

**Part 2A of Form ADV: Firm Brochure**

**Item 1 Cover Page**

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*This brochure (“Brochure”) provides information about the qualifications and business practices of Holocene Advisors, LP. If you have any questions about the contents of this Brochure, please contact us at 646-779-6420 or [inquiries@holoceneadvisors.com](mailto:inquiries@holoceneadvisors.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

*This Brochure also relates to Holocene Fund GP, LLC (the “Fund General Partner”) and J. Brandon Haley; however, to the extent the qualifications and business practices of the Fund General Partner and Mr. Haley are substantially similar to those of Holocene Advisors, LP, no specific mention of the Fund General Partner is made herein.*

*Additional information about Holocene Advisors, LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Registration with the SEC or with any state securities authority does not imply any level of skill or training with respect to the investment advisory services Holocene Advisors, LP provides.*

## **Item 2 Material Changes**

Holocene Advisors, LP (“Holocene”) is required to identify and discuss any material changes made to this Brochure since the last annual update.

Holocene recommends that you read this Brochure in its entirety. Although we have not made any changes we deem material to the Brochure (most recently filed on March 30, 2018), this Brochure has been amended. If we make any material changes in the future, this item will be revised to include a summary of such changes.

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## **Item 4 Advisory Business**

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

Holocene Advisors, LP (“Holocene” or “we”), a Delaware limited partnership, was founded by J. Brandon Haley in 2016 as an investment advisory firm with the objective of generating superior risk-adjusted absolute returns through a deep, fundamental, bottom-up research process coupled with risk-controlled portfolio construction.

Holocene serves as the investment manager to several private investment funds, and in this role, we have full discretionary trading authority for each fund. We provide portfolio management services to the funds in accordance with the investment objectives and guidelines set forth in the confidential offering memorandum for each fund for which interests are offered to investors (each, a “Memorandum”). Currently, such funds consist of (i) Holocene Advisors Partners LP (the “Domestic Fund”), a Delaware limited partnership, and (ii) Holocene Advisors Offshore Fund Ltd. (the “Offshore Fund”; together with the Domestic Fund, the “Feeder Funds”), a Cayman Islands exempted company, each of which invests all of its assets in (iii) Holocene Advisors Master Fund Ltd. (the “Master Fund”), a Cayman Islands exempted company. The Domestic Fund, the Offshore Fund and the Master Fund are referred to collectively herein as the “Funds” and each as a “Fund.”

In addition to the Funds, Holocene serves as the investment manager of Holocene Advisors SPV, LLC (the “SPV”). The SPV is a private investment fund organized for the sole purpose of investing compensation earned by certain Holocene employees in the Master Fund indirectly via an investment in the Domestic Fund. Such compensation is invested pursuant to Holocene’s mandatory employee compensation reinvestment plan and all of the investable assets of the SPV are invested in the Domestic Fund.

Holocene is controlled by our founder and Chief Investment Officer, J. Brandon Haley (“Mr. Haley” or the “CIO”), in his capacity as (i) the sole trustee of the Haley family trusts that are the sole limited partners of Holocene and (ii) as the sole managing member of Holocene’s general partner, Holocene GP, LLC, a Delaware limited liability company (the “Holocene General Partner”). The Holocene General Partner has ultimate responsibility for our management, operations and investment decisions.

Our registration on Form ADV also covers Holocene Fund GP, LLC (the “Fund General Partner”), a limited liability company organized under the laws of the state of Delaware, and Mr. Haley in his capacity as the sole managing member of the SPV. The Fund General Partner is an affiliate of Holocene and serves as the general partner of the Domestic Fund and as the manager of the Master Fund. The facilities and personnel utilized by the Fund General Partner and Mr. Haley in their respective roles as general partner, manager and managing member are provided by Holocene. Mr. Haley is also the managing member of and controls the Fund General Partner.

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

Holocene seeks to generate superior risk-adjusted absolute returns through a deep, fundamental, bottom-up research process coupled with risk-controlled portfolio construction. Holocene employs a broad mandate to invest, long and short, in publicly traded equities and equity-related instruments across all market capitalizations, though Holocene intends to invest predominantly in U.S.-listed mid- and large capitalization companies. Capital will be invested among the major sectors of the economy based on the perceived alpha potential and opportunity set of each sector. Holocene’s broad mandate enables Holocene to take an opportunistic approach to investing, including by investing in some cases in small capitalization companies and/or companies located outside of the United States in developed and emerging markets. At the same time, Holocene’s investment team strives to maintain a disciplined, sector-specific, fundamental research-driven approach to stock selection.

Holocene views its rigorous, process-oriented, sector-focused approach to investing as a defining trait of its investment process. Holocene believes that sector specialization is critical to the early identification of investment ideas. Sector specialization can yield actionable insights and lead to recognition of important nuances, enhance analysts’ views on company and industry expectations and timing, and drive the investment idea velocity within the firm.

The structure of Holocene's investment organization is designed to capitalize on Holocene's sector-specific research skills while managing risk through well-constructed portfolios. The portfolio of the Master Fund is a single cohesive portfolio composed of multiple portfolios of investments as follows: (1) a "Holocene Book" over which the CIO exercises full discretion (the "Holocene Book"); and (2) multiple dedicated sector-specific portfolios over which certain respective senior investment team members (each, a "Sector Head") exercise discretion and risk management responsibilities (each, a "Sector Portfolio"), subject to the oversight of the CIO and Holocene's Chief Risk Officer ("CRO"). This structure enables the CIO to capitalize on the particular expertise of the respective Sector Heads.

The CIO and Sector Heads have discretion to make investment decisions on the portfolios for which they are responsible; the CRO generally acts in an advisory and consultative capacity, though the CRO will have limited authority to make decisions with respect to certain hedge investments. Certain analysts on the investment team have a limited ability, subject to the CIO's and/or relevant Sector Head's and the CRO's oversight and other controls, to make investment decisions on the portfolios on which they focus. In addition, a portion of the aggregate Master Fund portfolio is and may be composed of positions replicated systematically from the Holocene Book and/or the Sector Portfolios, as determined in the CIO's discretion.

Although we expect to invest primarily in the common stock of U.S. and non-U.S. issuers, we may utilize both over-the-counter and exchange-traded instruments (including, but not limited to, exchange-traded funds and derivative instruments such as options, swaps and futures on equities and equity indices). We also may hedge against currency fluctuations using spot (*i.e.*, cash) transactions or forward contracts in order to earn the return of the relevant equity security in its local currency, though we may first utilize natural hedges (*e.g.*, offsetting long or short positions), if available, to minimize exposure to any single currency. Any such currency position may not provide a complete hedge to the underlying currency exposure.

We do not engage in speculative trading in credit, interest rate, currency or physical commodities instruments, though such instruments and/or derivatives related thereto may be utilized for hedging purposes. Leverage may be used to enhance the Master Fund's returns and for cash management purposes.

Holocene retains the authority to invest in additional sectors and/or new opportunity sets in the CIO's discretion.

#### C. Availability of Customized Services for Individual Clients

Our clients are the Funds and the SPV (which invests all of its investable assets in the Domestic Fund). Accordingly, our services are tailored to achieving the investment objectives of the Funds as reflected in the respective Memorandums of the Feeder Funds. Our management of the Funds is not tailored to the individual needs of any investor in the Funds. In the future, Holocene may provide investment advisory services to other clients, including other private funds or accounts.

#### D. Wrap Fee Programs

Not applicable.

#### E. Assets Under Management

As of December 31, 2018, Holocene had approximately \$9,678,445,000 of regulatory assets under management, all of which is managed on a fully discretionary basis. Please note that reporting regulatory assets under management in response to this Item 4.E. is a change from our response in prior years, which referred to net assets under management.

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

We are paid two forms of compensation in connection with providing investment advisory services to the Funds. Holocene is paid a "Management Fee" that is based on the total value of the assets of the Master Fund (less those assets attributable to investors that are not subject to the Management Fee, as discussed below), and an Incentive

Fee<sup>1</sup> that is based on the net income, if any, earned on assets of the Master Fund that are not attributable to investors that are not subject to the Incentive Fee, as discussed below.

The Master Fund generally will pay Holocene on the first day of each calendar quarter a Management Fee equal to 0.5% (2.00% annualized (the “Management Fee Rate”)) of the capital account balance attributable to each Feeder Fund investor’s interest. The portion of the Management Fee applicable to an investor’s Feeder Fund capital account or shares, as applicable, will be charged to its corresponding series of shares of the Master Fund.

Generally, at the end of each fiscal year, Holocene receives an Incentive Fee of 20% (the “Incentive Fee Rate”; together with the Management Fee Rate, the “Rates”) of the net realized and unrealized appreciation in the net asset value of each series of shares of the Master Fund over its “high water mark”, which is the prior high net asset value of such series of shares. An Incentive Fee also will be paid as described above other than at the end of a fiscal year upon a redemption by an investor of its interest in a Feeder Fund and will be paid as of the applicable redemption date.

Notwithstanding the foregoing, certain founding investors in the Feeder Funds will be charged a reduced Management Fee Rate or a reduced Management Fee Rate and reduced Incentive Fee Rate, and such reduced Rates may be adjusted depending on the total net asset value of the fee-paying assets of the Master Fund. In addition, Holocene, in its sole discretion, may elect to reduce, waive or calculate differently the Management Fee and the Incentive Fee with respect to any employee or affiliate of Holocene, any family member thereof or trusts, estate planning and other investment accounts and/or vehicles established by or for the benefit of such persons. To the extent Holocene’s employees and the SPV (the investors in which are all Holocene employees) invest in interests in the Funds, they invest in interests that are not subject to the Management Fee or the Incentive Fee.

#### Additional Information Regarding Management Fees and Incentive Fees:

The Management Fee and Incentive Fee are paid out of the assets of the Master Fund. Neither the amount of such compensation nor the method of payment is negotiable.

The Management Fee is charged quarterly, as of the beginning of each quarter, and is prorated for an investor that invests at a time other than at the beginning of a quarter. Similarly, if an investor were to redeem from a Feeder Fund at any time other than the last day of a quarter, such investor would be entitled to a refund of a prorated portion of the Management Fee based on the actual number of days remaining in the quarter.

The Incentive Fee may create an incentive for Holocene to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because such incentive-based compensation is calculated on a basis which includes unrealized appreciation of the assets of the Master Fund, it may be greater than if such compensation were based solely on realized gains. All Incentive Fees are and will be taken in accordance with Section 205 of the U.S. Investment Advisers Act of 1940, as amended, and Rule 205-3 thereunder.

Please refer to the relevant Feeder Fund’s Memorandum for additional information regarding the Funds’ Management Fee and Incentive Fee.

#### Additional Fees and Expenses:

The compensation described above does not include investment-related expenses (*e.g.*, brokerage commissions and transaction costs; clearing and settlement charges; custodial fees; interest expense; borrowing charges on securities sold short; research-related expenses (paid directly or paid indirectly via “soft dollars”), including, without limitation, third-party research, news and quotation equipment and services (including fees for data and software providers, data and data analysis tools and services, and related consultants); and fees and costs related

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<sup>1</sup> From the inception of the Funds on April 3, 2017 through December 31, 2017, incentive compensation, if earned, took the form of an Incentive Allocation to Holocene’s affiliate, the Fund General Partner; beginning as of January 1, 2018 and thereafter, incentive compensation, if earned, takes the form of an Incentive Fee payable to Holocene.

to portfolio risk analytics and third party trading-related software, including trade order management software (*i.e.*, the software used to model and route trade orders) and data warehouse software; legal and compliance expenses (which include, without limitation, investment-related legal fees and expenses (including review, advice and negotiation of agreements and other documents), fees and expenses incurred in responding to formal and informal inquiries, indemnification expenses and expenses associated with U.S. and non-U.S. regulatory filings relating to the Funds and/or the assets of the Funds but do not include fees or expenses incurred in connection with the implementation or maintenance of Holocene's compliance program)); insurance costs incurred in connection with the Funds' business (including, without limitation, acquiring and maintaining D&O and/or E&O insurance for applicable Funds' directors and Holocene, the Fund General Partner and their affiliates); accounting, audit and tax preparation and consulting expenses; organizational expenses, including legal and related fees and expenses in negotiating agreements and other documents; expenses relating to the offer and sale of the interests in the Feeder Funds, including legal and related fees and expenses in negotiating agreements and other documents; fees and expenses relating to proxy voting research, reporting, execution and recordkeeping services; fees and expenses relating to class action recovery services; taxes; fees and expenses of the administrator of the Funds, the directors of the Offshore Fund and the Master Fund and the AML Officers of the Offshore Fund and the Master Fund; expenses related to the maintenance of any Fund's registered office; corporate licensing; extraordinary expenses and other similar expenses. For the avoidance of doubt, (i) the expense categories listed above include fees and costs of information technology hardware, software or other technology related to such expense categories (including, without limitation, costs of software licensing, implementation, data management and development) and (ii) investment-related expenses do not include research-related travel and entertainment expenses.

Item 12 further describes the factors that we consider when selecting broker-dealers for transactions and when determining the reasonableness of their compensation (*e.g.*, commissions).

The Master Fund may make investments in investment companies (specifically, in exchange-traded funds or ETFs). As such, the Master Fund (and indirectly the investors in the Feeder Funds and the SPV) will bear any management fees payable to third party management firms in respect of such investments.

No officer, partner, employee or affiliate of Holocene is compensated for the sale of securities or other investment products.

Subject to limited exceptions, an investor that redeems from a Fund prior to the end of an applicable "lock-up" period will be subject to a redemption reduction amount. Such amounts are deducted from the redemption proceeds payable to that investor and retained by the Master Fund for the benefit of all direct and indirect holders of shares of the Master Fund that are not subject to redemption as of the applicable date of redemption on a *pro rata* basis, including the Fund General Partner and employees and affiliates of Holocene to the extent they are direct or indirect holders of Master Fund shares.

The Funds and Holocene have entered into and may in the future enter into "side letter" agreements with investors primarily to accommodate an investor's particular legal, tax or regulatory requirements. However, with the exception of certain founding investors, the Funds will not grant more favorable or different Incentive Fee or Management Fee terms, "most favored nation" rights, redemption/withdrawal rights or portfolio transparency rights in any "side letter" agreement.

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

### **Performance-Based Fees**

Holocene accepts performance-based compensation as described in Item 5 (*i.e.*, the Incentive Fee) from each client (directly, in the case of the Master Fund, and indirectly, in the case of the Feeder Funds), except the SPV. Holocene does not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients, because the Master Fund has a single portfolio and gains and losses from such portfolio are allocated among investors in the Feeder Funds, including the SPV, *pro rata* in accordance with the net asset value of each such investor's interests without regard to

whether or not such interests are fee-bearing.

#### Side-By-Side Management

Likewise, as the Master Fund is the sole trading vehicle managed by Holocene and both Feeder Fund and SPV investors indirectly participate in the Master Fund's investments on a *pro rata* basis, Holocene, the Fund General Partner and Mr. Haley do not face certain conflicts of interest that may arise when an investment adviser manages client accounts with different fee arrangements side-by-side.

#### Item 7 Types of Clients

As described above, we provide investment advisory services to the Funds and the SPV, and the Funds and the SPV are our sole clients. It is anticipated that investors in the Feeder Funds will continue to predominantly consist of institutional investors, such as other private investment funds (*i.e.*, funds of funds), foundations, endowments, sovereign wealth funds, family offices, and pension plans.

In order to invest in either Feeder Fund, an investor is required to complete and execute a subscription agreement that, among other things, requires the investor to represent that it meets the legal and suitability requirements of the relevant Feeder Fund. Investors are not permitted to invest directly in the Master Fund.

As a general matter, the minimum initial investment is \$1 million, but each Feeder Fund may accept lesser amounts as described in its respective Memorandum and there is no minimum investment applicable to employee compensation invested in the SPV.

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

##### Methods of Analysis and Investment Strategies

Please see Item 4.B. above for a description of our advisory services.

Holocene seeks to generate superior risk-adjusted absolute returns through a deep, fundamental, bottom-up research process coupled with risk-controlled portfolio construction. Holocene employs a global, beta neutral, long/short equity strategy, pursuant to which it will invest, long and short, in publicly traded equities and equity-related instruments across all market capitalizations, though Holocene intends to invest predominantly in U.S.-listed mid- and large capitalization companies. Capital is invested among the major sectors of the economy based on the perceived alpha potential and opportunity set of each sector. Holocene's broad mandate enables it to take an opportunistic approach to investing, including by investing in some cases in small capitalization companies and/or companies located outside of the United States in developed and emerging markets. At the same time, Holocene's investment team strives to maintain a disciplined, sector-specific, fundamental research-driven approach to stock selection.

Holocene views its rigorous, process-oriented, sector-focused approach to investing as a defining trait of its investment process. Holocene believes that sector specialization is critical to the early identification of investment ideas. Sector specialization can yield actionable insights and lead to recognition of important nuances, enhance analysts' views on company and industry expectations and timing, and drive the investment idea velocity within the firm.

**Long Investments.** On the long side of the portfolio, Holocene seeks investments that it believes will outperform based on idiosyncratic, fundamental drivers. Potential investments are evaluated on many factors, including a company's competitive positioning, drivers of growth, quality of the management team, returns on capital, cash flow generation and capital allocation.

**Short Investments.** On the short side of the portfolio, Holocene seeks to profit when it believes that a company will underperform based on idiosyncratic, fundamental drivers. Short positions are expected to be predominantly single-stock positions, though Holocene may short indices (and/or take long positions in indices) as a hedge in some cases. For its short positions, Holocene seeks the opposite characteristics of its long investments, such as a



poor outlook for growth for the company, poor quality of management, poor earnings quality or cash flow generation, a constrained total addressable market, low barriers to entry and/or lack of pricing power.

Holocene makes investment decisions with various time horizons in mind but typically seeks investments, long and short, with six to twenty-four month horizons.

### Risk of Loss

We will cause the Master Fund to invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. While we strive to mitigate these risks through a variety of techniques, we make no guarantee or representation that the Funds' investment program will be successful. (Unless otherwise noted, references to the "Funds" and the "Feeder Funds" in the balance of this Item 8 response should be construed to include the SPV.)

We utilize such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives trading, which practices can, in certain circumstances, maximize the adverse impact to which the Master Fund (and the Funds) may be subject.

As a result of the foregoing and other factors, the Funds and investors in the Funds risk the loss of all or substantially all of their investment and should be prepared to bear such loss. The following is a summary of some of the material risks associated with the advisory services we provide to the Funds and the investors in the Funds. This summary does not attempt to describe all the risks associated with an investment in a Feeder Fund or arising from the Funds' investment strategies. **Although no summary can fully describe all such risks, please refer to the relevant Feeder Fund's Memorandum for a more complete description of the risks applicable to investments in and by the Funds.**

### Dependence on Key Individual

The success of the Funds is significantly dependent upon the ability of Mr. Haley to develop and effectively implement investment strategies that achieve the Funds' investment objectives. The Funds' governing documents do not permit investors to participate in the management and affairs of the Funds. Therefore, investors rely entirely on Mr. Haley to conduct and manage the affairs of the Funds and to make appropriate investments and investment decisions therefor. Subjective decisions made by Mr. Haley may cause the Funds to incur losses or to miss profit opportunities on which they would otherwise have capitalized. If the Funds were to lose the services of Mr. Haley, they would be adversely affected.

### Risks Related to the Funds' Investment Program

**Risks of Investments Generally.** An investment in the Funds involves significant risks, including the risk that the entire amount invested may be lost. The Master Fund invests in and actively trades securities and other financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the equity markets and the potential illiquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that the Master Fund's investment objective will be achieved.

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

**Investment and Due Diligence Process.** Before making investments, Holocene conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When

conducting due diligence, Holocene may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding an investment, Holocene relies on the resources reasonably available to it, which in some circumstances, whether or not known to Holocene at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment. Holocene may make investment decisions based on incomplete or limited information and based on assumptions that may not be accurate.

**Long/Short Investment Strategy.** The success of the Master Fund's long/short investment strategy depends upon Holocene's ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of the Master Fund's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Master Fund's positions were to fail to converge toward, or were to diverge further from, values expected by Holocene, the Master Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Master Fund to close out one or more positions. Furthermore, the financial and valuation models and assumptions used to determine whether a position presents an attractive opportunity consistent with Holocene's long/short strategies may become outdated and inaccurate as market conditions change.

**Diversification and Concentration.** Holocene is not subject to any diversification or concentration limits with respect to its management of the Master Fund. As a result, Holocene may select investments that are highly concentrated in a very limited number or type of securities. In addition, the Master Fund's portfolio may become highly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Master Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

**Undervalued Securities.** The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed.

**Small-Capitalization Companies.** The Master Fund may make investments in small-capitalization companies. Investments in securities of small-capitalization companies involve higher risks in some respects than do investments in securities of larger "blue-chip" companies. For example, prices of securities of small-capitalization are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, "blue-chip" companies. Finally, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

**Short Selling.** The Master Fund engages in short selling. Short selling involves selling securities which are not owned and borrowing them 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 decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Master Fund may engage in short sales depends upon Holocene's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Master Fund of buying those securities to cover the short position. There can be no assurance that the Master Fund will be able to maintain the ability to borrow securities sold short. In such cases, the Master Fund can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Leverage; Interest Rates; Margin.** The use of leverage has attendant risks and can substantially increase the adverse impact to which the Master Fund's investment portfolio may be subject. The use of leverage allows the Master Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Master Fund's portfolio. The effect of the use of leverage by the Master Fund in a market that moves adversely to its investments could result in substantial losses to the Master Fund, which would be greater than if the Master Fund were not leveraged. In addition, any leverage used by the Master Fund is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, any use by the Master Fund of short-term margin borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call," pursuant to which the portfolio 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 sudden precipitous drop in the value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to pay off its margin debt.

In the futures and forward markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures or forward contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a contract may result in immediate and substantial losses to the investor.

To the extent the Master Fund purchases an option in the U.S., there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

**Hedging Transactions.** Holocene is not required to attempt to hedge portfolio positions in the Master Fund. Furthermore, Holocene may not anticipate a particular risk so as to hedge against it. The Master Fund may utilize a variety of financial instruments (including options and derivatives), both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of the Master Fund's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the Master Fund's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Master Fund's portfolio; (v) hedge the interest rate or currency exchange rate on any of the Master Fund's liabilities or assets; (vi) protect against any increase in the price of any securities the Master Fund anticipates purchasing at a later date; or (vii) for any other reason that Holocene deems appropriate.

The success of Holocene's hedging strategy is subject to Holocene's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when Holocene hedges portfolio positions in the Master Fund is also subject to Holocene's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Master Fund may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Master Fund than if they had not engaged in any such hedging transactions. For a variety of reasons, Holocene may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Master Fund from achieving the intended hedge or expose the Master Fund to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Master Fund's portfolio holdings.

**Counterparty Risk.** The Master Fund expects to establish relationships to obtain financing, derivative execution, derivative intermediation and prime brokerage services that permit the Master Fund to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Master Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the

Master Fund's trading activities, create losses, preclude the Master Fund from engaging in certain transactions or prevent the Master Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Master Fund's business due to the Master Fund's reliance on such counterparties.

The Master Fund may effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, the Master Fund enters into a contract directly with dealer counterparties, which may expose the Master Fund to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, the Master Fund may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Master Fund had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that the Master Fund post collateral.

If there is a default by a counterparty, the Master Fund under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Master Fund being less than if the Master Fund had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of the Master Fund's securities from such counterparty or the payment of claims therefor may be significantly delayed and the Master Fund may recover substantially less than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceedings and may impact whether the Master Fund may terminate its agreement with an insolvent counterparty.

Collateral that the Master Fund posts to its counterparties that is not segregated with a third-party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Master Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Master Fund may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to the Master Fund's assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on the Master Fund and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering the Master Fund's securities from or the payment of claims therefor by such counterparty and a loss to the Master Fund, which could be material.

**Counterparty Fraud.** Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying an investment. Holocene relies upon the accuracy and completeness of representations made by counterparties to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Master Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Counterparty Insolvency.** The Master Fund's assets may be held in one or more accounts maintained for the Master Fund by counterparties, including its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of the Master Fund's counterparties is likely to impair the operational capabilities or the assets of the Master Fund. Although Holocene regularly monitors the financial condition of the counterparties it uses, if one or more of the Master Fund's counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of the Master Fund's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally

entrusted to such prime broker or broker-dealer.

In addition, the Master Fund may use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Master Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Master Fund and its assets. Investors should assume that the insolvency of any Master Fund counterparty would result in a loss to the Master Fund, which could be material.

**Highly Volatile Markets.** The prices of derivative instruments, including currencies, futures and option prices, can be highly volatile. Price movements of derivative contracts in which the Master Fund portfolio'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, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Master Fund's portfolio is also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

**Competition; Availability of Investments.** The markets in which the Master Fund may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced investment returns. There can be no assurance that Holocene will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable investments from other pooled investment vehicles and other investors may reduce the availability of investment opportunities. Competitive investment activity by other firms and institutions will reduce the Master Fund's opportunity for profit by generally increasing prices on desired assets, reducing mispricings in the market as well as the margins available on those mispricings that can still be identified.

**Significant Positions in Securities; Regulatory Requirements.** In the event the Master Fund acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Master Fund may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Master Fund and Holocene. Any such requirements may impose additional costs on the Master Fund and may delay the acquisition or disposition of the securities or the Master Fund's ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit the Master Fund's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Master Fund's position limits were aggregated with an affiliate's position limits, the effect on the Master Fund and resulting restriction on its investment activities may be significant. If at any time positions managed by Holocene were to exceed applicable position limits, Holocene would be required to liquidate positions, which might include positions of the Master Fund, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Master Fund might have to forego or modify certain of its contemplated trades.

In addition, if the Master Fund, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the Securities Exchange Act of 1934, as amended, the Master Fund may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances the Master Fund will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its ability to hedge such

investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

**Exposure to Material Non-Public Information.** From time to time, Holocene may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Master Fund may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

**Currency Exchange Exposure.** The Master Fund may invest in securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Master Fund, however, values its securities in U.S. dollars. The Master Fund may seek to hedge its currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts, put or call options and cross-currency swaps, in U.S. or non-U.S. markets. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time the Master Fund wishes to use them, will be able to be liquidated when the Master Fund wished to do so or that hedging techniques employed by the Master Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Master Fund's positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. Such fluctuations may result in a loss to the Funds.

Furthermore, the Master Fund may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Master Fund at one rate, while offering a lesser rate of exchange should the Master Fund desire immediately to resell that currency to the dealer. The Master Fund will conduct its currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. currencies. It is anticipated that most of the Master Fund's currency exchange transactions will occur at the time non-U.S. investments are purchased or sold and will be executed through the local broker or custodian acting for the Master Fund.

**Non-U.S. Investments.** The Master Fund invests its assets on a global basis, including in securities of non-U.S. companies that are traded in non-U.S. markets. Investing in the securities of companies in non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income or disposition proceeds; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Master Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in such countries than there is in the U.S. As a result, the Master Fund may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Master Fund's rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Master Fund under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

**Non-U.S. Exchanges.** The Master Fund may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities may also include reduced

and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

**Regulation in the Derivatives Industry.** There are many rules related to derivatives that may negatively impact the Master Fund, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of the Investment Manager and the Master Fund, and increase the amount of time that the Investment Manager spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Master Fund.

These rules are operationally and technologically burdensome for the Investment Manager and the Master Fund. These compliance obligations require employee training and use of technology, and there are operational risks borne by the Master Fund in implementing procedures to comply with many of these additional obligations.

These regulations may also result in the Master Fund forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants ("FCMs")), as the use of other parties may be more efficient for the Master Fund from a regulatory perspective. However, this could limit the Master Fund's trading activities, create losses, preclude the Master Fund from engaging in certain transactions or prevent the Master Fund from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation, or "EMIR") and similar regulations globally. In the United States, the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over "security-based swaps" and the CFTC has regulatory authority over "swaps". EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps and EMIR regulations, that are still in the proposal stage or are expected to be introduced in the future.

The following describes derivatives regulations that may have the most significant impact on the Master Fund:

*Reporting.* Most swap transactions have become subject to anonymous "real time reporting" requirements, meaning that information relating to transactions entered into by the Master Fund will become visible to the market in ways that may impair the Master Fund's ability to enter into additional transactions at comparable prices or could enable competitors to "front run" or replicate the Master Fund's strategies.

*Central Clearing.* In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through central clearinghouses. In the United States, clearing requirements have been implemented as part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. The CFTC and the SEC may introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for the Master Fund in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Master Fund would be exposed under non-cleared derivatives), the Master Fund could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses,

and, as a result, the Master Fund may not be able to hedge its risks or express an investment view as well as it would have been able to had it used customizable derivatives available in the over-the-counter markets. The Master Fund may have to split its derivatives portfolio between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

Another risk is that the Master Fund may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the Master Fund's FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that, unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout the life of the contract, 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 Master Fund to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Master Fund. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require the Master Fund to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Master Fund. In addition, clearinghouses may not allow the Master Fund to portfolio-margin its positions, which may increase the Master Fund's costs.

Although standardized clearing for derivatives is intended to reduce counterparty risk (for instance, it may reduce the counterparty risk to the dealers to which the Master Fund would have been exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and the Master Fund's FCM, subjecting the Master Fund to the risk that the assets of the clearinghouse and/or FCM are insufficient to satisfy all of their respective payment obligations, leading to a payment default. 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 FCMs (*i.e.*, member firms) during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

*Swap Execution Facilities.* In addition to the central clearing requirement, certain swap transactions are required to trade on regulated electronic platforms such as swap execution facilities ("SEFs"), which require the Master Fund to subject itself to regulation by these venues and subject the Master Fund to the jurisdiction of the CFTC.

The EU regulatory framework governing derivatives is set not only by EMIR but also a legislative package known as a recast of the Markets in Financial Instruments Directive ("MiFID II"). Among other things, MiFID II requires transactions in derivatives to be executed on regulated trading venues. The SEC has yet to finalize rules related to security-based swap execution facilities.

It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for the Master Fund to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of these regulations.

*Margin Requirements for Non-Cleared Swaps.* Rules issued by U.S., EU and other regulators globally (the "Margin Rules") impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that the Master Fund will be required to post to swap counterparties may increase by a material amount, and as a result the Master Fund may not be able to deploy capital as effectively. Additionally, to the extent the Master



Fund is required to segregate initial margin with a third-party custodian, additional costs will be incurred by the Master Fund.

### Risks Relating to Particular Investment Instruments and Strategies

**Equity Securities Generally.** The Master Fund's investment portfolio includes equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities and financial conditions of individual companies. As a result, the Master Fund may suffer losses if it invests in equity instruments of issuers whose share price performance diverges from Holocene's expectations. The Master Fund also 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.

**Call and Put Options.** The Master Fund may incur risks associated with the sale and purchase of call options and put options. Under a conventional cash-settled option, the purchaser of the option pays a premium in exchange for the right to receive upon exercise of the option (i) in the case of a call option, the excess, if any, of the reference price or value of the underlier (as determined pursuant to the terms of the option) above the option's strike price or (ii) in the case of a put option, the excess, if any, of the option's strike price above the reference price or value of the underlier (as so determined). Under a conventional physically-settled option structure, the purchaser of a call option has the right to purchase a specified quantity of the underlier at the strike price, and the purchaser of a put option has the right to sell a specified quantity of the underlier at the strike price.

A purchaser of an option may suffer a total loss of premium (plus transaction costs) if that option expires without being exercised. An option's time value (*i.e.*, the component of the option's value that exceeds the in-the-money amount) tends to diminish over time. Even though an option may be in-the-money to the purchaser at various times prior to its expiration date, the purchaser's ability to realize the value of an option depends on when and how the option may be exercised. For example, the terms of the transaction may provide for the option to be exercised automatically if it is in-the-money on the expiration date. Conversely, the terms may require timely delivery of a notice of exercise, and exercise may be subject to other conditions (such as the occurrence or non-occurrence of certain events, such as knock-in, knock-out or other barrier events) and timing requirements, including the "style" of the option.

Uncovered option writing (*i.e.*, selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call option may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered call options, the risk of writing uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the reference price or value of the underlier declines below the exercise price by more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

**Index or Index Options.** The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether the Master Fund will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

**Index Futures.** The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures

contracts by the Master Fund also is subject to Holocene's ability to correctly predict movements in the direction of the market.

**Futures Contracts.** The Master Fund may invest in futures contracts or options thereon. Futures positions may be illiquid because, for example, many 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 contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Master Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses. In addition, the Master Fund may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also 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. In addition, various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, 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 profit or loss.

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

**Swap Agreements.** The Master Fund may enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the Master Fund's exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. The Master Fund is not limited to any particular form of swap agreement if consistent with the Funds' investment objective. Whether the Master Fund's use of swap agreements will be successful depends on Holocene's ability to select appropriate transactions for the Master Fund. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Master Fund's portfolio. Moreover, the Master Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Master Fund also bears the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Master Fund to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Master Fund's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

**Other Derivative Instruments.** The Master Fund may enter into swaps and other derivative instruments. It may take advantage of opportunities with respect to certain other derivative instruments that are not currently 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 Funds and believed by Holocene to be legally permissible. Special risks may apply to instruments that are invested in by the Master Fund in the future that cannot be

determined at this time or until such instruments are developed or invested in by the Master Fund. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

**Debt Instruments.** The Master Fund may invest a portion of its assets in bonds and other fixed income instruments. The value of fixed income instruments changes in response to fluctuations in interest rates. When interest rates rise, the value of debt instruments can be expected to decline. Debt instruments with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities. Debt instruments in which the Master Fund invests may be unrated, and whether or not rated, the debt instruments may have speculative characteristics. Fixed income securities are also subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to factors including interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity.

**Initial Public Offerings.** Investments in initial public offerings (or securities newly issued in initial public offerings) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities, which may cause the performance of the Master Fund to experience substantial volatility.

**Money Market Funds.** The Master Fund may make investments or have indirect exposure to money market funds, including as a result of its excess cash being placed into prime brokerage or other accounts that periodically sweep such excess cash into money market funds. Money market funds have relatively low risks compared to most other financial instruments. By law, money market funds may only invest in certain high-quality, short-term investments issued by the U.S. government, U.S. corporations, and state and local governments. While money market funds aim to keep their net asset value at a stable \$1.00 per share, net asset value may fall below \$1.00 per share if the investments of a money market fund perform poorly. Investor losses with respect to money market funds have been rare, but the risk of loss exists. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. Accordingly, there exists the risk with respect to money market funds that inflation will outpace and erode investment returns over time.

#### Risks of Sector-Specific Investments

**Risks of Sector-Specific Investments.** The Master Fund may invest in all the major sectors and subsectors of the equities markets, including, without limitation, the consumer; industrials; TMT; financials; health care; and energy sectors. The following industry-specific risk factors are intended to provide a non-exclusive summary of certain risks attendant to certain industries in which the Master Fund generally invests. The Master Fund may invest in industries other than those listed below; furthermore, the Master Fund may invest in companies in the sectors listed below that are subject to additional risks not described below. These investments may represent core positions of the Master Fund, the profit or loss from which may have a material impact on the Master Fund's performance.

*Investing in the Technology Sector.* Investing in securities and other instruments of technology companies involves substantial risks. These risks include: the fact that certain companies in the portfolio of the Master Fund may have limited operating histories; rapidly changing technologies and products which may quickly become obsolete; cyclical patterns in information technology spending which may result in inventory write-offs, cancellation of orders and operating losses; scarcity of management, engineering and marketing personnel with appropriate technological training; the possibility of lawsuits related to technological patents; changing investors' sentiments and preferences with regard to technology sector

investments (which are generally perceived as risky) with their resultant effect on the price of underlying securities; and volatility in the U.S. securities markets affecting the prices of technology company securities, which may cause the performance of the Master Fund to experience substantial volatility.

*Investing in the Media and Telecommunications Sector.* The Master Fund may invest in media companies (which may engage in the production or distribution of television, film, radio, internet and other content) and telecommunications companies (which may provide traditional and wireless telephone services, paging, data transmission services, equipment retailing and internet services). Whereas traditionally media and telecommunications companies were considered to be in different sectors, these sectors have increasingly converged and oftentimes overlap in the services they provide. Companies in the media and telecommunications sector may encounter distressed cash flows due to the need to commit substantial capital to meet increasing competition, particularly in formulating new products and services using new technology. In addition, media and telecommunications companies may be subject to greater price volatility than the overall market due to a variety of factors, including: changing government regulations, changing consumer tastes, intense competition, and strong market reactions to technological developments throughout the industry.

*Investing in the Energy Sector.* The performance of certain investments of the Master Fund will be substantially (or completely) dependent upon prevailing prices of oil, natural gas, coal and other energy-related commodities. Commodity prices have been, and are likely to continue to be, volatile. The Master Fund may invest in companies whose businesses are directly or indirectly impacted by changes in commodity prices. For instance, the Master Fund may invest in companies involved in, or supporting, the production and distribution of power and the related infrastructure. These companies are sensitive to fluctuations in fuel supply and demand, interest rates, risks of constructing and operating facilities (including nuclear facilities), merger and acquisition activity, and regulation. Such fluctuations may, among other things, increase the costs of doing business, and in the past have tended to limit the growth potential of these companies.

*Investing in Financial Institutions.* The Master Fund may invest directly or indirectly in instruments issued by financial institutions, such as investment and commercial banks, insurance companies, savings and loan associations, mortgage originators and other companies engaged in the financial services industry (collectively, "financial institutions"). In the course of conducting their business operations, financial institutions are exposed to a variety of risks. Significant risks that could affect the financial condition and results of their operations include, but are not limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads; credit-related losses that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations; the potential inability to repay short-term borrowings; operational failures or unfavorable external events; regulatory risks, including activity restrictions and increased capital or liquidity requirements; and risks associated with litigation, investigations and/or proceedings by private claimants and governmental and self-regulatory agencies arising in connection with a financial institution's activities and compliance program. If a financial institution loses the confidence of its customers or the market generally, that loss can have catastrophic and immediate consequences for the financial institution. Insurance companies may be severely and adversely affected by catastrophes and other events that require them to cover an unexpectedly large amount and value of claims.

*Investing in the Healthcare Sector.* Investing in securities and other instruments of healthcare companies involves substantial risks, including (but not limited to) the following: certain companies in the portfolio of the Master Fund may have limited operating histories; scarcity of management and marketing personnel with appropriate scientific or medical training may slow or impede companies' growth; the possibility of lawsuits related to patents or products; obsolescence of products; changes in law and government policies; changing investor sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky) may have an adverse effect on the price of underlying securities; volatility in the U.S. securities markets affecting the prices of healthcare company securities may cause the performance of the Master Fund to experience substantial volatility; and many companies in the healthcare sector are subject to extensive government regulation. In addition, obtaining approval for new products

from governmental agencies can be lengthy, expensive and uncertain.

*Investing in the Industrials Sector.* The Master Fund may invest in companies in the industrials sector, such as those involved in construction and manufacturing, transportation, industrial machinery and equipment, materials, metals and mining, and aerospace and defense. The industrials sector can be significantly affected by general economic trends, including employment, economic growth, and interest rates; changes in consumer sentiment and spending; the supply of and demand for specific industrial and energy products or services; government regulation and spending; and global competition. For example, adverse changes in the prices of certain commodities and unit volume reductions resulting from an oversupply of materials used in industrials and energy equipment and services industries can adversely affect those industries. Furthermore, a company in the industrials sector can be subject to liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control.

*Investing in the Consumer Sector.* The Master Fund may invest in companies in the consumer sector. The success of consumer product manufacturers and retailers is tied closely to the performance of the overall domestic and global economy, interest rates, competition and consumer confidence. Success depends heavily on disposable household income and consumer spending. Also, companies in the consumer discretionary sector may be subject to severe competition, which may have an adverse impact on their respective profitability. Changes in demographics and consumer tastes can also affect the demand for, and success of, consumer products and services in the marketplace.

#### Other Risks

**Systems and Operational Risks.** The Funds depend on Holocene to develop and implement appropriate systems for the Master Fund's activities. The Master Fund relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Master Fund's activities. In addition, the Master Fund relies on information systems to store sensitive information about the Funds, Holocene, their affiliates and investors in the Funds. Certain of the Master Fund's and Holocene's activities will be dependent upon systems operated by third parties, including prime brokers, the Funds' administrator, market counterparties and other service providers, and Holocene may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by Holocene, prime brokers, the Funds' administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Master Fund's operations may cause the Master 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 failures or disruptions could have a material adverse effect on the Funds and investors' investments therein.

**Cybersecurity Risk.** As part of its business, Holocene processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Master Fund and personally identifiable information of the investors in the Funds. Similarly, service providers of Holocene, or the Funds, especially the Funds' administrator, may process, store and transmit such information. Holocene has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. 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 Holocene may be susceptible to compromise, leading to a breach of Holocene's network. Holocene's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Breach of Holocene's information systems may cause information relating to the transactions of the Master Fund and personally identifiable information of the investors in the Funds to be lost or improperly accessed, used or disclosed.

The service providers of Holocene and the Funds are subject to the same electronic information security threats

as Holocene. If 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 Master Fund and personally identifiable information of the investors in the Funds may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Holocene's or the Funds' proprietary information may cause Holocene or the Master 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 Funds and investors' investments therein.

#### **Item 9 Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of the registered investment adviser or the integrity of the registered investment adviser's management.

We have had no such legal or disciplinary events; accordingly, we have no information applicable to this Item.

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

Holocene and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

As indicated above, the Fund General Partner, our affiliate, serves as the general partner of the Domestic Fund and the manager of the Master Fund, and Mr. Haley serves as the managing member of the SPV. Holocene, the Fund General Partner and Mr. Haley have together filed a single Form ADV in reliance on the position expressed by the SEC in the no-action letter to the American Bar Association, Business Law Section dated January 18, 2012. Accordingly, Holocene, the Fund General Partner and Mr. Haley are each deemed to be registered as an investment adviser with the SEC pursuant to this single Form ADV.

Holocene, the Fund General Partner and Mr. Haley are exempt from registration with the Commodity Futures Trading Commission as commodity pool operators as a result of the exemption available to each Fund and the SPV under CFTC Rule 4.13(a)(3).

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

##### **Code of Ethics**

As an investment adviser, we stand in a position of trust and confidence with respect to our clients. Accordingly, we have a fiduciary duty to place the interests of the Funds before our own interests. As such, and in accordance with Rule 204A-1 under the Advisers Act, we have adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that must at all times govern our conduct and the conduct of our personnel:

- We must at all times place the interests of the Funds first.
- All personal securities transactions must be conducted in a manner consistent with the Code and avoid any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility.
- Employees must not take any inappropriate advantage of their positions at the firm.
- Information concerning the identity of securities and financial circumstances of the Funds and their investors must be kept confidential.
- Independence in the investment decision-making process must be maintained at all times.

We believe that these principles help us fulfill our fiduciary obligations, and also protect our reputation and instill in our employees our commitment to honesty, integrity, and professionalism. These general principles apply to all conduct, whether or not the conduct also is covered by more specific standards or procedures set

forth in the Code, our Compliance Manual or elsewhere. Failure to comply with the Code may result in disciplinary action, including termination of employment.

The Code requires compliance with all applicable laws and sets forth our policies and procedures for our personnel (and, in some cases, certain family members) on (i) personal securities trading, (ii) gifts and entertainment, (iii) service on boards of directors and other outside activities and (iv) conflicts of interest generally.

All of our personnel receive training with respect to the Code and our Compliance Manual upon employment and at least annually thereafter, including with respect to the prohibitions on insider trading. Investors (and prospective investors) in the Feeder Funds may request a copy of the Code by contacting Holocene at the address or telephone number listed on the first page of this Brochure.

#### Participation or Interest in Client Transactions and Personal Trading

In accordance with our policy of requiring personnel to avoid activities that may conflict with the interests of the Funds or interfere with making decisions in the best interests of the Funds, all personnel and certain related accounts generally are prohibited, subject to limited exceptions, from trading in “reportable securities” in a personal trading account or otherwise. The term “reportable securities” is broadly defined in the Code and covers, among other things, equity and debt securities of public companies, including, but not limited to, initial public offerings, private investments in public equity (*i.e.*, PIPEs), and options on such securities, indices and currencies. In accordance with Rule 204A-1, our personnel and certain related accounts are required to submit annual holdings reports and quarterly transactions reports to compliance personnel with respect to reportable securities, subject to certain exceptions. In addition, our personnel are required annually to submit an acknowledgement in writing that they have read and understood the Code and our prohibition on insider trading.

An employee who has a personal trading account with positions in reportable securities that were established prior to joining Holocene (*i.e.*, legacy positions) may dispose of such investments while employed at Holocene, but the employee must receive pre-approval from our Chief Compliance Officer or his designee to dispose of such positions. Notwithstanding the general prohibition on trading, employees are permitted to buy and sell positions in equity securities of privately held companies, private investment funds and ETFs, subject to pre-approval, and such approval generally will be granted, in the case of ETFs, only if the fund at issue is “broad-based.”

Subject to obtaining pre-clearance, in accordance with our Code of Ethics, our personnel may from time to time make personal investments in securities or other financial instruments in which we may invest the Master Fund’s capital. Generally, such investments will be approved (for example, in an exchange-traded fund) only where such investment is highly unlikely to effect the price or availability of any similar investment by the Master Fund. Our personnel may buy, sell or hold such securities or other financial instruments for their own account while entering into different investment decisions for the Master Fund. In addition, our personnel may invest in either Feeder Fund (subject to applicable legal/suitability requirements) but are not required to invest in any Fund. All of the foregoing transactions by our personnel are subject to, and reported to the Chief Compliance Officer under, the policy on personal securities trading and reporting set forth in our Code of Ethics, as described above. The general guidelines above, as well as the Chief Compliance Officer’s consideration of any other relevant factors and discretion to decline to approve any transactions, together address any conflicts that arise as a result of such personal investments.

We (including our affiliates and personnel) do not purchase or sell any securities from or to the Master Fund, the sole trading vehicle we manage, for our personal accounts (*i.e.*, the personal accounts of Holocene, our affiliates or our personnel).

As discussed above, our affiliates and personnel (and their immediate family members) have the ability to invest in the Feeder Funds (subject to applicable legal/suitability requirements) and some employees are required to invest in the SPV. As disclosed in the Memorandum for each Feeder Fund, and as mentioned in Item 5 above, these investments are not subject to a Management Fee or the Incentive Fee or the lock-up restriction on

redemptions and the related redemption reduction amount but are otherwise subject to the same terms as all other investors in the Feeder Funds.

## **Item 12 Brokerage Practices**

### **Trading and Execution**

We have full authority to select broker-dealers (“brokers”) to effect transactions on behalf of the Master Fund, and full authority to negotiate the commission rates paid for each transaction. Portfolio transactions for the Master Fund will be allocated to brokers on the basis of best execution and in consideration of relevant factors, including, but not limited to, price quotes; the size of the transaction; the nature of the market for the security; the timing of the transaction; the difficulty of execution; the broker or dealer's expertise in the relevant market or sector; the extent to which the broker or dealer makes a market in the security or has access to such market; the broker or dealer's skill in positioning the relevant market; the broker or dealer's facilities, reliability, promptness and financial stability; the broker or dealer's reputation for diligence and integrity (including in correcting errors); confidentiality considerations; the quality and usefulness of research products and services and investment ideas presented by the broker or dealer; and other factors deemed appropriate by Holocene. Holocene need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

Subject to the considerations described above, the selection of a broker (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker of the following: capital introduction, marketing assistance and consulting services with respect to technology, operations, equipment and office space or other services or items. Neither Holocene nor the Funds (or the Fund General Partner) separately compensates any broker for any of these other services.

The commissions charged by brokers that we select may be higher or lower than those charged by other broker-dealers. The Master Fund may pay a commission to a broker that is higher than another qualified broker-dealer might charge to effect the same transaction when we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services that we receive. In seeking best execution for the Master Fund, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker's services.

Investors in the Feeder Funds include funds of funds affiliated with brokers or, possibly, brokerage firms themselves and/or their individual registered representatives. The fact that any such investor has invested in the Feeder Funds is not taken into consideration when selecting brokers (including prime brokers).

We will regularly evaluate the execution performance of brokers executing transactions for the Master Fund, including but not limited to during periodic meetings of Holocene's Brokerage Committee.

### **Soft Dollars**

Our use of commission or “soft” dollars for research and research-related services will come within the safe harbor for the use of soft dollars provided under Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (“Section 28(e)"). Research products and services provided by brokers through which portfolio transactions are executed, settled and cleared may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, access to management and other products and services providing lawful and appropriate assistance to Holocene in the performance of its investment decision-making responsibilities. If a product or service is obtained with commission dollars that provides both research and non-research assistance to us, we will make a reasonable allocation of the cost which may be paid for with commission dollars (thereby ensuring that soft dollars are only paying for research and research-related services).

We anticipate that we will regularly receive research products or services directly from brokers and from third parties paid by brokers.



All soft dollar payments are reviewed by the Chief Compliance Officer and/or Holocene's Senior Compliance Associate to confirm that all such payments comply with the requirements of Section 28(e).

When Holocene uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, Holocene receives a benefit because it does not have to produce or pay for such products or services. Holocene may have an incentive to select or recommend a broker-dealer based on Holocene's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

#### Prime Brokers

Morgan Stanley & Co. LLC, Goldman, Sachs & Co. LLC and Merrill Lynch Professional Clearing Corp. (together, the "Prime Brokers") serve as the prime brokers for the Funds and clear the Funds' securities transactions which are effected through other brokerage firms. The Prime Brokers generally maintain the Funds' securities and other assets and receive no separate fee for providing that service. We are not committed to continue these prime brokerage relationships for any minimum period, and may establish additional prime brokerage relationships at any time.

#### Client Referrals and Directed Brokerage

When selecting brokers for execution, generally we do not consider whether we might receive client referrals from such brokers. As mentioned above, we have full authority to select brokers to effect transactions on behalf of the Master Fund. We do not allow any investors in the Feeder Funds to direct trade executions through a particular broker.

Our representatives may speak at conferences and programs sponsored by prime brokers and/or executing brokers (collectively, "Brokers"), including, but not limited to, the Prime Brokers, for investors interested in investing in hedge funds. Through such capital introduction events, prospective investors in the Feeder Funds have the opportunity to meet with us. Neither we nor the Funds compensate the Brokers for organizing such events or for any investments ultimately made by prospective investors attending such events. However, such events and other services provided by a Broker may influence us in deciding to use such Broker in connection with brokerage, financing and other activities of the Funds.

#### Order Aggregation

We trade securities for a single Master Fund and do not currently aggregate orders with any other clients.

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

The Master Fund's portfolio composition and trading activity is monitored on a daily basis by our CIO, CRO, trader and other members of our investment team. In addition, on a daily basis, our operations group reviews all orders and executions, cash management, margining, and balances with (and exposure to) the Prime Brokers and other counterparties.

Morgan Stanley Fund Services USA LLC, together with certain affiliates (collectively, "MSFS"), serves as the administrator of the Funds and the SPV. MSFS performs a daily computation of the Master Fund's portfolio value. A daily reconciliation of the portfolio and its value is performed between MSFS and Holocene to identify any discrepancies.

Investors in the Feeder Funds and the SPV will receive unaudited monthly performance reports of the Master Fund and annual audited financial reports of the Master Fund and their respective Feeder Fund.

Holocene also may make available to investors and prospective investors in the Feeder Funds certain portfolio information. Investors that desire access to such information must notify Holocene, though access to such information will be granted only upon execution of a non-disclosure and indemnification agreement, to the extent applicable. Investors may also request additional information and reporting. Other investors may not receive

such portfolio information or some or all items provided in response to the foregoing requests. Such information could affect an investor's decision to request a redemption from a Feeder Fund. The Funds and Holocene each reserve the right to withhold such information from any one investor or prospective investor, as applicable, and cease dissemination of such information entirely to investors or prospective investors if such information is subject to abuse.

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

Not applicable.

#### **Item 15 Custody**

We are generally deemed to have constructive custody of the assets of the Funds. We are not, however, required to comply with certain requirements of Rule 206(4)-2 under the Advisers Act (also known as the "Custody Rule") with respect to each Fund and the SPV because we comply with the provisions of the "pooled vehicle annual audit exception." This exception requires us to distribute audited financial statements of the Funds and the SPV to investors within 120 days of the end of each respective fiscal year.

#### **Item 16 Investment Discretion**

As noted in Item 4 above, we have full discretionary authority with respect to investment decisions on behalf of the Master Fund. We have been granted this authority pursuant to the investment management agreement in place between Holocene and the Master Fund.

Investment decisions are made in accordance with the investment objectives and guidelines for each Fund.

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

In accordance with Rule 206(4)-6 under the Advisers Act, we have adopted proxy voting policies and procedures. In addition, we have retained Institutional Shareholder Services ("ISS"), on behalf of the Master Fund to monitor proxy votes pertaining to portfolio securities, provide research and recommendations on such votes, cast such votes in accordance with our policies and maintain records with respect to such votes. Our general policy is to cast proxy votes (or abstain from casting a vote) in a manner that serves the best interests of the Master Fund as reflected in ISS's proxy voting guidelines. We may refrain from voting proxies with respect to securities we are otherwise eligible to vote that are not held in the Master Fund's portfolios as of the deadline for casting such vote. As a matter of policy, we will refrain from voting proxies of portfolio securities that trade in share blocking jurisdictions, that is, in jurisdictions which bar the trading of a security pending a proxy vote in which one has cast a vote.

Investors in the Feeder Funds do not and may not direct us to vote proxies in a particular way for proxy solicitations.

We address conflicts of interest between ourselves and the Funds, to the extent any such conflicts exist, principally by relying on the proxy voting recommendations of ISS. However, we are not bound by those recommendations and may vote proxies contrary to ISS's recommendations when we deem it in the best interests of the Funds to do so. In any event, to the extent such a conflict exists, we will always cause the Master Fund to vote proxies in a manner we believe to be in the best interests of the Funds.

To help us monitor conflicts to which ISS may be subject, ISS periodically provides us with a list of their corporate clients, which clients may also be issuers for which ISS furnishes us proxy research and recommendations. To the extent we identify a material conflict of interest involving ISS and an issuer with respect to ISS's proxy research and recommendations with respect to such issuer, we will generally review the relevant proxy voting material of the applicable issuer and determine how to vote the Funds' proxies independently of the recommendations provided by ISS.

Investors (and prospective investors) in the Feeder Funds may request a copy of our proxy voting policies and

procedures, and a record of votes cast on behalf of the Master Fund, by contacting Holocene at the address or telephone number listed on the first page of this Brochure.

**Item 18 Financial Information**

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

**Item 19 Requirements for State-Registered Advisers**

Not applicable.