

DRACAENA CAPITAL MANAGEMENT, LLC
PART 2A OF FORM ADV: FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of Dracaena Capital Management, LLC (“Dracaena” or the “Firm”). If you have any questions about the contents of this brochure, please contact Darren Martian, the Firm’s Chief Compliance Officer at 703-879-0110 or darren.martian@dracaenafunds.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to Dracaena as a registered investment adviser does not imply a certain level of skill or training.

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

Item 2: Material Changes

Dracaena is filing this initial Form ADV Part 2A under Rule 203A-2(c) in anticipation of being eligible to register with the Securities and Exchange Commission (the “SEC”) within 120 days.

In the future, this Item 2 will only discuss specific material changes that have been made since the last filing and will provide a summary of those changes, which will be reflected below.

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Item 4: Advisory Business

Item 4.A.

Dracaena Capital Management, LLC (“**Dracaena**” or the “**Firm**”), a Delaware limited liability company, was formed on November 28, 2017. Pan Grace Gu is the principal owner of the Firm.

Item 4.B.

Dracaena is an investment management firm that provides advisory services on a discretionary basis to privately offered pooled investment vehicles, which are intended for investment by investors that are “accredited investors” under Rule 501 of Regulation D of the Securities Act of 1933, as amended, and “qualified purchasers” under Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “**Company Act**”) so as to comply with the exemption from registration under Section 3(c)(7) of the Company Act. Dracaena Onshore Fund, L.P. (the “**Onshore Feeder**”), a Delaware limited partnership, and Dracaena Offshore Fund, Ltd. (the “**Offshore Feeder**”), a Cayman Islands exempted company, are feeder funds (collectively called the “**Funds**” and each a “**Fund**”) in the master fund, Dracaena Master Fund, L.P. (the “**Master Fund**”), a Cayman Islands exempted company. The general partner of the Onshore Feeder and the Master Fund is Dracaena Advisors, LLC, a Delaware limited liability company (the “**General Partner**”). The Offshore Feeder is governed by its board of directors (the “**Board**”). Limited partners invested in the Onshore Feeder and shareholders invested in the Offshore Feeder are referred to herein collectively as the “**Investors**”. In addition, limited partnership interests in the Onshore Feeder and shares in the Offshore Feeder are referred to herein collectively as the “**Interests**”.

The investment objectives of the Funds and the Master Fund are (i) the generation of superior, risk adjusted absolute returns over time, and (ii) real capital preservation through economic and market cycles. There is no assurance that the Funds will achieve their investment objective. The Firm, as investment manager of the Funds, pursues the investment objectives by operating a global macro strategy anchored by longer-term macroeconomic and policy themes, while paying close attention to shorter-term market-driven catalysts.

Dracaena does not limit its investment advice to only certain types of investments.

Item 4.C.

Dracaena’s investment management and advisory services are provided to its clients, the Funds and the Master Fund, pursuant to the terms of the relevant private placement memorandum and investment management agreement. Investors in the Funds cannot obtain investment management or advisory services tailored to their individual specific needs.

Item 4.D.

Not applicable. Dracaena does not participate in a wrap fee program.

Item 4.E.

As a newly-formed adviser, Dracaena has \$0 in regulatory assets under management on a discretionary basis as of the date of this Brochure.

Item 5: Fees and Compensation

Item 5.A.

Generally, for acting as investment manager to the Funds and the Master Fund, the Investors in the Funds pay to Dracaena at the Master Fund level a monthly management fee in arrears equal to 1/12 of 1.5% (1.5% per annum) of the net asset value of each Investor's capital account calculated as of the last day of each month without accrual of the incentive allocation.

Certain Investors that invest in the Fund prior to and including 1/1/19 receive Founder Interests ("Founder Interests"). Generally, the Investors with Founder Interests pay to Dracaena at the Master Fund level a monthly management fee in arrears equal to 1/12th of 1.25% (1.25% per annum) of each Founder Interests Investor's capital account balance on their first \$50,000,000 of capital contributions and a monthly management fee equal to 1/12th of 1% (1% per annum) of their capital account balance on capital contributed in excess of \$50,000,000.

The management fee may be different for particular Investors, and may be reduced, waived or restructured for particular Investors at the Board or General Partner's discretion, as applicable, with the consent of Dracaena.

Item 5.B.

In consideration of the investment management services provided to the Funds and the Master Fund, Investors generally each pay to Dracaena at the Master Fund level a monthly management fee equal to 1/12th of 1.5% (an annual rate of approximately 1.5%) deducted from their Capital Account balance as of the last business day of each month. Investors holding Founders Interests generally pay to Dracaena at the Master Fund level a monthly management fee in arrears equal to 1/12th of 1.25% (1.25% per annum) deducted as of the last business day of each month from each Founder Interests Investor's capital account balance on their first \$50,000,000 of capital contributions and a monthly management fee equal to 1/12th of 1% (1% per annum) deducted from their capital account balance on capital contributed in excess of \$50,000,000.

Item 5.C.

Each of Dracaena and the General Partner are responsible for its administrative and overhead expenses, including, but not limited to, office space, utilities, computer equipment, furniture and fixtures and employees' salaries and benefits. Dracaena will also bear the marketing and investor relations costs. These expenses could be shared with other parties including affiliates of the Dracaena and the General Partner or other funds or investments if such parties utilize the same items.

Each Fund bears all of the expenses incident to its operations and business including, without limitation: (i) transaction costs incurred in connection with the conduct of the Fund's business, including, without limitation, expenses of portfolio transactions and positions, including any execution, give-up, clearing and custody commissions and fees, brokerage fees, commissions and charges, initial and variation margin and all other expenses relating to the investment program such as due diligence costs, research expenses, including the costs of research consulting services, monitoring, research equipment and investment-related products and legal fees and any travel expenses, including business class airfare, ground transportation and lodging, for due diligence trips including those related to investments that the Fund does not ultimately invest in; (ii) interest on balances due and any other fees and charges of prime

brokers, financial counterparties, banks and custodians; (iii) income taxes, withholding taxes, transfer taxes and other governmental charges and duties imposed on or payable by the Fund; (iv) legal, compliance, consulting and other professional fees and expenses, including those of legal counsel, the administrator and custodian, as well as privacy, technology and cybersecurity-related expenses; (v) accounting (including, without limitation, the costs of accounting systems and software), auditing and tax preparation expenses, fees and expenses incurred in connection with the preparation of the annual financial statements and any tax returns required to be filed by the Fund; (vi) costs and fees in connection with any pricing services, portfolio management reporting software, and risk management reporting software; (vii) any fees and expenses associated with the organization and conduct of any meetings of the Investors and the preparation and distribution of all reports to and other communications with Investors; (viii) litigation and indemnification expenses and other extraordinary expenses not incurred in the ordinary course of the Fund's business, including any expenses incurred by, or on behalf of, the Fund in connection with the enforcement of its rights concerning any investment; (ix) preparing and filing reports and any government and regulatory filing fees, costs or other expenses, including, but not limited to, those relating to Form PF, Form CPO-PQR or other filings, entity-level taxes, corporate licensing fees, blue sky fees, registration fees or other charges including any expenses due to regulatory, supervisory and fiscal authorities or agencies in various jurisdictions; (x) Management Fees payable to Dracaena; (xi) the Fund's proportionate share of the Master Fund's expenses and any and all portfolio investments; (xii) the costs of obtaining insurance on behalf of the Fund (shared pro rata between Dracaena and the Funds managed by Dracaena); and (xiii) all other operational expenses of the Fund.

Item 5.D.

Management fees are not charged in advance.

Item 5.E.

Not Applicable. Dracaena or its supervised persons are not compensated for the sale of securities or other investment products, and mutual funds.

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

Generally, an affiliate of Dracaena, the General Partner, is entitled to receive an annual performance allocation, charged at the Master Fund level, of 20% of the net gain allocated to each Investor's capital account subject to a loss carry forward provision and adjusted for withdrawals.

Founder Interests are subject to an annual performance allocation, charged at the Master Fund level, equal to 15% of the net gain relating to their capital contributed, subject to a loss carry forward provision and adjusted for withdrawals, up to their \$200 million capacity limit.

Item 7: Types of Clients

Dracaena provides discretionary investment management services to privately offered pooled investment vehicles offered to high-net worth individuals and institutional investors, as described in Item 4.B.

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

Item 8.A.

The Funds pursue their investment objective by operating a global macro strategy anchored by longer-term macroeconomic and policy themes, while paying close attention to shorter-term market-driven catalysts. The Feeder Funds currently invest directly into the Master Fund.

Dracaena performs both qualitative and quantitative analysis in the formulation and execution of the investment strategy of the Master Fund. Ideas are generated through the intersection of evaluation of macro themes (for example, economic growth, inflation, monetary and fiscal policy regimes, and structural issues), monitoring of market screens (for example, valuation, carry, sentiment, positioning, and liquidity), and execution on catalysts (for example, data releases, significant speeches, policy events, and price actions).

The Master Fund's investment process seeks to profit from opportunities in liquid markets across major developed and emerging economies. Significant risks are expected to be taken in the equities, currencies, interest rates, credit, commodity and other instruments related to any such asset classes, whether listed or over-the-counter. Instruments are sought in an effort to most effectively express views, maximize reward-to-risk asymmetry and minimize trading costs; they can be delta-one or non-linear, cash or derivatives. The Master Fund may invest in and utilize derivative instruments such as futures, options forwards, swaps, credit default swaps and total return swaps; cash instruments such as exchange-traded funds, cash bonds and equities, currency spot, cash and cash equivalents; and non-linear instruments such as listed or over-the-counter options in any of these markets. The Master Fund may also take positions in structured products and other investment opportunities and instruments in markets that may arise from time to time. The Master Fund may hold both long and short positions in any instruments. The Master Fund may utilize leverage to the extent deemed appropriate by Dracaena, and the amount of leverage utilized by the Master Fund may be substantial.

Item 8.B and Item 8. C.

An investment in the Funds may be deemed to be a highly speculative investment and it is not intended to be a complete investment program. The Funds are designed only for sophisticated persons who are able to bear the risk of the loss of their entire investment in the Funds. Prospective investors should carefully evaluate the following risks before making an investment in the Funds (with respect to this section, the Funds and the Master Fund are collectively referred to as the "Fund"):

Nature of Investments. The Firm has broad discretion in making investments for the Funds. The Fund invests in and actively trades securities, swaps, security-based swaps, futures, options and other derivatives using a variety of strategies and investment techniques with significant risk characteristics, including, but not limited to, the risks arising from the volatility of the equity, fixed-income, commodity and currency markets, the risks of borrowings and short sales, the risks arising from leverage associated with trading in the equities, currencies, futures and derivatives markets, the illiquidity of investments in derivative instruments and the risk of loss from counterparty defaults. Security-based swaps (swaps on single securities or loans or a narrow-based index of securities or loans) are subject to the jurisdiction of the SEC, with the broad outlines of the related regulations being similar to regulations for swaps under the jurisdiction of the Commodity Futures Trading Commission ("CFTC"). Both swaps subject to the CFTC's jurisdiction and security-based swaps subject to the SEC's jurisdiction are referred to herein as "swaps" unless the context requires a distinction be made between them. No guarantee or representation is made that the investment program of the Funds will be successful. Leverage inherent in the types of

underlying investments made by, and otherwise utilized by, the Fund can, in certain circumstances, substantially increase the adverse impact to which the Fund's investment portfolio may be subject.

General Economic and Market Conditions. The success of the Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, market liquidity, changes in laws, trade barriers, currency exchange controls and national and international political circumstances (including wars, terrorists acts or security operations). These factors may affect the level and volatility of investments' prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses. Governments and regulators in financial markets worldwide have attempted to implement measures designed to reduce volatility in the global securities markets and stimulate their local credit markets. Such activities have included restrictions on certain types of activities, such as short selling. To the extent additional laws and regulations are implemented with respect to the markets and/or jurisdictions in which the Fund invests or is subject, this could limit the Fund's activities and investment opportunities or change the functioning of capital markets and could also generate substantial losses for the Fund's portfolio. Consequently, the Fund may not be capable of, or successful at, preserving the value of its assets, generating positive investment returns or effectively managing its risks. The economies of countries in which the Fund may invest may differ in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

General Legal Risk in Non-U.S. Countries. Many of the laws that govern private and foreign investment and transactions in securities, futures and swaps in non-U.S. countries are relatively new and largely untested and constantly changing. In many cases, rules in foreign countries have yet to be proposed, adopted or implemented. As a result, the Fund may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain non-U.S. countries in which assets of the Fund may be invested. There can be no assurance that this difficulty in protecting and enforcing rights and recovering assets will not have a material adverse effect on the Fund and its operations. Furthermore, it may be difficult to obtain and enforce a judgment in a court outside of the Cayman Islands (where the Master Fund and the Offshore Feeder are domiciled) or the United States. Additionally, the income and gains of the Fund may be subject to withholding taxes imposed by foreign governments for which Investors may not receive a full foreign tax credit. In addition, it is not certain how the vote in the United Kingdom to leave the European Union will be implemented and whether and how changes in laws in either the United Kingdom or the European Union will change as a result of or in anticipation of Brexit.

Highly Volatile Markets. United States politics, diplomacy, military and related action overseas is ongoing and events in the Middle East, as well as in other parts of the world, could have significant adverse effects on the U.S. economy and on exchange and OTC markets. In addition, the impact of current and future developments in the financial markets can have a negative effect on the economy to an extent which cannot currently be predicted. The prices of derivative instruments, including futures and options, can be highly volatile. Price movements of forwards, futures and other derivative contracts in which the Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition,

governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction. The Fund is also subject to the risk of the failure of any exchanges on which their positions trade or of their clearinghouses. The Fund cannot predict the future effects of such events on the markets.

Concentration of Investments. Diversification is not required of the Fund's investments. The Fund may concentrate a significant portion of its assets in a relatively small number of investment positions at any one time. Accordingly, appreciation or depreciation in the value of investment positions may have a greater effect on the value of the Fund's portfolio than would be the case in a more diversified or hedged portfolio. In addition, concentration of a significant portion of the Fund's investments in a limited number of investment positions may increase the Fund's risk in situations where an investment position becomes illiquid or markets are disrupted. If the price of an asset held by the Fund should decrease and the Fund is unable for any reason to liquidate its position quickly or at a relatively advantageous price, the effect on the Fund's portfolio would be heightened if the Fund had concentrated its assets in such a position. Instability, volatility, or significant unforeseen events in a specific sector or any subsectors may not be readily balanced or offset by investments in other industries or markets not so affected.

Recent Developments in Global Credit Markets. In the past few years, the global financial markets have experienced a period of extreme volatility and financial stress, colloquially known as the "credit crunch," "liquidity crisis" and other such terms. These market events are widely believed to have originated from sub-prime related losses in U.S. investment banks, and have since broadened to encompass multiple asset classes, and multiple aspects of the global financial system. Those events resulted in, amongst other things, increased costs of funding, inability to secure funding, illiquidity in many markets, large falls in asset prices, uncertainty concerning the valuations of assets, increased risk of, and actual observed, bank, counterparty, and issuer defaults, as well as significantly increased volatility in the markets. If events of similar magnitude occur again, it is not possible to determine now whether the situation would improve or worsen, nor is it possible to determine now how long any resulting volatility or financial stress would continue. These events are pertinent to the Fund in that they specifically relate to the investments that this Fund intends to make, and to the markets that it intends to operate in. The continuation of market conditions, uncertainty or deterioration similar to the recent credit crunch and liquidity crisis could result in declines in the market values of potential Fund investments or declines in the market values of subsequently purchased Fund investments. Such declines could lead to diminished investment opportunities for the Fund, prevent the Fund from successfully executing its investment strategies or require the Fund to dispose of Fund investments at a loss while such adverse market conditions prevail.

Contractual Risks. The Fund may make investments based on, or enter into contracts described by, significant legal documents. Such documents may include, but are not limited to, memoranda and other offering documents as well as OTC derivative contracts, including contracts for differences and credit default swaps. While the Fund will generally seek advice on material matters, there can be no guarantee that any advice given will be accurate, that a contract will be validly executed by the relevant counterparty, that the contract will adequately protect the Fund or that a contract will ultimately prove to be enforceable against the relevant counterparty. Furthermore, the expected outcome of these contracts or investments may not be realized in practice. In addition, the Fund attempts to negotiate favorable terms in such contracts but is not always able to do so. If these contracts or investments do not produce the expected result, the Fund could suffer significant losses.

Many of the laws that govern private investment, instruments transactions and other contractual relationships in emerging markets are new and largely untested. As a result, the Fund may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality

customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of the emerging markets in which assets of the Fund may be invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Fund and its operations.

Regulatory controls and corporate governance of companies in emerging markets confer little protection on minority shareholders. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty to shareholders by officers and directors is also limited when compared to such concepts in developed markets. In certain instances, management may take significant actions without the consent of Investors and anti-dilution protection also may be limited.

Leverage and Financing Risks. A significant percentage of the Fund's investments may be acquired through the use of leverage or other financing. The Fund intends to invest on a leveraged basis because of Dracaena's belief that, in certain circumstances, investment returns can be enhanced through the use of leverage. Leveraging may exaggerate the effect on NAV of any increase or decrease in the market value of the Fund's portfolio. In addition, leveraging may increase the expenses of the Fund. For instance, money borrowed for leveraging will be subject to explicit or implicit interest costs or carrying charges that may or may not be recovered by a return on the assets purchased. The Fund also may be required to maintain a minimum deposit in connection with such borrowing or to pay a commitment or other fee to maintain a line of credit. Either of these requirements would increase the cost of borrowing over the stated interest rate. Distributions, if any, could be suspended under certain market conditions. Amounts borrowed to leverage the investments of the Fund typically are secured by the pledge of assets held in the Fund's portfolio. The Fund could suffer mandatory liquidation of the Fund's assets pledged as collateral to compensate for the decline in value. In the event of a sudden precipitous drop in the value of Fund assets, the Fund may not be able to liquidate assets quickly enough to pay off its debt.

Equity Securities. The Fund's investment portfolio may include long and short positions in common stocks, preferred stocks and convertible securities of U.S. issuers and non-U.S. issuers. The Fund also may invest in depositary receipts relating to foreign securities. Equity securities fluctuate in value in response to many factors, including the activities and financial condition of individual companies, the business market in which individual companies compete, interest rates and industry market conditions and general market and economic conditions, economic environments. The Fund may invest in equities and equity derivatives. The value of these instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from Dracaena's expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move. With respect to its investments in equity derivatives, a Fund may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

The Fund's investments in equity securities may include securities that are listed on securities exchanges as well as unlisted securities that are traded over-the-counter. Equity securities of companies traded over-the-counter may not be traded in the volumes typically found on a national securities exchange. Consequently, the Fund may be required to dispose of such securities over a longer (and potentially less favorable) period of time than is required to dispose of the securities of listed companies.

Certain issuers of equity securities may be subject to different, often less comprehensive accounting, reporting and disclosure requirements, may be listed on less liquid and more volatile markets, and may be subject to high brokerage commissions and other fees. There are special tax considerations which apply to securities of certain issuers. In addition, the market value of certain assets as measured in U.S. dollars may be affected by the changes in currency rates and exchange control regulations.

Warrants and Rights. The Fund may purchase or otherwise receive warrants or rights. Warrants and rights generally give the holder the right to receive, upon exercise, a security of the issuer at a stated price. The Fund may use warrants and rights in a manner similar to its use of options on securities. Risks associated with the use of warrants and rights are generally similar to risks associated with the use of options. Unlike most options, however, warrants and rights are issued in specific amounts, and warrants generally have longer terms than options. Warrants and rights are not likely to be as liquid as exchange-traded options backed by a recognized clearing agency. In addition, the terms of warrants or rights may limit the Fund's ability to exercise the warrants or rights at such time, or in such quantities, as Dracaena would otherwise wish.

Swaps - General Considerations. The Fund may enter into swaps. Swaps may be structured to include exposure to a variety of different types of investments, asset classes or market factors. The Fund, for instance, may enter into swaps with respect to interest rates, credit defaults, currencies, securities, indices of securities and other assets or other measures of risk or return. Depending on their structure, swaps may increase or decrease the Fund's exposure to equity securities, long-term or short-term interest rates, foreign currency values, financial strength of particular corporations, or other factors. Swaps can take many different forms and are known by a variety of names, and the Fund may invest in many different forms and variations of swaps, such as lookalike swaps and swaptions and other related contracts. The Fund is not limited to any particular form of swap if consistent with Dracaena's investment objective and policies. Depending on how they are used, swaps may increase or decrease the overall volatility of the Fund's portfolio. The most significant factor in the performance of swaps is the change in the individual equity values, specific interest rate, currency or other factors that determine the amounts of payments due to and from the Fund. If a swap calls for payments, the Fund must be prepared to make such payments when due. In addition, if the creditworthiness of a counterparty to the swap declines, the ability of the counterparty to meet its obligations under the swap can be expected to decline, potentially resulting in losses to the Fund.

The instruments, indices and rates underlying derivative transactions expected to be entered into by the Fund may be extremely volatile in the sense that they are subject to sudden fluctuations of varying magnitude, and may be influenced by, among other things, government trade, fiscal, monetary and exchange control program and policies; national and international political and economic events; and changes in interest rates. The volatility of such instruments, indices or rates, which may render it difficult or impossible to predict or anticipate fluctuations in the value of instruments traded by the Fund, could result in losses.

The Fund may engage in cleared or uncleared swaps. Such transactions may include forward contracts, options, or other types of swaps. While some swaps may be highly liquid, particularly cleared swaps, transactions in swaps may involve greater risk than investing in futures because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from a swap transaction or to assess the exposure to risk. Bid and offer prices need not be quoted and, even where they are, it may be difficult to establish what is a fair price. Reporting requirements under the Dodd-Frank Act will provide more information regarding swap pricing, but it is not certain whether that information will contribute to fair pricing.

Securities Believed to Be Undervalued or Incorrectly Valued. Securities that Dracaena believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame Dracaena anticipates. As a result, the Fund may lose all or substantially all of its investment in any particular instance.

Other Debt Instruments. The Fund may also invest in other investment grade or other debt instruments of companies or other entities not affiliated with countries or governments, including but not limited to, senior and subordinated corporate debt; collateralized loan obligations; preferred stock; corporate securities; and bank debt. The Fund may also acquire debt securities on a private placement basis and

may invest in loan participations and originate loans. As with other investments of the Fund, there may not be a liquid market for these debt instruments, which may limit the Funds' ability to sell these debt instruments or to obtain the desired price.

Fixed Income Securities. The Fund may invest in bonds or other fixed income securities of U.S. and non-U.S. companies, including commodity-related fixed income securities. Investment in these securities may offer opportunities for income and capital appreciation and may also be used for temporary defensive purposes and to maintain liquidity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes, and debentures issued by corporations; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations. The value of fixed income securities in which the Fund invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Interest rate risk relates to changes in a security's market value as a result of changes in interest rates. Fixed-income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity (*i.e.*, market risk). In addition, mortgage-backed securities and asset-backed securities may also be subject to call risk and extension risk. For example, homeowners have the option to prepay their mortgages. Therefore, the duration of a security backed by home mortgages can either shorten (*i.e.*, call risk) or lengthen (*i.e.*, extension risk).

Interest Rate Risk – Fixed Income Securities. Interest rate risk relates to changes in a security's market value as a result of changes in interest rates. The market value of the Fund's underlying investments in fixed income securities (including bonds, notes and asset-backed securities) will typically change as interest rates fluctuate. During periods of rising interest rates, the market values of fixed income securities generally decline because prospective interest payments on new bonds will exceed current payments on existing bonds; the opposite is true when interest rates fall, because current investments have locked in a higher interest rate. A longer-maturity investment generally has a longer interest rate duration, as the investment's fixed rate is locked in for longer periods of time. The prices of long-term debt obligations generally fluctuate more than prices of short-term debt obligations as interest rates change. Floating or adjustable-rate securities, however, generally have short interest rate durations since their interest rates are not fixed but rather float up and down with the level of prevailing interest rates. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase significantly in market value when market interest rates fall (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Conversely, inverse floating rate securities have durations that move in the opposite direction from short-term interest rates, and thus tend to underperform the market for fixed rate bonds when interest rates rise but outperform the market when interest rates decline. To the extent the Fund invests in fixed income securities paying no interest, such as zero coupon and principal-only and interest-only securities, the Fund will be exposed to additional interest rate risk. In addition, interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

In addition, the market value of inflation indexed bonds (including Inflation-Protected Securities issued by the U.S. Treasury ("TIPS")) normally changes when real interest rates change. The market value of TIPS typically will decline during periods of rising interest rates and increase during times of declining real interest rates (*i.e.*, nominal interest rate minus inflation). Real interest rates may not fluctuate in the same manner as nominal interest rates. In some interest rate environments, such as when real interest rates are rising faster than nominal interest rates, the market value of inflation indexed bonds may decline more than the market value of non-inflation indexed (or nominal) fixed income bonds with similar maturities. There can be no assurance that the market value of the Fund's inflation indexed bonds will

change in the same proportion as changes in nominal interest rates, and short term increases in inflation may lead to a decline in their market value. Moreover, if the index measuring inflation falls, the principal value of inflation indexed bond investments will be adjusted downward and, consequently, the interest they pay (calculated with respect to a smaller principal amount) will be reduced. The interest payments on these investments cannot be known with certainty. The U.S. government guarantees the repayment of the original bond principal upon maturity (as adjusted for inflation) in the case of TIPS.

Hedging Transactions. Dracaena is not required to hedge positions in the Fund and for various reasons, may determine not to do so. Furthermore, Dracaena may not anticipate a particular risk so as to include an investment to hedge against it. The Fund may directly or indirectly utilize a variety of financial instruments, such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts, both for investment purposes and for risk management purposes in order to (i) attempt to protect against possible declines in the values of their portfolio positions as a result of fluctuations in the markets and changes in interest rates; (ii) attempt to protect the Fund's unrealized appreciation in the value of its investment portfolio; (iii) facilitate the sale of any such investments; (iv) attempt to enhance or preserve returns, spreads or appreciation on any investment in the Fund's portfolios or to obtain exposure to a particular security or group of securities; (v) attempt to hedge against a directional trade; (vi) attempt to hedge the interest rate, credit or currency exchange rate on any of the Fund's investments; (vii) attempt to protect against any increase in the price of any investments the Fund anticipates purchasing at a later date; or (viii) take such other action as Dracaena deems appropriate.

Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus offsetting the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the hedged portfolio positions should increase. It may not be possible for the Fund to hedge against a change or event at a price sufficient to protect the Fund's assets from the decline in value of the portfolio positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. To the extent that hedging transactions are affected, their success will be dependent on the Fund's ability to correctly predict movements in the direction of currency or interest rates, the equity markets or sectors thereof or other events being hedged against. Therefore, while the Fund may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, or the risks of a decline in the equity markets generally or one or more sectors of the equity markets in particular, or the risks posed by the occurrence of certain other events, unanticipated changes in currency or interest rates or increases or smaller than expected decreases in the equity markets or sectors being hedged or the non-occurrence of other events being hedged against may result in a poorer overall performance for the Fund than if the Fund had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, the Fund may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged, or a perfect hedge may not be available. Such imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to additional risk of loss.

Derivative Instruments. Dracaena may make use of derivatives in the Fund's investment program including equity, interest rate, credit, foreign exchange and other types of derivatives. Derivatives are financial instruments that derive their performance, at least in part, from the performance of an underlying asset, index interest rate or other measure. The Fund's use of derivative involves risks different from, or possibly greater than, the risks associated with investing directly in securities or more traditional investments, depending upon the characteristics of the particular derivative and the Fund's portfolio as a whole. Derivatives permit the Fund to increase or decrease the level of risk of its portfolio or change the character of the risk to which the portfolio will be exposed. Derivatives may entail investment exposures that are greater than their cost would suggest, meaning that a small investment in derivatives could have a large potential impact on the Fund's performance. If the Fund invests in derivatives at inopportune times

or judges the market conditions incorrectly, such investments may lower the Fund's return or result in a loss, which could be significant. Derivatives are also subject to various other types of risk, including market risk, liquidity risk, structuring risk, counterparty financial soundness, creditworthiness and performance risk, legal risk and operations risk. In addition, the Fund could experience losses if derivatives are poorly correlated with its other investments or if the Fund is unable to liquidate its position because of an illiquid secondary market. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid, and unpredictable changes in the prices for derivatives. Engaging in derivatives transactions involves a risk of loss to the Fund that could materially adversely affect the Fund's NAV. No assurance can be given that a liquid market will exist for any particular contract at any particular time. The Fund may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which the Fund may participate is evolving, and changes in the regulation or taxation of such financial instruments may have a material adverse effect on the Fund. The Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Fund and legally permissible.

Call Options. There are risks associated with the sale and purchase of call options by the Fund. Options may be traded on equities or other securities or commodity futures. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option, if applicable, may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. There are risks associated with the sale and purchase of put options by the Fund. Options may be traded on equities or other securities or commodity futures. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price (in establishing the short position) of the underlying security plus the premium received and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire premium investment in the put option.

Straddles. A straddle is an options strategy wherein an investor holds both a put and a call on the same underlying commodity at the same strike price and maturity date. To the extent the Fund engages in short straddling, which involves selling both a put and a call on the same underlying commodity at the same strike price and maturity date, the potential for loss is unlimited.

Stock Index Options. The Fund may purchase and sell call and put options on stock index futures listed on securities exchanges or traded in the over-the-counter market. A stock index fluctuates with changes in the market values of the stocks included in the index. 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 Fund will 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 a General Partner of options on stock indices will be subject to an ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Commodity Futures Contracts and Securities Futures Contracts. The value of futures depends upon the price of the instruments, such as commodities or securities, underlying them. The prices of futures are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary, and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses or from entering into desired trades. Also, low margin or premiums normally required in trading commodity futures, security futures or other futures may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract. Investments in futures also are subject to the risk of the failure of any of the exchanges on which the Fund’s positions trade or of its clearinghouses or counterparties.

Non-U.S. Futures Transactions. Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally “linked” to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, the Fund may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

Margin on Futures. In the futures markets, margin deposits are typically low relative to the value of futures contracts purchased or sold. In the forward, currency and certain other derivative markets, margin deposits may be even lower or may not be required at all. Such low margin deposits are indicative of the fact that any commodity futures contract trading typically is accompanied by a high degree of leverage. Low margin deposits by the Fund mean that a relatively small price movement in a futures contract may result in immediate and substantial losses. For example, if, at the time of purchase, five percent (5%) of the price of a futures contract is deposited as margin, a five percent (5%) decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. Thus, like other leveraged investments, any purchase or sale of a commodity contract may result in losses in excess of the amount invested in the Fund.

Securities Purchased on Margin. In the U.S., margin required for purchase of securities is typically a higher percentage than margin for futures positions. The minimum amount of required margin to be posted in connection with borrowings for securities transactions is specified by U.S. regulation. For equity securities, the minimum margin required is typically 50% of the borrowed amount but could be higher. The margin requirement associated with a short sale of securities is typically 100% or higher, depending upon the type of security. As the value of posted margin decreases (including any of the purchased securities held in the brokerage account as margin), a margin call will be made and additional margin will have to be posted. Securities transactions on margin are subject to the risk of margin calls when markets are declining, thus exacerbating the impact of the market decline.

Leverage; Interest Rates; Margin. The Fund may directly or indirectly borrow, to the fullest extent permitted by applicable regulations, in order to fund withdrawals and leverage its overall investment. In addition, the Fund leverages its investment returns with options, swaps, forwards and other derivative instruments. The Fund may make use of the concept of “notional funding” which increases its use of leverage. While leverage presents opportunities for increasing the Fund’s total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment, either directly or indirectly, would be magnified to the extent that leverage is employed. The cumulative effect of the use of leverage, directly or indirectly, in a market that moves adversely to the investments of the entity employing the leverage could result in a loss to the Fund that would be greater than if leverage were not employed. The amount of leverage or borrowings which the Fund may have outstanding at any time may be large in relation to its capital. Consequently, the level of interest rates generally, and the rates at which the Fund can borrow in particular, will affect the operating results of the Fund’s portfolio. In addition, to the extent that the Fund borrows funds, the rates at which it can borrow will affect its operating results. There can be no assurance that the Fund will be able to maintain adequate financing arrangements under all market circumstances.

The Fund’s potential use of short-term margin borrowings results in certain additional risks to the Fund. For example, should the securities that are pledged to brokers to secure the Fund’s margin accounts decline in value, or should brokers from which the Fund has borrowed increase their maintenance margin requirements (*i.e.*, reduce the percentage of a position that can be financed), then the Fund could be subject to a “margin call,” pursuant to which the Fund must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a precipitous drop in the value of the assets of the Fund, the Fund might not be able to liquidate assets quickly enough to meet the margin call and might suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses.

As a general matter, the banks and dealers that provide financing to the Fund can apply essentially discretionary margin, “haircut,” financing and security and collateral valuation policies, in addition to any requirements under law, regulation or as required by an exchange. Changes by banks and dealers in one or more of these policies, or the imposition of other limitations or restrictions, whether due to market circumstances, government, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other banks and dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel the Fund to liquidate all or part of its portfolio at disadvantageous prices, perhaps leading to a complete loss of the Fund’s equity.

In the futures markets, margin deposits typically range between 1% and 15% of the notional size of the futures contracts purchased or sold. In the forward, equity, currency and certain other derivative markets, margin deposits may be even lower or may not be required at all. Such low margin deposits are indicative of the fact that any trading in these markets typically is accompanied by a high degree of leverage. Low margin deposits mean that a relatively small adverse price movement in a futures or forward contract may

result in immediate and substantial losses to the Investor. For example, if at the time of purchase 10% of the notional level of a futures contract is deposited as margin, a 10% decrease in the price of the underlying commodity would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. Thus, like other leveraged investments, any purchase or sale of a futures, forward or other commodity contract may result in losses in excess of the amount invested.

Leverage in purchase of securities is limited by regulation in the U.S. For many long securities purchases, margin posted must equal at least 50% of the amount borrowed to purchase the securities, resulting in a maximum leverage of two to one. As the value of the purchased security and other assets in the account falls, the customer must post additional margin to meet the margin requirement and avoid liquidation of assets by the broker. Margin requirements for other types of transactions, such as short sales of securities and certain options, may be much higher, further limiting permissible leverage.

When the Fund purchases an option in the United States, there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on foreign exchanges may be paid for on margin. When the Fund sells an option on a futures contract, it may be required to deposit margin in an amount that may be determined by the margin requirement established for the futures contract underlying the option. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Margin will be required for cleared swaps and for uncleared swaps under the CFTC's jurisdiction (except in limited circumstances not likely to apply to the Fund). Whether any margin deposit will be required for uncleared security-based swaps or for other over-the-counter instruments under the SEC's jurisdiction, will depend on what is required by the SEC's regulations, when they are finalized. The European Union has adopted margin requirements for uncleared swaps. If the regulations leave margin determinations to the discretion of one or more party to the transaction, margin may be based on the parties' credit determinations and the specific agreements between the parties, which would be individually negotiated.

There is no restriction on the amount of leverage that the Fund may utilize, other than restrictions under law or regulation. The cumulative effect of the use of leverage with respect to any investment in a market that moves adversely to such investments could result in a substantial loss which would be greater than if the investments were not leveraged.

Forward Contracts. The Fund may enter into forward contracts with U.S. and foreign banks, brokers and currency dealers and counterparties which are not traded on exchanges and are generally not regulated. Some forward contracts, including certain physically settled forward contracts on non-financial commodities, are not regulated by any United States governmental agency. Certain currency forwards are not required to be cleared but reporting obligations and swap dealer business conduct requirements apply with respect to those transactions. Non-deliverable currency forwards are regulated as swaps and may become subject to clearing mandates. There are no limitations on daily price moves of forward contracts and speculative position limits are not applicable. Banks and other dealers with whom the Fund may maintain accounts may require margin deposits with respect to such trading. Counterparties are not required to continue to make markets in such contracts. There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one (1) or a few counterparties, and therefore liquidity problems might be greater than if such arrangements were made with numerous counterparties. Disruptions can occur in any market traded by the Fund due to unusually high trading volume, political intervention or other factors. The imposition of credit controls by governmental authorities might limit such forward trading to less than that which would otherwise be optimal, to the possible detriment of the Fund. Market illiquidity or disruption could result in major losses to the Fund. In its forward trading, the Fund will be subject to the risk of the failure of, or the

inability or refusal to perform with respect to its forward contracts by, the principals with which the Fund trades. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Fund may order trades in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Fund to the risk of loss.

Central Clearing. In order to mitigate counterparty risk and systemic risk in general, certain derivatives must be cleared through a clearinghouse. In addition, various U.S. and international regulatory initiatives are underway to require additional derivatives to be cleared through a clearinghouse. In the United States, clearing requirements were part of the Dodd-Frank Act. The CFTC has imposed clearing mandates on certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing requirements for other derivatives in the future. European Union regulations also impose clearing requirements for certain products. Trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse and, for swaps other than security-based swaps, set by the futures commission merchant (“FCM”). For security-based swaps, the securities broker may set minimum margin requirements in addition to those set by the relevant clearinghouse. The SEC or CFTC may also mandate margin requirements. The Fund is not in direct privity with the clearinghouse, but instead acts through a member of the clearinghouse, an FCM or (for security-based swaps) a broker. This regime is modeled in large part after the U.S. futures clearing regime. Clearing through FCMs has in certain cases led to losses caused by operational failure or fraud.

The Fund may trade OTC derivatives. As products become more standardized in order to be cleared, standardized derivatives may mean that the Fund may not be able to hedge their risks or express an investment view as well as they would use customizable derivatives available in the OTC markets. Compared to the OTC derivatives market, the Fund may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the clearinghouse and the FCM or (for security-based swaps) a broker. Virtually all of the margin models that are utilized by the clearinghouses are dynamic, meaning that the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject the Fund to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment which could have a detrimental effect on the Fund.

Although standardized clearing for derivatives is intended to reduce risk (for instance, they may reduce the counterparty risk to the dealers to which the Fund would be exposed under OTC derivatives), it does not eliminate risk. Rather, standardized clearing shifts the source of risk of default from the OTC derivatives dealer to the central clearinghouse, which may increase systemic risk, potentially more so than a failure by an OTC derivatives counterparty. The failure of a clearinghouse could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on member firms during a financial crisis, which could lead member firms to default, worsening the crisis. Because these clearinghouses are still developing and the related bankruptcy process is untested, it is difficult to speculate what the actual risks would be to the Fund related to the default of a clearinghouse. While the futures model worked well during the Lehman crisis in 2008, there has been no testing whether the model is scalable so that it would apply to derivatives more generally. In addition, there is no one international standard for clearinghouses; existing clearinghouses have different waterfalls that apply upon the insolvency of a clearinghouse or a clearinghouse member and it is possible that the Fund could be in a worse position if a clearinghouse were to fail than had the Fund executed a trade with a traditional derivative counterparty. Also, the Fund may have to relinquish control of its transactions if the clearinghouse were to become insolvent, and, therefore, the Fund would not be able to terminate and close out of a defaulting clearinghouse’s positions but would become subject to regulators’ control over those positions. In such a circumstance, the Fund may not be able to take actions that it deems appropriate to lessen the impact of such clearinghouse default. Clearinghouses tend to trade in particular products in order to achieve economy of scale. This heightens the concentration risk, which

might not be easily hedged. In that case, the Fund might only be able to protect itself from clearinghouse risk by exiting the market entirely, potentially foregoing an entire segment of beneficial transactions.

OTC Spot Trading is Not Protected by Exchange or Clearinghouse Guarantees or Government Regulation. Dracaena may trade cash or “spot” contracts in connection with an Exchange for Physical (“EFP”) among other situations (together with OTC spot and forward contracts, “OTC contracts”). OTC contracts that relate to the purchase and sale of specific physical commodities and such contracts may differ from each other with respect to terms such as quantity, grade, mode of shipment, terms of payment, penalties and risk of loss. There is no limit on daily price movements of OTC contracts and unlike futures contracts, the performance of OTC contracts is not guaranteed by any exchange or clearinghouse. Because there is no exchange or clearinghouse guarantee, Dracaena may incur substantial losses if the counterparty to such transactions is unable to perform. Also, no U.S. governmental agency regulates the OTC markets.

Principals in the OTC spot and forward markets have no obligation to continue to make markets in the OTC contracts traded. There have been periods during which certain dealers have refused to quote prices for OTC contracts or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and that at which they are prepared to sell. Illiquidity, and at times, a lack of transparency in one or more OTC markets may have a detrimental impact on Dracaena’s performance.

Short Sales. The Fund may engage in short sale transactions. Short selling involves selling securities which may or may not be owned by the short seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. The extent to which the Fund engages in short sales will depend upon Dracaena’s investment strategy and perception of market direction. A short position creates the risk of an unlimited loss, as the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Furthermore, the Fund may be prematurely forced to close out a short position if a counterparty from which the security was borrowed demands its return. Legal and regulatory restrictions may impact the ability of the Fund to take short positions and/or may require the Fund to disclose any short position with possible adverse consequences to the Fund.

Spread Positions. The Fund’s operations may involve spread positions between two or more commodity interest positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably causing a loss to the spread position.

The Fund’s trading operations may also involve arbitraging between two investments. This means, for example, that the Fund may purchase (or sell) investments (*i.e.*, on a current basis) and take offsetting positions in options in the same or related investments. To the extent that the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss to the position.

A “spread” position may not be less risky than a simple “long” or “short” position.

Credit Default Swap Transactions. The Fund may invest in credit default swap transactions (as measured by the notional amounts of the swaps) for hedging and investment purposes. The “buyer” (or “seller”) in a credit default contract (“CDS Agreement”) is obligated to pay to the “seller” (or receive from the “buyer”) a single payment or a periodic stream of payments over the term of the contract *provided* that no credit event (as described in the relevant CDS Agreement) on an underlying reference

obligation has occurred. Credit default swap transactions are either “physical delivery” settled or “cash” settled. If a credit event occurs, physical delivery entails the actual delivery of the reference asset to the seller in exchange for the payment to the buyer of the full par value of the reference asset. Cash settled entails a net cash payment from the seller to the buyer based on the difference between the par value of the reference asset and the current value of the reference asset (which for certain transactions will be determined through a market established auction process) that may have, through default, lost some, most or all of its value. The Fund may be either the buyer or seller in a credit default swap transaction. If the Fund is a buyer and no credit event occurs, the Fund will have made one payment or a series of periodic payments. As a seller, the Fund receives a single payment or a fixed rate of income throughout the term of the contract, *provided* that there is no credit event. If a credit event occurs, however, then the net economic value to the buyer upon settlement (whether physical delivery or cash) is the excess of the notional amount over the reference asset. Credit default swap transactions may involve greater risks than if the Fund had invested in the reference obligation directly.

The Fund also may purchase credit default swap contracts in order to hedge against the risk of default of debt securities it holds, in which case the Fund would function as the buyer referenced in the preceding paragraph. When purchasing a credit default swap contract, there is a risk that the contract expires without any payment by the seller. When purchasing or selling a credit default swap contract there is a risk that the contract could experience increases or decreases in market value due to unforeseen events of the reference entity, changes in standardized market documentation beyond the parties’ control or other unforeseen dynamics with counterparties, companies and other participants in the credit default swap market.

A CDS Agreement would also involve credit risk that the seller may fail to satisfy its payment obligations to the Fund in the event of a default on the reference asset. The likelihood of a credit event occurring with respect to a reference entity will generally fluctuate with, among other things, the financial condition of the reference entity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any relevant industry and changes in prevailing interest rates. Buying or selling a CDS Agreement does not necessarily mean the Fund holds any obligation of a reference entity or that the Fund will have a right to vote or exercise any other right or remedy with respect to a reference entity or any of its obligations or that it will have any legal or equitable interest therein.

Certain credit default swaps must now be cleared through central clearing parties and executed on exchanges or other organized trading platforms. More credit default swaps may in the future be subject to mandatory clearing. Under the Dodd-Frank Act, additional regulatory requirements will apply to all swaps, whether subject to mandatory clearing, or not.

Index Contracts. The Fund may, but is not required to, utilize various other instruments to seek to hedge against the risk of changes in the level of prices of broad market averages or indices, as well as narrower indices or baskets of investments. These hedging strategies may be executed through the use of exchange-traded equity index options or futures contracts or options thereon, standardized or individually negotiated over-the-counter contracts or other forms of derivative contracts (collectively, “Index Contracts”).

Index Contracts have risks associated with them including possible default by the other party to the transaction, illiquidity and, to the extent Dracaena’s view as to certain market movements is incorrect, the risk that the use of such Index Contracts could result in losses greater than if they had not been used. Moreover, the lack of complete correlation between price movements of Index Contracts and price movements in the portfolio position of the Fund creates the possibility that losses in the value of the Fund’s position may be greater than the gain on the hedging instrument (or that a gain in the Fund’s portfolio position may be less than the loss on the hedging instrument). In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter index contracts may have no markets. As a result, in certain markets, the Fund might not be able to close out a transaction without incurring substantial losses, if at all. Although the successful use of Index Contracts for hedging should

tend to reduce the risk of loss due to a decline in the value of the hedged position, at the same time such transactions would tend to limit any potential gain which might result from an increase in value of such position.

Commodity-Linked Derivatives and Security-Linked Derivatives. The Fund may invest in commodity-linked derivatives and security-linked derivatives (collectively, “Linked Derivatives”). Investment in Linked Derivatives may subject the Fund to greater volatility than investments in traditional securities. The value of Linked Derivatives may be affected by changes in overall market movements, changes in interest rates, or factors affecting a particular industry, commodity or issuer of securities, such as drought, floods, weather, livestock disease, embargoes, tariffs, demand for particular products, and international economic, political and regulatory developments.

Commodity-linked derivative investment generally is based upon the price movements of a physical commodity (such as energy, mineral or agricultural products), a commodity futures contract or commodity index, or other economic variable based upon changes in the value of commodities or the commodities markets. Security-linked derivative investment is generally based on the market movement for the security or securities that underlie the security-linked derivative. Swaps, one form of derivative instruments, are agreements between a fund and a counterparty to exchange or swap investment cash flows or assets at specified intervals in the future. The obligations may extend beyond one year. Uncleared swaps are generally less liquid than cleared swaps and futures. Currently, commodity swaps and equity swaps are not subject to a clearing mandate. The Fund will bear the risk that the counterparty could default under an uncleared commodity swap.

The Fund may also invest in derivative debt instruments with principal and/or coupon payments linked to the value of commodities, commodity futures contracts, the performance of commodity indices, securities or the performance of securities indices. There are “commodity-linked”, “security-linked” or “index-linked” notes. They are sometimes referred to as “structured notes” because the terms of the debt instruments may be structured by the issuer of the note and the purchaser of the note. The value of these notes will rise or fall in response to changes in the underlying commodity or security or related index of investment. The Fund will bear the risk of movements in commodity prices or security prices, as applicable. These notes are also subject to risks, such as credit, market and interest rate risks, that in general affect the values of debt securities. Therefore, at the maturity of the note, the Fund may receive more or less principal than it originally invested. The Fund might receive interest payments on the note that are more or less than the stated coupon interest payments.

Other risks in using derivatives include the risk of mispricing or improper valuation of derivatives and the inability of derivatives to correlate perfectly with underlying assets, rates and indexes. Many derivatives, in particular privately negotiated derivatives, are complex and often valued subjectively. Improper valuations can result in increased cash payment requirements to counterparties or a loss of value to the Fund. Also, the value of derivatives may not correlate perfectly, or at all, with the value of the assets, reference rates or indexes they are designed to closely track. In addition, the Fund’s investment in derivatives may cause the Fund to realize higher amounts of short-term capital gains (generally taxed at ordinary income tax rates) than if the Fund had not invested in such instruments.

Commodity Trading Is Speculative and Volatile. The prices of commodity-related financial instruments in which the Fund may invest can be highly volatile. Price movements of contracts are influenced by, among other things: changing supply and demand relationships; discovery of new supply sources or alternatives to existing products; weather; agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments; domestic and foreign political and economic events and policies; changes in interest rates and rates of inflation; currency devaluations and revaluations; and emotions of the marketplace. Governments from time to time intervene, directly and by regulation, in certain markets, particularly those dealing in currencies and precious metals. Such intervention is often intended to influence prices directly.

The risk of loss in trading commodities can be substantial. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger loss. If the Fund purchases or sells commodity futures contracts or sells commodity options, it may sustain a total loss of the initial margin funds and any additional funds that it deposits with its broker to establish or maintain its position. If the market moves against its position, the Fund may be called upon by its broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain its position. If it does not provide the requested funds within the prescribed time, its position may be liquidated at a loss, and it will be liable for any resulting deficit in its account.

In the commodity futures markets, if producers of the underlying commodity wish to hedge the price risk of selling the commodity, they will sell futures contracts today to lock in the price of the commodity at delivery in the future. In order to induce speculators to take the corresponding long side of the same futures contract, the commodity producer must be willing to sell the futures contract at a price that is below the expected future spot price. Conversely, if the predominate hedgers in the futures market are the purchasers of the underlying commodity who purchase futures contracts to hedge against a rise in prices, then speculators will only take the short side of the futures contract if the futures price is greater than the expected future spot price of the commodity. The changing nature of the hedgers and speculators in the commodity markets will influence whether futures prices are above or below the expected future spot price. This can have significant implications for the Fund as Dracaena may be unable to predict the shifting nature of hedgers and speculators in the commodity futures markets.

It is not always possible to execute a buy or sell order for a futures contract at the desired price or to close out an open position due to market illiquidity. Such illiquidity can be caused by intrinsic market conditions, the interrelationship between or among markets, or extrinsic factors like the imposition of daily price fluctuation limits. Most futures exchanges limit fluctuations in certain commodity futures and option contract prices during a single day (or part thereof) by regulations referred to as “daily price fluctuation limits” or “daily limits.” Pursuant to such regulations, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular commodity or future has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Prices in various contracts have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses. While daily limits may reduce or effectively eliminate the liquidity of a particular market, they do not limit ultimate losses, and may in fact substantially increase losses because they may prevent the liquidation of unfavorable positions.

The Fund may not be able to execute trades at favorable prices if little trading in the contracts involved is taking place. Under some circumstances, the Fund may be required, or may elect, to accept or make delivery of the underlying commodity if the position cannot be liquidated prior to expiration date. It also is possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Corporate Debt Securities. The Fund may invest in corporate debt. Corporate 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 decline, the value of the Fund’s debt securities can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline. The value of debt securities with longer maturities tends to be more sensitive to interest rate movements than those with shorter maturities. These debt securities are generally unsecured.

Short-Term Debt Securities. The Fund may invest in short-term debt securities. Short-term debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and also may 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. Because short-term debt securities pay interest at a fixed rate, when interest rates decline, the value of the Fund's short-term debt securities can be expected to rise, and when interest rates rise, the value of those securities can be expected to decline.

Interest Rate Risk. During normal market conditions, changes in market interest rates will affect the Fund. The principal effect will be that the earnings on an investment in the Fund will tend to rise or fall as market interest rates rise and fall. This will be because the majority of the Fund's debt instruments pay interest at rates which float in response to changes in market rates. However, because the interest rates on the debt instruments may reset over time, there is an imperfect correlation between changes in market rates and changes to rates on the debt instruments. This means that changes to the interest paid on the debt instruments as a whole tend to lag behind changes in market rates.

The Fund may invest in debt instruments with floating interest rates or fixed interest rates. Increasing interest rates would generally have a negative impact on the market value of any fixed rate debt instruments that the Fund owns. Additionally, depending on the Fund's interest rate hedging strategy, increases in short term floating rates may increase the Fund's borrowing costs, thereby reducing any spread that may be earned on a fixed rate debt instrument. The value of a debt instrument is partially a function of whether it is paying what the market perceives to be a market rate of interest for the particular debt instrument, given its individual credit and other characteristics. If market interest rates change, a debt instrument's value could be affected to the extent the interest rate paid on that loan does not reset at the same time.

Exchange Rate Fluctuations; Currency Risk. The Fund may invest a portion of its assets in non-U.S. currencies, or in instruments denominated in non-U.S. currencies (including various forms of virtual and digital currencies), the prices of which may be determined with reference to currencies other than the U.S. Dollar. The Fund, however, generally values its securities and other assets in U.S. Dollars. The Fund may or may not seek to hedge all or any portion of its non-U.S. currency exposure. There can be no guarantee that financial instruments suitable for hedging currency or market shifts will be available at the time when the Fund wishes to use them, or that hedging techniques employed by the Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent the Fund's investments are not hedged, the value of its positions denominated in currencies other than U.S. Dollars will fluctuate with U.S. Dollar exchange rates as well as the price changes of its investments in the various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which the Fund makes its investments will reduce the U.S. Dollar value of those investments and reduce the effect of increases in the value of the Fund's positions in their local markets, possibly resulting in a loss to the Fund. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect on the Fund's non-U.S. Dollar investments. In addition, there are unique risks involved with the use of virtual and digital currency arising from the fact that such currency is not insured, is not regulated by any governmental authority, is subject to technological security concerns and has a history of volatility.

The Fund may also utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective, and such techniques entail additional risk. The Fund bears the costs of any currency hedging.

Transactions with Financial Institutions. Many financial institutions are subject to extensive governmental regulation (inside and outside the U.S.) that may limit both the amounts and types of loans and other financial commitments they can make, and the interest rates and fees they can charge. Profitability is largely dependent on the availability and cost of capital funds and can fluctuate

significantly when interest rates change. Credit losses resulting from financial difficulties of borrowers can negatively impact the sector. Foreign banks (non-U.S.) may be less regulated and therefore less information may be available as to their financial stability. In addition, as the services offered by financial institutions expand, they are becoming more exposed to well-established competitors.

Performance Allocation to the General Partner. The General Partner generally receives a Performance Allocation (as defined below) from the Master Fund based on the performance of the Master Fund. This compensation arrangement may create an incentive for Dracaena (which is an affiliate of the General Partner) to make investments or use techniques that are riskier or more speculative than would be the case if this special allocation was not made. The Performance Allocation was set by the General Partner without negotiations with any third party. In addition, the performance-based compensation is calculated on a basis that includes unrealized appreciation of the Master Fund's assets and may be greater than if such compensation were based solely on realized gains.

Potential Conflicts of Interest. The General Partner and Dracaena may conduct investment activities for the accounts of other clients in which the Fund has no interest that may utilize the same, similar or different methodologies as the Fund, and Dracaena and the General Partner may receive fees related thereto. Such activities may be in competition with the Fund. In addition, the principals of the General Partner and Dracaena are involved in other business activities, some of which are unrelated to the Fund and some of which may be similar to the investments of the Fund. The principals of the General Partner and Dracaena are not required to devote all of their time to the Fund but intent to act in the best interests of the Fund at all times.

Illiquidity; In-Kind Distributions. Investors should be fully aware of the long-term nature of an investment in the Fund. There is no market for the Interests, and no market is expected to develop. An investment in the Fund provides limited liquidity because the Interests are not freely transferable. Investors may be unable to liquidate Interests promptly in the event of an emergency or for any other reason. There can be no assurance that the Fund will have sufficient cash to satisfy Redemption Requests (as defined below), or that it will be able to liquidate investments at the time of such redemption at favorable prices. In the event that there are redemptions by Investors of a substantial percentage of the total Interests within a limited period of time, Dracaena may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. Under such circumstances, in order to provide funds to pay redemptions, Dracaena may be required to liquidate its investments earlier than would otherwise be desirable or on unfavorable terms, which could adversely affect the value of both the Interests being redeemed and the remaining Interests. Under the foregoing circumstances, and under other circumstances deemed appropriate by the Board or General Partner, as applicable, redemption payments may be delayed or an Investor may receive in-kind distributions from the Fund's portfolio. Such investments so distributed may not be readily marketable or saleable and may have to be held by such Investor for an indefinite period of time. The Board or General Partner, as applicable, may elect to cause the redemption of all of the Interests and liquidate the Fund at any time if, in its view, the continued operation of the Fund would be impracticable or imprudent for any reason, including if the amount of the Fund's assets declines to a significant extent. Although Investors may attempt to increase liquidity by borrowing from a bank or other institution, the Interests may not be readily accepted as collateral for a loan.

No market currently exists for resale of the Interests, and no such market will exist in the future. Neither the Fund, the General Partner, Dracaena nor their affiliates have agreed to purchase or otherwise acquire from any Investor any Interests or assume the responsibility for locating prospective purchasers of Interests. Even if a purchaser for Interests was available, approval of the transfer by the Board or General Partner, as applicable, and satisfaction of certain requirements would be required before any transfer may occur. In addition, the Interests have not been registered under the securities laws of any jurisdiction, and the Fund has no plans and is under no obligation to register the Interests under any such laws. Accordingly, Interests may not be transferred unless registered under applicable securities laws or unless

appropriate exemptions from such laws are available. As a result of all of the above, an investment in the Interests is suitable only for sophisticated Investors.

In addition, if at any time the payment of any amount redeemed would violate the rules or regulations of the SEC, any exchange, any self-regulatory agency or any state securities commission, including anti-money laundering laws and regulations applicable to the Fund, the General Partner, Dracaena and their affiliates, subsidiaries or associates or any of the Fund's other service providers, or would cause the Fund, the General Partner or any such affiliate, subsidiary, associate or service provider to violate such rules or regulations, the payment of such amount shall be deferred until such time as such payment is permitted under such rules or regulations.

Participation in Existing Investments. Generally, when new Investors subscribe to the Fund, they receive a pro rata share of the investments in the Fund's portfolio, decreasing the existing Investors pro rata share of such investments. Under certain circumstances in the complete and unlimited discretion of the Board or General Partner, as applicable, new Investors may not be allocated their pro rata share of existing investments in the portfolio and only existing Investors will participate in such investments. The General Partner or Dracaena may also determine at the time of investment that a security is not suitable for all Investors. As a result, performance may differ among Investors in the Fund.

Variance of Terms. The Fund or Master Fund may designate additional classes of Interests for certain Investors from time to time without notice to or consent of the existing Investors and may enter into confidential side letters or similar agreements ("Side Letters") with certain Investors and may issue confidential supplements to the confidential private placement memorandum of a Fund related thereto to such Investors. Such Investors may have terms and conditions that differ from those described herein and may not be offered or disclosed to all Investors. Such terms and conditions may differ in terms of investment strategies utilized, management fees and performance allocations charged, capacity allowances, different transparency or performance disclosures, permitted subscription and redemption dates and notice periods, redemption fees, notice of major events, "key man" provisions, placement fees, allocation of expenses and upfront costs, capacity allowances, permitted subscription and redemptions dates and notice periods, minimum and maximum subscription amounts, currency, reporting, transparency, investor eligibility requirements, different access to portfolio information and in other respects in the complete and sole discretion of the Board or General Partner, as applicable. The Board or General Partner, as applicable, may also alter or supplement the terms of the Subscription Documents for any Investor. The Founder Interests (defined below) have preferential terms which include lower management fees, lower performance allocations and additional capacity, among other potential preferential terms. Affiliates of the Board or General Partner and Dracaena, principals and employees of the General Partner, Dracaena, or their affiliates and members of the immediate families of such persons or trusts or other entities for their benefit, may pay lower or no management fees or performance allocations.

Investment in a Master Fund. An investment by the Fund in the Master Fund may be affected by an investment or redemption by other feeder funds in the Master Fund. In view of the fact that all expenses of the Master Fund will be shared pro rata among its investors, if other investors in the Master Fund redeem their interests, then the possibility exists that the Fund will bear the burden of an increased share of the Master Fund's expenses. Other feeder funds may have different terms from those of the Fund, including varying redemption provisions or different compensation structures. Changes in governmental regulation, political structure, local economies and tax laws (U.S. or non-U.S.) may adversely impact the Fund's investment in the Master Fund. Additionally, if the Master Fund receives a proportionally large contribution from a feeder fund, the Master Fund may not be able to effectively deploy such cash immediately. The resulting idle cash may negatively impact the returns of the Master Fund and each feeder fund as well.

Uncertain Exit Strategies. Dracaena is unable to predict with confidence what, if any, exit strategies will ultimately be available for any given position. Exit strategies that appear to be viable when an investment is initiated may be precluded subsequently due to economic, legal, political or other factors or premature liquidation caused by the exercise of redemption rights by Investors in the Fund.

Systems Risks. The Fund depends on Dracaena to develop and implement appropriate systems for the Fund's activities. The Fund relies extensively on computer programs and systems to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of the Fund's activities. In addition, certain of the Fund's and Dracaena's operations interface with or depend on systems operated by third parties, including service providers, and the Fund or Dracaena may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures, or interruptions, including, but not limited to, those caused by worms, viruses, network intrusions, and power failures. Any such defect or failure could have a material adverse effect on the Fund. 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 Fund's ability to monitor its investment portfolio and its risks. Studies have shown that a lack of adequate systems is often a significant contributing factor to failures of private investment funds like the Fund.

Cybersecurity Risk. As part of its business managing the Fund, the General Partner and Dracaena process, store and transmit large amounts of electronic information, including information relating to the Fund and personally identifiable information of the Investors. Similarly, service providers of the General Partner, Dracaena and the Fund may process, store and transmit such information. The General Partner and Dracaena have procedures and systems in place to attempt to protect such information and prevent data loss and security breaches and the Fund bears the cost of such systems. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Dracaena and General Partner may be susceptible to compromise, leading to a breach of Dracaena and/or the General Partner's network. Dracaena's and General Partner's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Any online services provided by the General Partner or Dracaena to the Investors may also be susceptible to compromise. Breach of Dracaena and/or the General Partner's information systems may cause information relating to the transactions of the Fund and personally identifiable information of the Investors to be lost or improperly accessed, used or disclosed.

The traders and service providers of Dracaena, the General Partner and the Fund and its investments are subject to the same electronic information security threats as Dracaena and General Partner. If a counterparty or a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Fund and personally identifiable information of the Investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Dracaena's, General Partner's or the Fund's proprietary information may cause Dracaena, General Partner or the Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Fund and the Investors' investments therein.

Operational Risks. The volume and complexity of the Fund's transactions place substantial burdens on Dracaena's operational systems and resources, including those related to trade entry and execution, position reconciliation, corporate actions, collateral and margin maintenance, marking procedures, finance, accounting, profit and loss reporting, internal management, risk reporting and funds transfers.

Human error (including, without limitation, trading errors), system failure or other problems with any of these processes could result in material losses or costs, which will generally be borne by the Fund.

Other Instruments and Futures Developments. The Fund may take advantage of opportunities with respect to certain other instruments and any other security or synthetic or derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Fund. Special risks may apply to instruments that are invested in by the Fund in the future that cannot be determined at this time.

Item 9: Disciplinary Information

Dracaena or its supervised persons have no reportable disciplinary events to disclose.

Item 10: Other Financial Industry Activities and Affiliations

Item 10.A.

Not Applicable. Dracaena is currently not applying to register as a broker-dealer and does not intend to.

Item 10.B.

The General Partner, Dracaena Advisors, LLC, will enter into a CPO delegation agreement with Dracaena whereby Dracaena agrees to act as the CPO and direct the investment management activities of the Funds and the Master Fund.

Item 10.C.

Dracaena Advisors, LLC serves as the General Partner to the Onshore Fund and the Master Fund.

Item 10.D.

Not Applicable. Dracaena and its supervised persons do not participate in the sale of securities or other related investment products it may recommend or select for its clients.

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

Item 11.A.

Employees of Dracaena may only purchase and sell securities in accordance with the Firm's Code of Ethics to which all employees are subject. This policy is monitored by the Chief Compliance Officer.

Employees are permitted to maintain personal brokerage accounts, subject to the Code of Ethics and personal trading policy.

The Code of Ethics includes the following points:

- A statement of the standard of business conduct.
- Limits on gifts and entertainment.
- Limits on political contributions.
- Employees are prohibited directly or indirectly, from securities within the asset of classes of securities traded by the Firm on behalf of the Funds.
- All employees are required to pre-clear any purchases or sales of securities through the Chief Compliance Officer for personal accounts.
- Additionally, employees are subject to strict reporting requirements regarding personal holdings.
- Employees must acknowledge in writing having received and read a copy of the Code of Ethics.
- Any exceptions to the above need prior approval of the Chief Compliance Officer.

A copy of the Firm's Code of Ethics is available to Investors and prospective investors upon request.

Item 11.B through Item 11.D.

Dracaena has not established any formal procedures to resolve conflicts of interest. Consequently, there is no independent control on how Dracaena resolves these conflicts which can be relied upon by Investors as ensuring that the Fund is treated equitably with other clients of the General Partner or Dracaena. Investors will be dependent on the good faith of, and the legal and fiduciary obligations imposed on, the parties involved with such conflicts to resolve them equitably. The Fund will be subject to a number of actual and potential conflicts of interest involving the Dracaena, the General Partner, Northern Trust Hedge Fund Services LLC, other funds or accounts, and their respective affiliates. However, Dracaena, the General Partner and their affiliates have substantial incentives to see the Fund succeed, and merely because an actual or potential conflict of interest exists does not mean that it will be acted upon to the detriment of the Fund.

A capital account ("Capital Account") is established for each Investor. The Capital Account of an Investor is credited in the amount of its initial investment in the Fund, plus such Investor's allocable share of the increase in NAV (if any) of the Fund. An Investor's Capital Account is reduced by (i) the amount of any distributions to (or redemption amounts paid to) such Investor, (ii) such Investor's allocable share of the decrease (if any) in the NAV of the Fund, including expenses of the Fund, and (iii) such Investor's allocable share of the Management Fee and Performance Allocation as charged at the Master Fund level. In the event that the general partner or board, as applicable determines that, based upon tax, regulatory, or other similar reasons (or any other reasons as to which the general partner or board, as applicable, and any investor agree), an investor should not participate in the net capital appreciation or net capital depreciation, if any, attributable to trading in any security, or type of security, the governing documents of the fund permit the general partner or board, as applicable, to allocate such net capital appreciation and net capital depreciation from an applicable investment only to the capital accounts of the investors to whom such reasons do not apply and to compensate or not to compensate the non-participating investors by any method, in its discretion. In addition, if for any of the reasons described above, the general partner or the board, as applicable, determines that an investor should have no interest whatsoever in a particular security, type of security or transaction, the governing documents of the fund permit the general partner or the board, as applicable, to set forth that portion of the investment representing such security in a separate memorandum account and the net capital appreciation and net capital depreciation for each such memorandum account shall be separately allocated.

Item 12: Brokerage Practices

Item 12. A.1.

Dracaena selects broker-dealers through whom the Fund's portfolio trades are executed. If Dracaena determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research services provided by such broker, the Fund may pay commissions to such broker in an amount greater than the amount another firm might charge. Brokers or dealers that are responsible for the introduction of investors to the Fund may execute portfolio transactions on behalf of the Fund and receive the related brokerage commissions from the Fund.

The Fund's securities transactions may generate brokerage commissions and other compensation, all of which the Fund, not the General Partner or Dracaena, is obligated to pay. Dracaena has complete discretion in deciding what broker-dealers the Fund uses and in negotiating the rates of compensation the Fund pays. Dracaena does not need to solicit competitive bids and does not have an obligation to seek the lowest available commission rate (or dealer markups and markdowns or other transaction-related compensation) (collectively, "Transaction Fees"). It may not be the practice of Dracaena to negotiate "execution only" commission rates. Dracaena may cause the Fund to pay Transaction Fees for effecting a securities transaction in excess of the amount another broker-dealer would have charged for effecting that transaction if Dracaena, in making the selection in question, determines in good faith that such amount of Transaction Fees is reasonable in relation to the value of the research and brokerage related products and/or services ("Products and/or Services") provided by such broker-dealer, viewed in terms of either that particular transaction or Dracaena's overall responsibilities with respect to the Fund and any other funds or accounts as to which it or its Affiliates exercises investment discretion. The Fund may be deemed to be paying for Products and/or Services provided by the broker that are included in the Transaction Fees. Dracaena has no formula for the distribution of the Fund's brokerage business.

Products and/or Services obtained by the use of Transaction Fees arising from the Fund's portfolio transactions may be used by Dracaena in servicing some or all of its clients (including the Fund), and, in some instances, may not necessarily be used by the Fund even though its Transaction Fees provided for the Products and/or Services. The Fund, therefore, may not, in any particular instance, be the direct or indirect beneficiary of the Products and/or Services provided.

In selecting broker-dealers, Dracaena may consider a number of factors, including the following: the ability to achieve prompt and reliable execution of transactions at favorable prices; the operational efficiency with which transactions are effected; the financial responsibility, strength, integrity and stability of the broker-dealers; the quality, comprehensiveness and frequency of available research and related services considered to be of value; the broker-dealer's facilities; custody, bookkeeping and similar services; the availability of marketing assistance, consulting services with respect to technology, operations, equipment and office space, commitment of capital, access to company management and access to deal flow; and the competitiveness of commission rates in comparison with other broker-dealers satisfying Dracaena's other selection criteria. In addition, Dracaena may also consider a broker-dealer's referral of Investors to the Fund or the potential for future referrals (capital introduction services).

Item 12. A.2.

Dracaena may also consider broker-dealer's referrals of Investors to the Fund or the potential for future referrals (capital introduction services).

Item 12. A.3.

Directed brokerage is not applicable to Dracaena.

Item 12.B.

The same security may be purchased or sold at or about the same time for both Dracaena and other funds and accounts managed or advised by Dracaena or its Affiliates. In the event the orders are combined, transactions will generally be averaged as to price and normally allocated as nearly as practicable based on relative equity or the amounts desired to be purchased or sold for each account that is to receive the securities (which may not be every fund or account). While Dracaena believes combining orders in this way will, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to the Fund than if the Fund had been the only account effecting the transaction or had completed the transaction before the other participants. If an order on behalf of more than one account cannot be fully executed under prevailing market conditions, Dracaena will allocate the trade among the different accounts on a basis that it considers equitable. Situations may occur where the Fund could be slightly disadvantaged because of the investment activities conducted by Dracaena for other investment accounts.

Item 13: Review of Accounts

Item 13.A. and 13.B.

The Chief Investment Officer regularly reviews the portfolio's status. The Chief Operating Officer will review the portfolio assets in the Funds and the values of the securities held by the Funds on a monthly basis or more frequently as circumstances warrant.

Item 13.C.

Each year the Fund sends to each Investor annual audited financial statements (including a balance sheet, profit and loss statement and statement of cash flow). In addition, each Investor is sent a monthly investor report (unaudited). Reports may be furnished electronically or at other times in Dracaena's discretion. Different reports with different information and/or different formats may be given to certain Investors and not others. Reports may be delivered at times other than those stated herein in Dracaena's discretion. Dracaena has complete discretion about disclosing or withholding portfolio information and may require Investors and their advisors to sign confidentiality or non-disclosure agreements prior to receiving such information.

In delivering reports to Investors, Dracaena may rely on information furnished to it by third parties, including, but not limited to, the administrator and the auditor. This information is not confirmed independently by the Fund or Dracaena and may be estimated and unaudited. If information is delayed or is not received by Dracaena, reports could be delayed or incomplete.

Item 14: Client Referrals and Other Compensation

Item 14.A.

Dracaena does not receive an economic benefit from an entity or person who is not a client for providing investment advice or other advisory services.

Item 14.B.

Not Applicable. The Firm currently does not retain third-party marketers or solicitors.

Item 15: Custody

To address the Firm's obligations as set forth in Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, Dracaena has retained a qualified custodian to maintain the Funds' assets. The audited financial statements of the Funds are distributed within 120 days of the fiscal year-end to all Fund Investors. The Funds are audited annually by an independent certified public accounting firm that is both registered with, and subject to regular inspection by, the Public Companies Accounting Oversight Board. Financial statements of the Funds are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). These reports are in written form and investors should carefully review these statements.

Item 16: Investment Discretion

Dracaena has full discretion to manage the Funds. This authority is granted pursuant to an Investment Management Agreement ("IMA") between Dracaena and each Fund and the Master Fund. Individual Investors in each Fund grant the applicable Fund authority to enter into an IMA with Dracaena by signing a subscription agreement.

Item 17: Voting Client Securities

In the absence of specific voting guidelines mandated by a particular client, dracaena endeavors to vote proxies in the best interests of each client.

Item 18: Financial Information

Item 18.A.

Not Applicable.

Item 18.B.

There are no conditions that impair Dracaena's ability to meet its contractual and fiduciary commitment to the client accounts.

Item 18.C.

Not Applicable. Dracaena has not been the subject of a bankruptcy petition at any time during the past ten years.
