporate loan credit default indices, through the use of various investment techniques. While investments in credit default indices will increase the extent, and thus the diversity, of credit securities to which the Funds are exposed, such investments are subject to many of the same risks of investing in the referenced basket of credit securities discussed elsewhere in this section, as well as certain additional risks that are not typically associated with investments in such referenced credit securities. A credit default index may not replicate and maintain exactly the same composition and relative weightings of securities in the index throughout its holding by the Funds. The liquidity of the market for

credit default indices may be subject to the same conditions affecting liquidity in the referenced credit securities and credit derivatives markets, and could be relatively less liquid in certain circumstances.

Committed Loan Obligation and Total Return Swap Facilities. The Funds and Separately Managed Accounts may from time to time enter into one or more committed loan credit facilities and/or total return swap facilities with various lenders. The Investment Manager believes that such facilities may provide the Funds and Separately Managed Accounts with additional flexibility to finance attractive future investments if and when such opportunities arise. While the Funds may not benefit from such additional financing flexibility for some time, a portion of the costs incurred in connection with negotiating and securing such facilities will be due immediately. There can be no assurance that (i) the Funds will be successful in securing any such facilities under favorable terms or (ii) if secured, any such facility will be used. Costs related to such facilities could have a negative effect on the performance of the Fund.

Interest Rate Swaps. Interest rate swaps typically involve the exchange of the two parties' respective commitments to pay or receive interest on a notional principal amount (e.g., an exchange of floating rate payments for fixed rate payments). In particular, the Funds and Separately Managed Accounts may seek to realize capital appreciation by entering into interest rate swaps designed to, among other things, appreciate in value in the event that the referenced interest rates increase. Such swaps may include interest rate swaps based on the London Interbank Offered Rate ("LIBOR"), pursuant to which the Funds would receive LIBOR and would pay a fixed interest rate determined at the time the swap is entered into. Other types of interest rate swap agreements in which the Funds may invest include interest rate caps, under which, in return for a premium, one party agrees to make payments to the other to the extent that referenced interest rates exceed a specified rate, or "cap"; interest rate floors, under which, in return for a premium, one party agrees to make payments to the other to the extent that referenced interest rates fall below a specified rate, or "floor"; and interest rate collars, under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

Whether the Funds' and Separately Managed Accounts' use of interest rate swaps will be successful in furthering its investment objective will depend on the Investment Manager's ability to predict correctly whether certain types of investments are likely to produce greater returns than other investments. The Funds will also bear the risk that the Investment Manager will not accurately forecast future market trends, reference rates or the values of assets, indexes or other economic factors in establishing interest rate swap positions for the Funds. There is no assurance that interest rate swaps will be available for utilization by the Funds, or that they will be successful in any of their intended objectives. Any termination of an interest rate swap transaction could also result in a termination payment by or to the Funds.

Concentrated Portfolio. The Investment Manager's strategy is expected to result in a concentrated portfolio of investments. The Funds and Separately Managed Accounts may take significant positions in particular investments. Because the Funds may invest in securities of a smaller number of issuers, the Funds may be more exposed to the risks associated with and developments affecting an individual issuer than a fund that invests more widely, which may, therefore, have a greater impact on the Funds' performance. Similarly, the Funds' portfolio could result in concentrated exposures to particular geographies, sectors, industries or other similar categories, such that the Funds and Separately Managed Accounts would be more exposed to the risks associated with such geographies, sectors, industries or other category than a more diversified portfolio.

Real Estate Investment Trusts. Investing in real estate investment trusts (“**REITs**”) involves certain unique risks in addition to those risks associated with investing in the real estate industry in general. Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of any credit extended. REITs are dependent upon management skills, are not diversified, and are subject to heavy cash flow dependency, default by borrowers and self-liquidation. REITs (and master limited partnerships, discussed below) are also subject to the possibility of failing to qualify for tax-free pass-through of income under the U.S. Internal Revenue Code of 1986, as amended (“**Code**”) and failing to maintain their exemptions from registration under the 1940 Act. See the Funds’ respective private placement memoranda for further information.

REITs (especially REITs that invest in fixed rate mortgages) also are subject to interest rate risks. When interest rates decline, the value of a REIT’s investment in fixed rate obligations can be expected to rise. Conversely, when interest rates rise, the value of a REIT’s investment in fixed rate obligations can be expected to decline. In contrast, as interest rates on adjustable rate mortgage loans are reset periodically, yields on a REIT’s investments in such loans will gradually align themselves to reflect changes in market interest rates, causing the value of such investments to fluctuate less dramatically in response to interest rate fluctuations than would investments in fixed rate obligations.

MLPs. The Funds and Separately Managed Accounts may invest in equity securities of master limited partnerships (“**MLPs**”). MLPs are subject to many risks, including those that differ from the risks involved in an investment in the common stock of a corporation. Holders of MLP units have limited control and voting rights on matters affecting the partnership and are exposed to a remote possibility of liability for all of the obligations of that MLP. Holders of MLP units are also exposed to the risk that they will be required to repay amounts to the MLP that are wrongfully distributed to them. In addition, the value of the Funds’ investment in an MLP will depend largely on the MLP’s treatment as a partnership for U.S. federal income tax purposes. To qualify as an MLP, a publicly traded entity must receive at least 90% of its income from qualifying sources as set forth in the IRC. These qualifying sources include, among others, income and gain from certain mineral or natural resources activities, income and gain from the transportation or storage of certain fuels, and, in certain circumstances, income and gain from commodities or futures, forwards and options with respect to commodities. Investments in MLPs may cause Investors that are not United States persons for U.S. federal income tax purposes to derive income that is effectively connected with a U.S. trade or business, and Investors that are exempt from U.S. federal income tax to derive income that is unrelated business taxable income. See the Funds’ private placement memoranda for more information. The performance of securities issued by MLP affiliates, including MLP I-Shares and common shares of corporations that own general partner interests, primarily depends on the performance of an MLP. The risks and uncertainties that affect the MLP, its operational results, financial condition, cash flows and distributions also affect the value of securities held by that MLP’s affiliate. Securities of MLP I-Shares may trade at a market price below that of the MLP affiliate and may be less liquid than securities of their MLP affiliate.

Commodities. Exposure to the commodities markets may subject the Funds to greater volatility than investments in traditional securities. The value of commodity-linked derivative investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments. Additionally, the Funds may gain exposure to the commodities markets through investments in exchange-traded notes, the value of which may be influenced by, among other things, time to maturity, level of supply and demand for the exchange-traded

note, volatility and lack of liquidity in underlying markets, the performance of the reference instrument, changes in the issuer's credit rating and economic, legal, political or geographic events that affect the reference instrument.

Debt Securities. The Funds and Separately Managed Accounts may invest in bonds or other debt instruments. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. When interest rates rise, the value of debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Debt securities are also subject to credit risk. Credit risk refers to the possibility that the issuer of an instrument or the issuer of the reference asset of a derivative instrument will not be able to make principal and interest payments when due. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also affect the value of the Funds' and Separately Managed Accounts' investment in that issuer. Investment grade ratings do not guarantee that the issuer will not default on its payment obligations or that the applicable instruments will not otherwise lose value. Debt securities may be below "investment grade" and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to make timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could affect adversely the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

Currency Risk. Currency risk is the risk that changes in currency exchange rates will negatively affect securities denominated in, and/or receiving revenues in, foreign currencies. The liquidity and trading value of foreign currencies could be affected by global economic factors, such as inflation, interest rate levels, and trade balances among countries, as well as the actions of sovereign governments and central banks. Adverse changes in currency exchange rates (relative to the U.S. dollar) may erode or reverse any potential gains from the Funds' and Separately Managed Accounts investments in securities denominated in a foreign currency or may widen existing losses.

Use of Currency Forwards. The Funds and Separately Managed Accounts may enter into currency forward contracts (agreements to exchange one currency for another at a future date). These contracts involve a risk of loss if the Funds fail to predict accurately the direction of currency exchange rates. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to the Funds for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

As a result of the Dodd-Frank Act, the CFTC regulates non-deliverable forwards (including deliverable forwards where the parties do not take delivery). Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. There is currently no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts

traded. The imposition of credit controls by governmental authorities or the implementation of regulations pursuant to the Dodd-Frank Act might limit such forward trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Funds.

There can be no guarantee that instruments suitable for hedging currency shifts will be available at the time the Funds seek to use them or will be able to be liquidated when the Funds seek to do so. In addition, the Funds may not enter into hedging transactions with respect to some or all of their positions that are exposed to currency exchange risk.

Investment in Restricted Securities. Restricted securities cannot be sold without being registered under the Securities Act, unless they are sold pursuant to an exemption from registration (such as Rules 144 or 144A). Privately-placed securities, bank loans and other instruments that are not readily marketable are subject to other legal or contractual restrictions on resale. The Funds may have to bear the expense of registering restricted securities for resale and the risk of substantial delay in effecting registration. If adverse market conditions were to develop during such period, the Funds and Separately Managed Accounts might obtain a less favorable price than that which prevailed when it decided to sell. The Funds may be unable to sell restricted and other illiquid securities at the most opportune times or at prices approximating the value at which they purchased such securities. If they sell their securities in a registered offering, the Funds may be deemed to be an “underwriter” for purposes of Section 11 of the Securities Act. In such event, the Funds may be liable to purchasers of the securities under Section 11 if the registration statement prepared by the issuer, or the prospectus forming a part of it, is materially inaccurate or misleading, although the Funds may have a due diligence defense. These limitations on liquidity of the Funds’ investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized. In addition, the Funds’ and Separately Managed Accounts’ holdings in securities for which the relevant market is or becomes less liquid are more susceptible to market value declines. Less liquid securities also may fall more in price than other securities during periods when markets decline generally. Also, because illiquid securities may be difficult to value, the values realized on their sale may differ from the values at which they are carried by the Funds. Further, the more less-liquid securities the Funds hold, the more likely they are to honor a withdrawal request in kind.

Reverse Repurchase Agreements. Reverse repurchase agreements involve the risk that the market value of the securities retained by the Funds may decline below the price of the securities the Funds have sold but are obligated to repurchase under the agreement. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Funds’ and Separately Managed Accounts’ use of the proceeds of the agreement may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Funds’ and Separately Managed Accounts’ obligation to repurchase the securities.

Sovereign Debt. The Funds and Separately Managed Accounts may have exposure to sovereign debt, including through the use of derivative instruments. These investments are subject to the risk that a governmental entity may delay or refuse to pay interest or repay principal on its sovereign debt, due, for example, to cash flow problems, insufficient foreign currency reserves, political considerations, the relative size of the governmental entity’s debt position in relation to the economy or the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies. If a governmental entity defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debt that a government does not pay nor are there bankruptcy

proceedings through which all or part of the sovereign debt that a governmental entity has not repaid may be collected.

Depository Receipts. The Funds and Separately Managed Accounts may purchase sponsored or unsponsored American Depositary Receipts (collectively “Depository Receipts”) if issues of such Depository Receipts are available that are consistent with the Funds’ investment objective. Depository Receipts generally evidence an ownership interest in a corresponding non-U.S. security on deposit with a financial institution. Transactions in Depository Receipts usually do not settle in the same currency as the underlying securities are denominated or traded. Generally, Depository Receipts in registered form are designed for use in the U.S. securities market and Depository Receipts in bearer form are designed for use in securities markets outside the U.S. Depository Receipts may not necessarily be denominated in the same currency as the underlying securities into which they may be converted. Depository Receipts may be issued pursuant to sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities trade in the form of Depository Receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities’ underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depository Receipts.

U.S. Government and Agency Securities. The Funds and Separately Managed Accounts may invest in debt securities issued or guaranteed by certain U.S. and non-U.S. government agencies, instrumentalities and sponsored enterprises. U.S. government securities include securities issued and, in certain cases, guaranteed by the U.S. government or its authorities, agencies, or instrumentalities. Non-U.S. government securities include securities issued or guaranteed by non-U.S. governments (including political subdivisions) or their authorities, agencies, or instrumentalities or by supranational agencies (e.g., the World Bank, the Asian Development Bank and the Inter-American Development Bank). Different kinds of U.S. and non-U.S. government securities have various levels of government support. Some U.S. government securities, such as Treasury bills, notes and bonds, and securities guaranteed by the U.S. Government National Mortgage Association (“**GNMA**”), are supported by the full faith and credit of the United States; others, such as those of the U.S. Federal Home Loan Banks (“**FHLBs**”), are supported by the right of the issuer to borrow from the U.S. Treasury; others, such as those of the U.S. Federal National Mortgage Association (“**Fannie Mae**”), are supported by the discretionary authority of the U.S. government to purchase the agency’s obligations; and still others, such as those of the U.S. Student Loan Marketing Association, are supported only by the credit of the instrumentality. Similarly, some non-U.S. government securities are supported by the full faith and credit of a non-U.S. national government or political subdivision and some are not. Securities issued or guaranteed by certain non-U.S. countries may involve varying degrees of credit risk as a result of financial or political instability in such countries, and the possible inability of the Funds and Separately Managed Accounts to enforce their rights against the non-U.S. government issuers. As with issuers of other fixed income securities, sovereign issuers may be unable or unwilling to make timely principal or interest payments.

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

securities. Certificates of accrual and similar instruments representing participation in U.S. or non-U.S. government securities may be more volatile than other government securities.

ETFs. The Funds and Separately Managed Accounts may invest in exchange-traded funds (“**ETFs**”). ETFs are hybrid investment companies that may be registered as open-end investment companies or unit investment trusts (“**UITs**”) but possess some of the characteristics of closed-end funds. Some of the ETFs in which the Funds may invest typically hold a portfolio of common stocks that is intended to track the price and dividend performance of a particular index. The Funds and Separately Managed Accounts may also invest in actively-managed ETFs. Common examples of ETFs include S&P Depositary Receipts (“**SPDRs**”), Vanguard ETFs and iShares, which may be purchased from the UIT or investment company issuing the securities or in the secondary market (SPDRs, Vanguard ETFs and iShares are predominantly listed on the NYSE Arca). The market price for ETF shares may be higher or lower than the ETF’s net asset value. The sale and redemption prices of ETF shares purchased from the issuer are based on the issuer’s net asset value. Investments in ETFs entail certain additional risks. Investments in ETFs involve the risk that the ETF’s performance may not track the performance of the index (if any) the ETF is designed to track. Unlike an index, an ETF incurs administrative expenses and transaction costs in trading securities. In addition, the timing and magnitude of cash inflows and outflows from and to investors buying and redeeming shares in the ETF could create cash balances that cause the ETF’s performance to deviate from the index (which remains “fully invested” at all times). Performance of an ETF and the index it is designed to track also may diverge because the composition of the index and the securities held by the ETF may occasionally differ. In addition, ETFs often use derivatives to track the performance of the relevant index and, therefore, investments in those ETFs are subject to the same derivatives risks discussed above.

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

Emerging Markets Countries. Investments in emerging markets involve a greater degree of risk than investing in developed countries. Among other things, emerging market investments may be subject to the following risks: less publicly available information; more volatile markets

and unstable market conditions, changes in interest rates, availability of credit and inflation rates; less liquidity or available credit; uncertainty in enforceability of documents; changes in local laws and regulations (including nationalization of industries); political or economic instability (including wars, terrorist acts or security operations); the relatively small size of the securities markets in such countries and the low volume of trading and less strict securities market regulation; less favorable tax or legal provisions; price controls and other restrictive governmental actions; changes in or non-approval of tariffs or other fees or rates charged, potential severe inflation or other serious adverse economic developments; unstable currency; expropriation of property; confiscatory taxation; imposition of withholding and other taxes on income or gross sales proceeds or dispositions; fluctuations in the rate of exchange between currencies, non-convertibility of currencies which can result in the inability to repatriate funds, costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities.

Custodial Risk. The Funds' and Separately Managed Accounts brokers or custodians will have custody of the Funds' and Separately Managed Accounts securities, cash, distributions and rights accruing to the Funds' securities accounts. SEC rules require the brokers to maintain physical possession and control of fully paid securities held in the Funds' account and to establish certain reserves for the benefit of customers. However, subject to these limitations, the brokers generally have the ability to loan, pledge, and rehypothecate the securities in the Funds' account, as is typical market practice, and may have insufficient assets to meet all of its obligations to customers in the event of an insolvency of the brokers. In such an event, the Funds would typically not have a right to recover their securities held by the brokers, but would rather have only an unsecured claim against the brokers and participate pro rata with other customers of the brokers in the proceeds of the sale of customer securities. Also, even if the brokers do have sufficient assets to meet all customer claims, there could be a delay before the Funds receive assets to satisfy its claims. In order to manage the risks associated with broker insolvency, the Funds may establish relationships with multiple brokers. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. In addition, the Funds and Separately Managed Accounts may not be able to identify potential solvency concerns with respect to the Funds' brokers or to transfer assets from one broker to another broker in a timely manner. The brokers may hold the Funds' securities through third parties such as clearing corporations, other brokers or banks. In addition, the Funds may hold securities, cash and other assets directly with banks or other third parties not associated with the brokers. As a result, the Funds may be subject to credit risk with respect to such third parties as well as with respect to the brokers. In addition, certain of the Funds' assets may be held by non-U.S. affiliates of the Funds' brokers and entities other than the brokers. Assets held by such non-U.S. affiliates may be subject to legal regimes that provide fewer or different investment protections than the U.S. If the Funds and Separately Managed Accounts have over-collateralized derivative contracts, it is likely to be an unsecured creditor of any such counterparty in the event of its insolvency. In the event of a counterparty's (or its affiliate's) insolvency, the possibility exists that the Funds' ability to exercise remedies, such as the termination of transactions, netting of obligations and realization on collateral, could be stayed or eliminated under new special resolution regimes adopted in the United States, the European Union and various other jurisdictions. Such regimes provide government authorities with broad authority to intervene when a financial institution is experiencing financial difficulty. The insolvency of a counterparty can result in uncertainty as to the amount that the Funds will be able to recover in respect of its derivative transactions with such counterparty, as well as the time when the relevant funds or assets will be available to the Funds. In addition, even if the Funds' and Separately Managed Accounts' broker or such other third parties do have sufficient assets to meet all claims, there could be a delay before the Funds receive assets to satisfy its claims. The Funds and Separately

Managed Accounts may change the brokerage or custodial arrangements at any time without notice to the Investors. There may be operational and other delays associated with changes in brokerage or custodial arrangements.

Leverage. The Investment Manager may utilize leverage in investing the Funds' assets, including through engaging in trading on margin by borrowing funds and pledging securities as collateral. While such use of borrowed funds increases returns if the Funds earn a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the Funds fail to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in wider fluctuations and a greater decrease in the net asset value of the Funds than if the Funds were not so leveraged. Any use by the Funds of short-term margin borrowings will result in certain additional risks to the Funds. For example, the securities pledged to brokers to secure the Funds' margin accounts could be subject to a "margin call," pursuant to which the Funds would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of the Funds' assets accompanied by corresponding margin calls could force the Funds and Separately Managed Accounts to liquidate assets quickly, and not for what the Investment Manager perceives to be their fair value, in order to pay off its margin debt. In addition, the Funds may engage in certain derivative transactions which implicitly contain leverage and subject the Funds to the same risks discussed above, including a risk that losses will be substantially greater than the amount invested in the derivative itself. Derivative instruments may also contain terms to the effect that, if the Funds' and Separately Managed Accounts' net asset value falls below a certain level, the Funds and Separately Managed Accounts would be required to post additional collateral and/or the counterparty would have the ability to terminate the derivative transactions. Such posting of additional collateral or a termination of transactions would amplify a decrease in the net asset value of the Funds and Separately Managed Accounts, which, in turn, could necessitate the posting of additional collateral and/or a termination of transactions and lead to a further decrease in the net asset value of the Funds and Separately Managed Accounts.

Liquidity Risk. The Funds may invest in assets, including derivative instruments, which they may not be able to readily sell or dispose of, including securities whose disposition is restricted by securities laws. The Funds' and Separately Managed Accounts' ability to sell assets or derivatives may be adversely affected by various factors, including limited trading volume, lack of a market maker, or legal restrictions. Other instruments, and in particular, caps, floors, collars and certain other derivatives, may also have varying liquidity and/or pricing availability. Short sales are particularly subject to liquidity risk because the Funds' purchase of securities or currencies to close out a short position can itself cause the price of the securities or currencies to rise further, thereby exacerbating the loss. It is also possible that an exchange or governmental authority may suspend or restrict trading on an exchange or in particular securities or other instruments traded on the exchange. In addition, it may not always be possible to execute a buy or sell order at the desired price or to liquidate an open position, either due to market conditions on exchanges or due to the operation of daily price fluctuation limits (the maximum permitted fluctuation in the price of a futures or options contract during any trading day) or "circuit breakers." This lack of liquidity and market depth, and the other risks described above, could disadvantage the Funds and Separately Managed Accounts, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Assets and liabilities for which no market prices are available will generally be carried on the books of the Funds and Separately Managed Accounts at fair value in accordance with GAAP, unless otherwise determined by the Investment Manager. There is no guarantee that such valuation will represent the value that will be realized by the

Funds on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment, including sales of investments as necessary to meet withdrawal requests.

Portfolio Turnover. The Funds and Separately Managed Accounts have not placed any limit on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Investment Manager, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate, may act to reduce the Funds' and Separately Managed Accounts' investment gains, or create a loss for Investors and may result in taxable costs for Investors depending on the tax provisions applicable to such Investors.

Hedging Transactions. The Funds and Separately Managed Accounts may but are not required to enter into certain hedging strategies. The success of the Investment Manager's hedging strategy is subject to the Investment Manager's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Furthermore, the Investment Manager may not accurately anticipate a particular risk so as to hedge against it. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Investment Manager hedges portfolio positions in the Funds and Separately Managed Accounts is also subject to the Investment Manager's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transactions. For a variety of reasons, the Investment Manager may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss.

Lending of Securities. The Funds and Separately Managed Accounts may lend portfolio securities to broker-dealers and other financial institutions. The advantage of such loans is that the Funds continue to receive the interest or dividends on the loaned securities, while at the same time earning interest on the collateral which is invested in short-term obligations. If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates, and the Funds could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over collateral. On termination of the loan, the borrower is required to return the securities to the Funds and Separately Managed Accounts; any gains or loss in the market price during the loan would inure to the Funds. In the event of the bankruptcy of the other party to a securities loan, the Funds could experience delays in recovering the securities they lent. To the extent that the value of the securities a Fund has lent has increased, the Fund could experience a loss if such securities are not recovered.

Small and Medium Capitalization Companies. Although the Funds and Separately Managed Accounts may invest in companies of all sizes, it may invest a portion of its assets in the securities of companies with small to medium-sized market capitalizations, including growth stage companies. While the Investment Manager believes they often provide significant potential for appreciation, such securities, particularly of companies having small-capitalization, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of securities of small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and the risk of bankruptcy or insolvency of many smaller companies

(with the attendant losses to investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid. Some small companies in which the Funds may invest may also lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small players in their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

Market Disruption and Geopolitical Risk. General fluctuations in the market prices of securities may affect the value of the investments held by the Funds. Instability in the securities markets will also likely increase the risks inherent in the Funds’ investments. The Funds and Separately Managed Accounts are subject to the risk that geopolitical and other events (e.g., wars and terrorism) will disrupt securities markets and adversely affect global economies and markets, thereby decreasing the value of the Funds’ and Separately Managed Accounts’ investments. Sudden or significant changes in the supply or prices of commodities or other economic inputs (e.g., the marked decline in oil prices that began in late 2014) may have material and unexpected effects on both global securities markets and individual countries, regions, sectors, companies, or industries, which could significantly reduce the value of the Funds’ investments. Terrorism in the United States and around the world has increased geopolitical risk. In addition, securities markets may be susceptible to market manipulation (e.g., the manipulation of the LIBOR) or other fraudulent trading practices, which could disrupt the orderly functioning of markets or reduce the value of investments traded in them, including investments of the Funds. Instances of fraud and other deceptive practices committed by senior management of certain companies in which the Funds and Separately Managed Accounts invest may negatively affect the value of the Funds’ and Separately Managed Accounts’ investments. In addition, when discovered, financial fraud may contribute to overall market volatility, which can negatively impact the Funds’ and Separately Managed Accounts’ investment program. Financial fraud may also impact the rates or indices underlying the Funds’ and Separately Managed Accounts’ investments.

While the U.S. government has always honored its credit obligations, a default by the U.S. government (as has been threatened in recent years) would be highly disruptive to the U.S. and other securities markets. Uncertainty surrounding the sovereign debt of several European Union countries, as well as the continued existence of the European Union itself, has disrupted and may continue to disrupt markets in the United States and around the world. If a country changes its currency or leaves the European Union or if the European Union dissolves, the world’s securities markets likely will be significantly disrupted. Substantial government interventions (e.g., currency controls) could also impact the Funds’ and Separately Managed Accounts’ investments.

Cross-Liability. The Funds and Separately Managed Accounts may issue one or more series, classes or sub-classes thereof or reclassify existing series of interests. The Funds and Separately Managed Accounts shall not require the consent of, and shall not be required to give notice to, any Investor to establish series, classes or sub-classes from time to time, or additional feeder funds, including those with terms different from those described herein. Further, the Funds may issue one or more series, classes or sub-classes denominated in currencies other than U.S. dollars, or additional feeder funds may be formed that accept currencies other than U.S. dollars, and that engage in certain currency-hedging activities by investing in, among other things, derivative instruments.

All of the assets of the Funds are available to meet all of the liabilities of every class of the Funds, regardless of the separate classes to which such assets or liabilities are attributable (if any). Due to the pursuit of currency hedging the risks and liabilities of a series may be materially different from some or all of such other series and future classes or sub-classes thereof. While the Funds will seek to contractually allocate the profits and losses associated with any such currency hedging activities and the pledging of assets related thereto, to each feeder fund associated with such currency hedging according to proportionate interests, all of the assets of the Funds are available to be pledged for such arrangements and there is no guarantee that such liabilities would not exceed the assets of the applicable feeder fund.

Certain Tax Consequences. The Funds' and Separately Managed Accounts' activities could cause adverse tax consequences to Investors, including liability for interest and penalties. The Investment Manager may refrain from making certain investments on the Funds' and Separately Managed Accounts' behalf because those transactions could have significant adverse tax effects for some Investors but could be profitable for others. The Investment Manager also may consider the potential tax impact on some Investors of the timing of transactions (for example, whether disposing of an investment or closing a position at a particular time could have different tax effects than disposing or closing somewhat sooner or later). The tax implications of timing may benefit certain Investors, including the General Partner and its affiliates, and not others, and in some cases could adversely affect the Investors.

Cash and Other Investments. The Funds and Separately Managed Accounts may invest all or a portion of its assets in cash or cash items for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items must be 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 the Investment Manager. The Funds may also hold interests in investment vehicles that hold cash or cash items. While investments in cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses. Investments in cash items and money market funds may also provide less liquidity than anticipated by the Investment Manager at the time of investment.

Other Instruments and Future Developments. The Funds and Separately Managed Accounts may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions and certain other customized "synthetic" or derivative investments in the future. In addition, the Funds may take advantage of opportunities with respect to certain other "synthetic" or derivative instruments which are not presently contemplated for use by the Funds or which are currently not available, but which may be developed to the extent such opportunities are both consistent with the Funds' and Separately Managed Accounts' investment objective and legally permissible for the Funds and Separately Managed Accounts. Special risks may apply to the Funds' and Separately Managed Accounts' investments in the future. Furthermore, the Funds and Separately Managed Accounts will have the discretion to supplement its principal investment strategy by making investments in any other securities or assets that the Investment Manager believes may offer attractive trading or investment opportunities. In implementing the Funds' and Separately Managed Accounts investment program, the Investment Manager may utilize whatever techniques it deems to be advisable, regardless of whether any such technique is specifically described herein, is currently in existence or is hereafter created.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

As noted in Item 4, Athanor has a strategic relationship with the Strategic Investor which has agreed to provide significant capital contributions to the Funds. In consideration for this initial capital contribution, the Strategic Investor is entitled to receive additional revenue and allocations calculated by reference to the Management Fees and Performance Allocation and has received certain additional rights, including, without limitation, consent rights over certain actions related to the Funds, the General Partner or Investment Manager and their affiliates, advance notice with respect to certain events or actions related to the Funds, the General Partner or Investment Manager and their affiliates, preferential reporting, information and transparency rights, special redemption rights, including in the case of the occurrence of certain events, capacity rights, co-investment rights, and other rights that are in addition to, and are more favorable than, the rights of other investors in the Funds.

Although Athanor and the Strategic Investor have a strategic relationship, Athanor is operated independently from the management of the Strategic Investor. The Strategic Investor is not a sponsor or promoter of the Funds and has no duties to other Investors of the Funds and will not be liable to other Investor for exercising or not exercising any rights that it may have. The Strategic Investor will not have any management responsibilities with respect to the General Partner, the Investment Manager, their respective affiliates or the Funds, including not having control over the day-to-day investment decisions of the Funds.

We do not recommend or select other investment advisers for our clients.

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

Code of Ethics

Athanor has adopted a “**Code of Ethics**” that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Clients first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics' Employee Investment Policy (described below); and

- Employees should not take inappropriate advantage of their position at the Firm.

Personal Securities Trading

Employees, their spouses, immediate family members and other dependents are required to instruct their brokers to send duplicate copies of all personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with Athanor's "**Employee Investment Policy**." Under the Employee Investment Policy employees are prohibited from trading single name securities, provided that, with approval, employees may sell single name securities held prior becoming an employee (such sales, a "**Liquidating Trade**").

Employees must obtain pre-approval from the CCO before: (i) making a Liquidating Trade; (ii) engaging in any outside business activities that may present a conflict with the employees' duties at the Firm; or (iii) making any private investments.

We will provide a copy of our Code of Ethics to our Clients, or any prospective investor or client, upon request, to be reviewed at our offices.

Conflicts of Interest

Management of the Funds. The General Partner, Investment Manager and if applicable, the board of directors of a Fund are not obligated to devote their full time to the Funds, but will devote such time as the General Partner, Investment Manager, and if applicable, the board of directors, in their sole discretion, deem necessary to carry out the operations of the Funds effectively.

The Investment Manager and its affiliates may provide investment advice to other clients, including investment funds and managed accounts that follow investment programs similar to or different from that of the Funds. In addition, the Investment Manager, the General Partner and their affiliates and the principals thereof may have investments in other Related Funds or interests in the performance of other Related Funds which pose conflicts of interest. Conflicts of interest among the Funds and the other Related Funds may exist, which include, but are not limited to, those described herein.

Master-Feeder Structure. The Funds will invest their assets in a master fund ("**Master Fund**"). One or more other Related Funds may in the future invest some or all of its assets in the Master Fund. This structure may pose conflicts of interest among the Funds and such other Related Funds because, for tax or other reasons, some investments or potential investments by the Master Fund might be more appropriate or desirable for investors in such other Related Funds than for the Investors, or vice-versa.

Investments by the Fund and other Related Funds. In the event any Related Funds are formed in the future, the purchase and sale orders generally will be combined for the Funds and Related Funds with each entity paying its pro rata share of the total commission and paying or receiving its pro rata share of the total cost or sales proceeds. Purchase and sale orders that are aggregate for the Funds and Related Funds will be allocated on an average price basis among such accounts. From the standpoint of the Funds, simultaneous identical portfolio transactions for the Funds and the other Related Funds may decrease the prices received, and increase the prices required to be paid, by the Funds for their portfolio sales and purchases. There may be a conflict of interest in the allocation of investment opportunities among the Funds and other Related Funds. The Investment Manager and its affiliates intend to allocate

investment opportunities in a manner which is believed to be fair and equitable over time to all the entities involved. While allocations between the Funds and other Related Funds are generally made on a pro rata basis in proportion to the relative equity of each, the Investment Manager, the General Partner and their affiliates may use other allocation methodologies such that there can be no assurances that an investment opportunity which comes to the attention of the Investment Manager, the General Partner and their affiliates will not be allocated wholly or primarily to other Related Funds, with the Funds being unable to participate in such investment opportunity or participating only on a limited basis. If, in the discretion of the Investment Manager, the Funds and/or one or more other Related Funds should not participate in a particular investment opportunity due to investment restrictions or for tax or regulatory reasons, such investment opportunity will be allocated only to the Related Funds not affected by such investment restrictions, tax or regulatory reasons. To the extent an investment is not allocated pro rata, the Funds could incur a disproportionate amount of income or loss related to such investment relative to the other Related Funds.

The Clients could be disadvantaged because of activities conducted by the Investment Manager or its affiliates for the other Related Funds as a result of, among other things: legal restrictions on the combined size of positions which may be taken for all accounts managed by the Investment Manager or its affiliates, thereby limiting the size of the Clients' position; and the difficulty of liquidating an investment for more than one account where the market cannot absorb the sale of the combined positions. In addition, there may be circumstances under which the Investment Manager or its affiliates will consider participation by other Related Funds in investment opportunities in which the Investment Manager does not intend to invest, or intends to invest only on a limited basis, on behalf of the Funds. The Investment Manager and its affiliates will evaluate for the Funds and other Related Funds a variety of factors which may be relevant in determining whether a particular situation or strategy is appropriate and feasible for each Fund or another Related Fund at a particular time, including the nature of the investment opportunity taken in the context of the other investments at the time, the liquidity of the investment relative to the needs of the particular entity, the investment or regulatory limitations on the particular entity and the transaction costs involved. Because these considerations may differ for the Funds and one or more of the other Related Funds in the context of any particular investment opportunity, investment activities of the Funds and the other Related Funds may differ considerably from time to time.

Transactions with Affiliates. The Funds are permitted to participate in, to the extent permitted by applicable securities laws, transactions in which the General Partner or the Investment Manager (or any of their employees, members and/or principals or any Investor) is directly or indirectly interested. In connection with such transactions, the Funds, on the one hand, and the General Partner, Investment Manager, their employees, members and/or principals or Investors, on the other hand, may have conflicting interests. The General Partner and the Investment Manager may also face conflicts of interest in connection with purchase or sale transactions (involving an investment by the Funds) with an affiliate of the Funds (including other Related Funds), including with respect to the consideration offered by, and the obligation of, the General Partner or Investment Manager and such other affiliate.

Special Arrangements with Investors

The General Partner and board of directors, as applicable, are permitted to enter into separate agreements with Investors setting forth the terms of investment by such Investor in the Funds. Among other things, such agreements may provide for Management Fees, Performance Allocations, liquidity terms, preferential reporting, information and/or transparency rights,

special redemption rights, including in the case of the occurrence of certain events, capacity rights, co-investment rights, and/or other rights that are in addition to, and are more favorable than are available to other investors.

Item 12: Brokerage Practices

The Investment Manager is solely responsible for choosing the broker or brokers used for each securities transaction for the Funds. In negotiating commission rates and selecting broker/dealers, the Investment Manager will take into account the financial stability and reputation of the particular broker/dealer, the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected and the brokerage and research services provided by such broker/dealer, and other services, such as invitations to conferences and similar events, introductions to potential portfolio companies or clients, and transportation to and from meetings, among other factors. It is noted that since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

The Investment Manager believes that valuable brokerage, research and other services can be provided to the Clients by brokerage firms effecting transactions for the Clients. Accordingly, the Investment Manager does not intend to seek lower brokerage commissions to the extent that doing so might detract from the provision of such brokerage, research and other services. Brokerage and research services may either be obtained from brokerage firms or obtained from third parties and paid for by the Investment Manager and subsequently charged to the Funds and the other Related Funds pro rata based on their relative capital balances. Brokerage and research services may include, but are not limited to, written (including electronic) information and analyses concerning specific securities, companies or sectors; news, quotation, statistics and pricing services, as well as discussions with research personnel and consultants; and hardware, software, data bases and other technical services and equipment utilized in the investment management process and consulting fees in connection with investigating and monitoring potential and existing investments. Research and other services, whether obtained by the use of commissions arising from the Funds' portfolio transactions or paid for by the Investment Manager and charged to the Funds and the other Related Funds as described above, may be used by the Investment Manager for the benefit of other Related Funds.

Soft Dollars

The Funds may receive products and services from any broker, dealer or other financial intermediary or counterparty with or through which the Funds execute portfolio transactions, including derivatives transactions. When it does so, it is said to be paying for those products and services with "soft dollars." In formulating and implementing its policies with regard to the use of commissions or "soft dollars", products and services received by the Investment Manager are expected, but are not required, to fall within the parameters of Section 28(e) of the Exchange Act.

Investors should understand that when the Investment Manager receives research or other products or services, as described above, the Investment Manager receives a benefit because it does not have to produce or pay for this research, products, or services. Therefore, the Investment Manager may have an incentive to select or recommend a broker based on its

interest in receiving the research or other products or services, rather than on the Funds' interest in receiving most favorable execution.

Furthermore, the Investment Manager may use products and services acquired with the Funds' soft dollars in managing Related Funds, and vice versa, and may use those soft dollars to acquire products and services it uses primarily or even exclusively in managing Related Funds. Some of those Related Funds may use the Funds' soft dollars even if they do not generate any commissions.

Trade Errors

On occasion, errors may occur with respect to trades executed on behalf of the Funds. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, or when the wrong quantity is purchased or sold. Trade errors frequently result in losses but may, occasionally, result in gains. To the extent an error is caused by a third party, such as a broker, the General Partner and the Investment Manager may seek to recover any losses associated with such error from such third party, although there may be contractual limitations on any third party's liability with respect to such errors. The General Partner and the Investment Manager will establish internal policies regarding the manner in which such determinations are to be made, but investors should be aware that, in making such determinations, the General Partner and the Investment Manager will have a conflict of interest. Generally, the Investment Manager and General Partner will not be held accountable for trade errors that do not breach the standard of care set forth in the Agreements. Furthermore, the General Partner and the Investment Manager retain the right to offset profits and losses due to trade errors in accordance with the Investment Manager's trade error policies and procedures from time to time in effect.

Item 13: Review of Accounts

Athanor provides continuous advisory services for the Funds and Separately Managed Accounts. Athanor regularly monitors and analyzes the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines stated in the Funds' offering documents and investment management agreements. In these reviews, we pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

Athanor provides reports in accordance with the applicable Fund's investment management agreement and organizational and offering documents, and as may be agreed with particular Investors.

We will make available, via the Administrator's online portal, annual audited financial statements to all Investors within 90 days of the relevant Fund's fiscal year end or as soon as reasonably practicable thereafter. We also may distribute other interim reports to Clients as applicable.

Item 14: Client Referrals and Other Compensation

The Investment Manager may pay compensation to one or more persons for placement or referral services in connection with the offering of Fund interests, provided that the Funds will not bear such fees and expenses.

Item 15: Custody

We will comply with Advisers Act's Custody Rule by meeting the conditions of the pooled vehicle annual "Audit Approach." Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will make available via the Fund Administrator's online portal the Fund's audited financials to Investors within 90 days of the Fund's fiscal year end or such earlier time as set forth in the Agreements. To satisfy our Custody Rule obligation under the Audit Approach, we are required to make such audited financial statements available to our investors within 120 days. However, we also are registered with the Commodity Futures Trading Commission (CFTC) as a commodity pool operator and therefore are required to make such statements available to our investors within 90 days.

Item 16: Investment Discretion

Athamor provides investment advice directly to its Funds and Separately Managed Accounts pursuant to a written investment management agreement with the Funds, subject to the discretion and control of the General Partner or the board of directors of the applicable Fund, and not directly to the investors in the Funds.

Item 17: Voting Client Securities

In compliance with the Advisers Act's Proxy Voting Rule, we have adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies") in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, we may refrain from voting Proxies where we believe that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to our clients. Generally, clients may not direct our vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on the one hand and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have,

a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.