

Form ADV Part 2A: Firm Brochure

Arts & Sciences Investment Management, L.P.

March 8, 2019

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This brochure provides information about the qualifications and business practices of Arts & Sciences Investment Management, L.P. (“ASIM”). If you have any questions about the contents of this brochure, please contact Lior Kosovski, ASIM’s Chief Compliance Officer (“CCO”) at lkosovski@asinvestments.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about ASIM is also available on the SEC’s website at: www.adviserinfo.sec.gov. Although ASIM may refer to itself as a “registered investment adviser” or describe itself as being “registered,” this registration with the SEC does not imply a certain level of skill or training.

Unless otherwise indicated, the term “ASIM”, the “Firm” or “the Adviser” is broadly used within this brochure to refer to the entire enterprise and not to a specific legal entity.

Item 2: Material Changes

This Brochure dated March 8, 2019 has been prepared by ASIM as an annual amendment to the prior version of its Brochure, dated August 6, 2018.

This annual amendment to the Brochure (i) includes updated AUM; (ii) removes the ability of ASIM to temporarily absorb/bear Funds' expenses; (iii) includes new and updates risk disclosures and (iv) clarifies brokers' selection criteria. There are, however, other non-material changes and clarifications in this Brochure which should be carefully read as well.

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Item 4: Advisory Business

ASIM is a California limited partnership founded in December 2016 and majority owned by Cyrus Hadidi (the “Principal”). ASIM is an investment management firm with its principal place of business in Manhattan Beach, California. The Funds (as defined below) have been open to external capital since July 1, 2018.

The Adviser currently provides discretionary investment advisory services to Arts & Sciences Master Fund, L.P. (the “Master Fund”), in which Arts & Sciences Partners, L.P. (the “Domestic Fund”), Arts & Sciences Offshore Fund, Ltd. (the “Offshore Fund”), and Arts & Sciences Offshore Fund (AUD), Ltd. (the “AUD Offshore Fund”) invest in. Collectively the Master Fund, Domestic Fund, Offshore Fund, and AUD Offshore Fund shall be referred to as the “Funds,” and the Domestic Fund, Offshore Fund and AUD Offshore Fund shall also be referred to as the “Feeder Funds.”

In June 2018, ASIM and the Funds have entered into an arrangement (the “Strategic Investor Arrangement”) with a group of investors advised by a single investment adviser (collectively, the “Strategic Investor”), whereby the Strategic Investor has agreed to make a significant investment in the Funds (the “Strategic Investment”). A substantial portion of the Strategic Investment is subject to a one-year lock-up with an additional soft lock-up period of one year, although the Strategic Investor may withdraw its investment before the lockup has expired if certain events occur. In consideration for the Strategic Investment, the Strategic Investor is entitled to certain additional rights including certain consent rights, the right to receive a specified percentage of certain gross revenues otherwise payable or allocable to ASIM, certain information rights, capacity rights, and certain other rights that are in addition to, and may be more favorable than, the rights of Shareholders, including a more favorable Management Fee rate and Incentive Allocation rate. A redemption/withdrawal by the Strategic Investor could require asset liquidations at disadvantageous times and prices, impair the Master Fund’s ability to implement its investment program or even lead to the termination of the A&S Funds.

The Adviser employs an opportunistic investment approach with a goal to generate risk-adjusted, absolute returns with low correlation to broad market indices. The Fund’s objective is to protect and grow investor capital by pursuing investments with asymmetric risk/return profiles. The Fund pursues a disciplined yet flexible investment mandate that intersects equity (growth and value), credit (value and capitulation) and global macro (structural regime shifts and capitulation), seeking inefficiencies throughout asset cycles.

Advisory services provided to the Funds are provided pursuant to the terms of the relevant Fund’s offering memorandum and disclosed therein. Although ASIM does not typically provide tailored investment advice to the individual investors in the Funds, it may, and indeed have, enter into side letter agreements/arrangements with certain investors which may modify such investors’ rights or obligations under the operating agreements for a particular Fund, provided that, it will not grant “preferred liquidity” (as interpreted from time to time by the SEC).

The Adviser does not intend on participating in a wrap fee program at this time.

As of December 31, 2018, ASIM manages approximately \$230,131,066 million of regulatory assets under management on a discretionary basis. ASIM does not manage any assets on a non-discretionary basis.

Item 5: Fees and Compensation

The Master Fund will pay the Adviser a monthly “Management Fee” with respect to each investor generally equal to one-twelfth of that investor’s Management Fee rate applied to the balance in that investor’s capital account as of the end of that month. The Management Fee will be calculated and paid monthly in arrears. The Management Fee rate will generally be 1.5% per annum, but for “Founders Interests” it will be 1.0% per annum. The Founders Interests will be considered the initial \$250 million (subject to spillover) invested into the Funds.

As discussed above (Item 4), ASIM has agreed to reduce the Management Fee rate applicable to the Strategic Investment. ASIM may vary the Management Fee for other particular investors by separate agreement with them and generally does not expect to receive Management Fees on interests held by the General Partner, the Adviser, the Principal, persons who are commonly known to maintain a close relationship with the Principal, other employees, partners, and members of ASIM, and family members and retirement and estate planning vehicles for any of them (“A&S Related Persons”).

Organizational and Initial Offering Costs. Each Feeder Fund will bear its and such Feeder Fund’s share of the Master Fund’s costs and the costs of initially offering Interests and/or Shares, as applicable. Organizational and initial offering costs include formation charges and legal, accounting, other professional and consulting fees, and expenses in connection with preparing the Funds’ organizational and contractual documents, as well as costs of preparing, revising, reproducing, and disseminating initial offering materials and supplemental materials (but will not include marketing, client relationship management, travel, and related costs, or any placement agent fees or commissions).

The Funds currently intend to amortize these costs over sixty (60) months. If this treatment of these costs would result in a qualification of the auditor’s opinion on a Feeder Fund’s or the Master Fund’s financial statements, the Feeder Fund may accelerate the expensing of such costs for financial reporting purposes but not for purposes of calculating net asset value (although it may accelerate such costs for net asset value purposes as well). In such circumstances, investor’s net asset value statements may differ from the Fund’s audited financial statements to the extent of such difference. If a Fund is dissolved prior to the completion of the amortization of these costs, the amortization period will end on the effective date of dissolution.

Operating Costs. Each Feeder Fund will bear its share of the Master Fund operating costs as well as costs arising out of its own operations and activities. The Feeder Funds or the Master Fund may pay these costs directly, or ASIM may advance costs and be reimbursed by the Feeder Fund or the Master Fund. Operating costs include, among other things:

- brokerage commissions and other transaction-related compensation and charges arising out of transactions involving Master Fund assets (please also see important disclosures in Item 12);
- interest and borrowing charges on securities sold short and margin and other borrowings;
- custodial and bank service fees;
- costs of systems, facilities, and third-party services for order placement, order management, clearance and settlement, and risk management functions;

- costs directly related to researching, identifying, and/or acquiring Master Fund investments, including costs of (A) third-party investigative, analytical, research, reporting, and/or consulting services for potential investments; (B) systems and services for modeling, testing, and managing investment research and for other analysis of portfolio construction, attributes, and/or risks (including portfolio management systems); and (C) deliberations and negotiations regarding potential Fund investments;
- costs directly related to holding, monitoring, protecting, and/or enhancing the value of, and/or otherwise managing Master Fund investments, including costs of (A) third-party investigative, analytical, research, reporting, and/or consulting services relating to investments and potential investments; (B) systems and services for modeling, testing, and analysis of portfolio construction, attributes, and/or risks (including portfolio management systems); (C) proxy voting research and administration; (D) membership on creditors' or equity-holders' committees (both formal and informal); and (E) participating in deliberations and negotiations regarding Master Fund investments and potential investments and in activities intended to protect and/or enhance the value of Master Fund investments (including as to any of the foregoing activities, costs of travel, accommodations, and meals incurred in connection with those activities);
- costs of quotation, computerized news, pricing, and/or statistical services or software;
- auditing, accounting, third-party-administration (including the Administrator's), external bookkeeping, tax preparation and reporting, tax planning, legal, and other professional fees and costs (including fees and costs paid to ASIM and/or other affiliates' counsel for services in connection with the Feeder Funds and/or the Master Fund's activities (which include documentation and negotiation of special arrangements between a Feeder Fund and any investor)), and costs incurred by the Master Fund's "tax matters partner" or "partnership representative," in its capacity as such;
- fees and costs in connection with any lawsuits, arbitrations, or other controversies (whether pending or threatened) in which the Fund and/or Master Fund may be involved, such as, among other things, a Feeder Fund's and or Master Fund's indemnification obligations owed to ASIM and its affiliates;
- costs of a Feeder Fund's and/or Master Fund's and its affiliates' registration and filings with and licensing by governmental and self-regulatory organizations and costs associated with regulatory, tax, and other filing and reporting requirements attributable to the Feeder Fund's and/or the Master Fund's investment activities, including costs of preparing and submitting Schedules 13D, 13G, or 13F and Forms 3 and 4, as well as Forms PF and PQR (if applicable) (which may include costs of any third-party service providers appointed to assist in such submissions), but not including registration of ASIM as an investment adviser, commodity pool operator or commodity trading advisor or similar registrations);
- transfer, withholding, income, stamp, and other governmental fees, taxes (and similar amounts), and duties imposed on a Feeder Fund and/or the Master Fund (although a Feeder Fund may in some circumstances specially allocate the effects of those costs to particular investor so that they are not borne by all investors proportionately);
- bonding costs under ERISA, if applicable;
- the Feeder Fund's and/or Master Fund's allocable share of the premiums and other costs of directors and officers ("*D&O*"), errors and omissions ("*E&O*"), general liability, and other types

of insurance covering ASIM and its personnel for liabilities that may arise in connection with the Fund's operations;

- costs of reporting and of making information available to investors, and costs of a Feeder Fund and Master Fund meetings and other governance activities, including costs and fees of the Fund's Directors (if applicable) and the Master Fund Governance Committee members who are unaffiliated with Arts & Sciences;
- costs in connection with the ongoing offer and sale of interests, including the costs of preparing offering materials and making regulatory filings related to those offers and sales (but not including marketing, investor relationship management, travel, and related costs, or any placement agent fees or commissions); and
- all other reasonable costs related to the Feeder Fund's and Master Fund's operations or to the purchase, sale, or transmittal of Master Fund assets, all in ASIM's discretion.

If ASIM were to manage other accounts in addition to those of the Funds, and if a particular cost were to relate both to the Funds and to those other accounts, ASIM would allocate the cost between the Funds and those other accounts in a manner it considers equitable to all accounts.

Overhead. Except as described above, ASIM will provide personnel, office space, utilities, and other basic "overhead" facilities and services necessary to provide investment management and general partner services to the Funds. The Funds will not reimburse ASIM directly for the costs of providing those facilities and services except to the extent payment or reimbursement of any of the operating costs described above may be considered such reimbursement.

Additional disclosure regarding the specific expenses paid by a Fund can be found in the offering documents of such Fund.

Neither ASIM nor any of its supervised persons accepts compensation from Clients for the sale of securities or other investment products.

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

The Master Fund will pay an annual performance-based "Incentive Allocation" to the General Partner as determined in the Fund governing documents as a percentage of the net profits with respect to an investor's capital account for such fiscal year, subject to a high-water mark.

The Incentive Allocation for an investor and a particular period will generally equal 20% of the net appreciation in that investor's capital account over the period, but for Founders Interests it will equal 17.5% of that net appreciation. The fact that such performance-based fee is payable only out of increases in net profits may create an incentive for the Firm to make investments that are riskier or more speculative than would be the case if the Firm was compensated solely based on flat percentage of capital.

The Master Fund will generally calculate and make Incentive Allocations (to the extent applicable) at each December 31, for the year ended at that date. If an investor withdraws capital other than as of December 31, the Master Fund will calculate and (if applicable) make an Incentive Allocation as to the withdrawn amount. An Incentive Allocation arising from a withdrawal will reduce the net withdrawal proceeds payable to the withdrawing investor.

Loss Carryforwards. The Master Fund will make an Incentive Allocation only if and to the extent the increase in the relevant investor's capital account for the relevant period exceeds that investor's

“loss carryforward” amount (if any) associated with that capital account. Loss carryforward amounts will, in effect, reflect historical performance-based reductions in an investor’s capital account have not been “recovered” through subsequent performance-based increases. Thus, the Master Fund generally will not make an Incentive Allocation for an investor based on appreciation that merely restores losses that investor has experienced. This is sometimes referred to as a “high water mark” procedure. If an investor withdraws capital at a time when he or she or it has a loss carryforward, the loss carryforward will be reduced proportionately.

Certain Considerations. Once made, an Incentive Allocation will not be reduced by losses incurred in later periods. This, and other factors, could encourage the Adviser to cause the Master Fund to make riskier investments than it might otherwise. As discussed above (Item 4), ASIM has agreed to reduce the Incentive Allocation rate applicable to the Strategic Investment. ASIM may vary the Incentive Allocation for other particular investors by separate agreement with them. ASIM generally does not expect to receive Incentive Allocations as to investments by A&S Related Persons. The General Partner may designate an affiliate to receive some or all of the amounts that the Funds’ would otherwise reallocate to the General Partner as Incentive Allocations.

ASIM does not currently provide advisory services to any client which is not charged performance-based fees.

A portion of the compensation of several investment personnel of ASIM is tied (directly or indirectly) to the performance of recommendations/trades made by them.

Item 7: Types of Clients

ASIM provides discretionary investment management services to privately offered pooled investment vehicles that are offered only to Accredited Investors and Qualified Purchasers as such terms are defined in the Federal Securities Laws. Underlying investors in such pooled investment vehicles may include individuals, trusts, pension plans, corporations, and public and private entities. The pooled investment vehicles generally operate as exempt investment companies under the Company Act (3c-7 exemption). The minimum investment in each Fund is generally \$1 million, although ASIM maintains discretion to individually waive, increase or reduce the minimum investment required. In the future, the Adviser may also provide advisory services to clients through separately managed accounts.

To the extent permitted by the applicable governing documents, ASIM may, and indeed have, in its sole and absolute discretion, agree to waive or modify the application of any provision of a Fund’s offering terms with respect to any investor, by side letter or otherwise, without obtaining the consent of any other investor; *provided*, that ASIM will not grant or affect “preferential liquidity” (as interpreted from time to time by the SEC) to any investor. However, if ASIM believes that no harm to the Fund or continuing investors would result, ASIM may waive redemption notice requirements without the consent of any other investor. By way of example and without limitation, such side letters may provide for the following modified terms: (i) various notification requirements (*e.g.*, upon substantial redemptions by other investors or legal or regulatory actions); (ii) limitations on the Fund’s ability to distribute securities in kind upon a redemption request; (iii) covenants for the provision of audited financial statements within certain periods of time; (iv) special redemption rights for key men changes and capital reductions; (v) covenants requiring the provision of portfolio holdings; (vi) reduced fees or fee rebates; (vii) minor investment restrictions that do not materially affect the Fund; (viii) the provision of periodic pricing information; (ix) subject to the above provision regarding “preferential liquidity,” the waiver or modification of redemption

and/or transfer restrictions (such as redemption fees, audit holdbacks, lock-up provisions or affiliated transfers), mandatory redemption terms or notice requirements; (x) capacity rights; (xi) voting consent mechanism; or
(xii) provisions necessary to accommodate a particular investor's legal, tax, sovereign or regulatory status, accounting considerations, contractual obligations, or internal guidelines or policies.

Investor and prospective investors are encouraged to contact ASIM with any questions or information requests regarding their investments .

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

ASIM pursues a long short, fundamental investment approach, thematically investing across the capital structure with a deep cognizance for the macro path and narrative. The disciplined yet flexible investment mandate intersects equity (growth & value), credit (value & capitulation) and global macro (structural regime shifts and capitulation), pursuing inefficiencies and seeking to navigate and capture returns throughout asset cycles. The Adviser's investment process is anchored by a dynamic regime analysis. The regime analysis is performed by independently evaluating the business cycle, political cycle and financial cycle and then determining each in turn to be either transitory or stable. In transitory regimes, macro instruments are heavily utilized to capitalize on structural regime shifts where the overall optimal portfolio construction can significantly alter. This thematic regime analysis is married with a micro, bottoms up research approach to identify specific portfolio investment themes that can incorporate both ASIM's structural macro outlook and strong core fundamentals. Master Fund cash levels are based on the assessment of the persistence of the structural macro regime with a focus on increasing cash balances in advance of macro regime shifts. Cash balances and short positioning will be deployed to take advantage of forced sellers and distressed opportunities during capitulations.

The Adviser's interpretation of the structural macro regime drives overall portfolio construction and shepherds underlying portfolio biases. The amount of residual beta the Master Fund will hold is a function of the Adviser's belief in the persistence of the current regime. Factors analyzed during this regime assessment include, but are not limited to: economic activity, global risk premiums, monetary policy, capital account, current account balance, trade weighted currency reserves, output gap, political landscape and flow of funds.

The Master Fund may also have thematic portfolio expressions. These views may or may not form a natural add-on to the structural macro narrative, but they differ in that the Adviser is not trying to harvest broader risk premium driven by the structural macro regime analysis from them. Instead, these themes earn their position in the portfolio through their own fundamental merits. Some themes sit comfortably within the established macro narrative, others may sit outside of or temporarily opposed to it and may even be partial portfolio hedges to the overall structural macro narrative.

Once opportunities are identified, the Adviser then determines the most efficient trading mechanisms to express these views and analyzes the impact of trading themes on the entire portfolio. The size and structure of the investment is carefully considered. In trade structuring, the Adviser takes into account the return and volatility expectation of each individual instrument as well as the correlation between the instruments within the portfolio on a current and forward- looking basis often with the intention to be able to hold such positions over the course of a year and beyond whilst realizing ex poste Sharpe ratios consistent with the Master Fund's expectations.

Depending on conditions and trends in securities markets, the Master Fund may concentrate a significant percentage of its assets in a relatively small number of investments or positions. In

addition, given the opportunistic nature of the Master Fund's investment strategy, there will be times when Master Fund capital is not fully deployed due to the relative lack of attractive investments in the market.

Risks

An investment in the Funds involves significant risks. You should invest only after consulting with your own independent qualified sources of investment and tax advice.

Neither the Funds nor the Adviser can or does guarantee or represent that the Funds' investment program will be successful. As with any investment, an investor could lose some or all of his or her or its investment. An investment in the Funds is not a complete investment program and, if you invest, that investment should represent only a portion of your overall asset management strategy. Among the risks involved with an investment in the Funds are the following. As the timing for reading this Brochure varies among readers, for the purpose of evaluating the risks involved in investments in the Funds, readers should treat the word "may" as if this is a risk currently being taken.

GENERAL RISKS

The Adviser has exclusive and unrestricted discretion to invest the Master Fund's assets. The Funds' prospects depend upon the Adviser's ability to develop and implement investment strategies that achieve the Master Fund's investment objectives. The following describes some of the risks that arise from relying on an investment adviser with such broad discretion and on the Adviser in particular.

Dependence on the Adviser; Investment Discretion. The Master Fund's prospects depend upon ASIM's ability to develop and implement investment strategies that achieve the Master Fund's investment objectives. ASIM will select particular investments based on its analysis and subjective assessments of the variety of factors that it considers relevant to the prospects of those investments. Failures of that analysis or those assessments, as to particular investments or as to strategic direction and construction of the Master Fund's portfolio as a whole, may cause the Master Fund to incur losses or to miss profit opportunities on which it could otherwise have capitalized.

Reliance on Key Personnel. The Funds, the Master Fund's and the Investment Manager's operations are substantially dependent upon the skill, judgment, and expertise of the principal, Cyrus Hadidi, and the Investment Manager's other personnel. The death, disability, departure, or other unavailability of Mr. Hadidi or any other key personnel could have a material and adverse effect on the Fund and the Investment Manager.

Limited Operating History. Both ASIM and the Funds have a limited operating history. Further, prior investment performance of the ASIM's key personnel does not necessarily indicate the Fund's prospects for profitability. Neither the Funds nor ASIM can or do give any assurance that the Funds will achieve profits or will not incur substantial losses. *Past performance is not necessarily indicative of future results.*

Conflicts of Interest. In managing the Master Fund's portfolio, ASIM faces conflicts between its interests and the Master Fund's. These can arise from the nature of the Master Fund's activities and common business practices (e.g., relationships with brokerage firms and other service providers) or

from ASIM's other activities, such as managing other accounts and engaging in personal and proprietary investing and trading activities.

Possibility of Losses. An investment in a Fund is speculative. The value of shares/interests will fluctuate based upon a multitude of factors, including the financial condition, results of operations, and prospects of the issuers of the underlying securities acquired by the Master Fund, governmental intervention, market conditions, and local, regional, national, and global economic conditions. Therefore, investors may lose all or a portion of their principal invested in the Fund if the Master Fund's investment strategies are not successful.

General Economic and Market Conditions; Disruptions. The Master Fund's investment results will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, and national and international political circumstances. These and other general economic and market-oriented factors may affect the level and volatility of securities prices and the liquidity of the Master Fund's investments, in turn potentially impairing the Fund's profitability or resulting in losses. In particular, volatility and illiquidity may be increased by factors in countries and markets in which the Master Fund invests such as: relatively shallow levels of trading; relatively strong impact of central bank intervention in the foreign exchange markets; the relatively large impact of investment funds moving in and out of those markets; relatively poor levels and quality of information disclosure by companies; relative laxity of regulations covering the corporate governance of listed companies; and relatively under-developed regulations covering the trading of securities.

Disruptions in financial markets can significantly affect the prospects of companies in which the Master Fund invests, the Investment Manager's ability to assess those prospects, and the Master Fund's ability to adapt its portfolio and market exposures. In 2007 and 2008, a global "credit crisis" caused rapid and violent swings in all markets. The effects of that crisis on markets (including effects caused by governmental intervention, discussed below) may continue, and markets may be less predictable than they historically have been. In the summer and early fall of 2011 global economic disruptions caused additional dramatic swings in securities prices. In 2012 and 2015, developments in Europe caused significant price swings. And 2016 saw historic levels of price volatility and declines across international markets. More recently, the imposition of unprecedented trade tariffs by the United States could adversely affect the companies in which the Master Fund invests, and the possibility of similar retaliatory measures being taken by other countries may adversely impact global markets generally. Other types of disruptions could emerge, including as a result of political or economic developments outside the markets in which the Fund mainly invests, that have similar, or even more dramatic, effects on the markets in which the Fund invests. The Fund could incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions can be compounded by the fact that in disrupted markets previously liquid positions can become illiquid, making it difficult or impossible to close them out if the markets are moving against them.

Counterparty and Custody Risk. Investment funds such as the Master Fund must place most of their assets in the custody of institutions, such as brokerage firms and banks, which may hold those on the books of depositaries and other intermediaries in the institutions' own name (i.e., in "street name"). The Master Fund is subject to the risk that these firms and/or other brokers, counterparties, clearinghouses, or exchanges with which the Master Fund deals, could default on their obligations to the Master Fund, causing material losses to the Master Fund. Bankruptcy or fraud at one of these institutions could also impair the Master Fund's operational capabilities or capital position.

Securities and other assets the Master Fund deposits with custodians or brokers may not be clearly identified as being the Master Fund's assets, causing the Master Fund to be exposed to credit risk with regard to those custodians or brokers. The Master Fund generally will only be an unsecured creditor of its trading counterparties in the event of bankruptcy or administration of those counterparties and in some jurisdictions the same may be true of the Master Fund's relationship to its brokers. The Master Fund attempts to limit its brokerage and custody transactions to well-capitalized and established banks and brokerage firms in an effort to mitigate these risks, but the collapse in 2008 of the seemingly well-capitalized and established Bear Stearns and Lehman Brothers demonstrates that there are limits to the effectiveness of this approach in avoiding counterparty losses.

Reliance on Third Party Service Providers. ASIM, the Funds and the Master Fund rely heavily on custodians, prime brokers, executing brokers and counterparties, and the Administrator for a variety of services that are essential to the Funds' and the Master Fund's operations, including executing, clearing and settling portfolio transactions, reporting transactions and positions, financial reporting, processing subscriptions and redemptions, and monitoring and providing information for regulatory reporting and related purposes. If any of these service providers fails to perform its services accurately and effectively, in particular if a service provider or its personnel were to engage in fraud or theft or make material errors in performing services, a Fund's and/or the Master Fund's operations could be materially impaired or the Master Fund could lose assets. Among other things, portfolio transactions the Adviser ordered might not be effected or the Adviser might take action based on erroneous information. Any such failures, errors, fraud or other misconduct could cause the Master Fund to suffer losses.

Reliance on Technology; Cybercrime. The Funds rely heavily on computer hardware and software, online services, and other computer-related or electronic technology and equipment to facilitate the Funds' operations and the Master Fund's investment activities. Should events beyond Arts & Sciences' control cause a disruption in the operation of any of that technology or equipment, the Master Fund may experience losses, liabilities, or other adverse effects. In particular, the Funds are subject to risks associated with a breach in their cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from "hacking" by other computer users, other unauthorized access, and the resulting damage and disruption of hardware and software systems, loss or corruption of data, and misappropriation of confidential information. If a cybersecurity breach occurs, the Funds may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose both the Funds and Arts & Sciences to civil liability, as well as regulatory inquiry and/or action. In addition, any such breach could cause substantial redemptions from the Feeders. Investors could also be exposed to additional losses as a result of unauthorized use of their personal information.

Idle Funds. While ASIM will attempt to keep the Master Fund's assets invested, there are periods when a portion of its assets are in cash, cash equivalents, or other short-term investments. The investment return on those "idle funds" is not expected to meet the overall return objective ASIM seeks through the Master Fund's investment program.

No Limitations on Strategies. There are no limitations on the investment strategies which the Adviser may use when investing the Master Fund's assets. The Adviser will opportunistically implement whatever strategies or discretionary approaches it believes from time to time may be best

suited to prevailing market conditions. For some of these strategies, no specific “risk factors” are described below. Nevertheless, such strategies should be considered to be speculative, volatile and, in general, no less risky than other strategies. Over time, the strategies implemented on behalf of the Master Fund can be expected to expand, evolve, and change, perhaps materially. The Adviser is not required to implement any particular strategies and may discontinue employing any particular strategy on behalf of the Master Fund, whether or not such strategies are specifically described in its respective offering memorandum, and without notice to investors. There can be no assurance that the various investment strategies which the Adviser expects from time to time to develop and implement for the Master Fund will be successful or that strategies that have been successful will continue to be profitable.

No Limitations on Financial Instruments. The Master Fund invests in a broad array of financial instruments and there is no limitation on the instruments in which the Master Fund may invest—consistent with the Master Fund’s investment strategy. The choice of investment instruments can materially affect a Fund’s results. Even if the Adviser correctly predicts future market movements, certain instruments may respond unexpectedly to such movements, resulting in unanticipated losses.

Concentration of Investments. The Master Fund will not be as diversified as many other investment funds. The investment management agreement does not require the Adviser to limit investments that could create excessive concentration in a particular company or industry, nor must the Master Fund divest positions when appreciation (or other positions’ depreciation) causes them to comprise an outsized portion of the Master Fund’s portfolio, and the Master Fund may at times have a relatively large portion of its capital exposed to a relatively small number of positions and/or a particular industry. Accordingly, losses in one or more large positions, or a downturn in an industry in which the Master Fund is concentrated, could materially adversely affect the Master Fund’s performance and could have a materially adverse effect on the Master Fund’s overall financial condition.

RISKS ARISING FROM PARTICULAR ACTIVITIES OR TYPES OF SECURITIES

All investment and trading activities risk the loss of capital. The following describe some of the risks to which the Master Fund’s portfolio is, or may, be subject to at any given time depending on actual investments. As the timing for reading this Brochure varies among readers, for the purpose of evaluating the risks involved in investments in the Funds, readers should treat the word “may” as if this is a risk currently being taken.

Equity Securities. The Master Fund invests in equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities, results of operations, and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates, and general economic environments. In addition, events such as domestic and international political instability, terrorism, and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Master Fund.

Investments Based on Valuation. The Master Fund invests in securities the Adviser believes are undervalued and may sell short securities the Adviser believes are overvalued. Identifying investment opportunities of these kinds is a difficult task, and neither the Master Fund nor the Adviser can provide any assurance that the Adviser will succeed at it. While investments in undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses and short sales based on expectations that market participants will come to agree that a stock is overpriced can theoretically

involve even higher risks. The Master Fund may be required to hold positions for a substantial period before market prices reflect the Adviser's beliefs about their value. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed.

Event-Driven Strategy Risks. The Master Fund's strategies involve making investments in companies that the Adviser believes are likely to be subject to significant transactions outside of the ordinary course of business (*e.g.*, restructurings, spin-offs, mergers, or other reorganizations). The Master Fund will seek to make "event-driven" investments (long or short) in the securities of issuers that the Adviser believes are likely to be subject to significant transactions, on favorable terms based on the Adviser's analysis of the range of possible outcomes of those transactions and their relative probabilities. By their nature, event-driven investments often present strongly disparate outcomes; that is, while a favorable resolution of a particular transaction can result in significant gains, a negative resolution can result in significant losses in the value of the Master Fund's investments. While the Adviser will seek to limit "binary" investments that could result in significant value impairment if an event fails to materialize, the ultimate resolution of a particular transaction (or changes in the market's perception of how a particular transaction will ultimately resolved) could trigger material and abrupt adjustments to the value of the Master Fund's investments, which will contribute to the volatility of the Master Fund's net asset value.

Risk Arbitrage. Special risks are associated with the use of risk arbitrage, or "merger arbitrage," techniques. In addition to general risks of market behavior and currency fluctuations, merger arbitrage is subject to "deal risk" — the risk of non-consummation of the transaction. A number of factors may lead to deal collapse or delay, such as either party's inability to satisfy conditions to closing, failure to obtain shareholder approval, failure to meet regulatory or antitrust requirements, failure to obtain required financing, or other events that may change the target's or the acquirer's willingness to consummate the transaction.

Leverage of Issuers. The Master Fund's investments include securities of companies with leveraged capital structures, which could be subject to increased exposure to adverse economic factors, such as an increase in interest rates, a downturn in the economy, or further deterioration in the economic conditions of such company or its industry. Similarly, the Master Fund may invest in entities that are unable to generate sufficient cash flow to meet principal and interest payments on their indebtedness. Accordingly, the value of the Master Fund investment in such an entity could be significantly reduced or even eliminated due to further credit deterioration.

Short Selling. The Master Fund sells securities short as a regular part of its investing activities. In a short sale, the Master Fund sells securities it does not own, in the expectation that the market price will decline and the Master Fund will be able to buy replacement securities later at a lower price. To accomplish this, the Master Fund borrows the securities from a broker or other third party. It "closes" the position by "returning" the security (buying a replacement security on the lender's behalf). This "return" obligation does not typically have a specified "maturity" date and the lender generally may require replacement of the securities whenever it chooses. A short sale theoretically involves the risk of unlimited loss; the price at which the Master Fund must buy "replacement" securities could increase without limit. The Master Fund may experience losses on short positions that are not offset by gains on long positions.

As collateral for its return obligation, the Master Fund must leave the proceeds of its short sales with the lender—generally a prime broker. Ordinarily, all the Master Fund's assets held by a prime broker will serve as collateral not only for the Master Fund's short sale return obligation, but also for any other credit the prime broker extends and any other obligations the Master Fund owes the prime broker. If the amount of the Master Fund's return obligation were to increase significantly

due to increases in a short-sold security's price, or if the value of collateral were to decrease, the Master Fund could be required to deliver additional cash or other collateral to the relevant prime broker. But, if substantially all the Master Fund's assets were already serving as collateral, it is unlikely that the Master Fund would be able to meet such a demand, and the prime broker would likely cause the Master Fund to "buy-in" or "close" some or all of its short positions. Such a "buy-in" could well be at a time and on terms that are adverse to the Master Fund. Less dramatically, market-driven increases in short-sale-related liabilities and reductions in collateral value could also reduce the Master Fund's ability to effect transactions or distribute cash to fund withdrawals from a Fund. Lenders such as the prime brokers have great discretion in their decisions regarding adequacy of collateral, and the Master Fund's short-selling activities, and actions that depend on availability of assets not being relied on for collateral (*e.g.*, distributing cash) could be curtailed, potentially significantly and without notice.

In 2008, regulators in the United States, the United Kingdom, and several other countries, significantly changed the regulations that govern short selling, settlements of short-sale transactions, lending to facilitate short sales, disclosure of short positions, and other aspects of short-selling activities. Those actions, taken on short notice, significantly affected some positions and some market participants, including through forced buy-ins under adverse circumstances and even "double" buy-ins. In 2011 and again in 2012, regulators in several European countries imposed additional interim limitations on short selling and in 2012 imposed significant permanent reporting requirements. Short selling practices remain the subject of political controversy and changes in short-selling-related regulations may continue to occur, again potentially with little notice. The Master Fund could suffer losses on short-selling activities as a direct or indirect result of those changes, and its ability to use short selling as a part of its overall investment activities could be limited or made less effective or profitable.

Options. The Master Fund trades equity and other types of options. Options trading is highly speculative and may entail risks greater than investing in other securities. Option prices are generally more volatile than other securities' prices. When trading options, the Master Fund is speculating on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying the options. A change in the market price of the underlying securities or underlying market index would cause a much greater change in the price of the option contract. In addition, if the Master Fund buys options that it does not sell or exercise, it will suffer the loss of the premium paid. To the extent the Master Fund sells (writes) options and must deliver the underlying securities at the option price, the Master Fund has a theoretically unlimited risk of loss if the price of the underlying securities increases. If the Master Fund must buy those underlying securities, it risks the loss of the difference between the market price of the securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

Small and Medium Capitalization Stocks. The Master Fund from time to time invests in stocks of companies with relatively small- or medium-sized market capitalizations. While the Adviser believes these stocks can provide significant potential for appreciation, they can involve higher risks than investments in stocks of larger companies. For example, prices of small-capitalization and some medium-capitalization stocks are often more volatile than prices of large-capitalization stocks and 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. In addition, thin trading in some small- and medium-capitalization stocks may make those stocks less liquid than large- capitalization stocks.

Active or Suggestive Investing. The Adviser may communicate with the issuer of a security in an attempt to influence the issuer's decisions or strategies and enhance the value of the Master Fund's investment. This could occur when the Master Fund and other accounts, together, have or seek to take a position in an issuer's securities that is material relative to other holders of the issuer's outstanding securities. The Adviser's efforts may be ineffective for a variety of reasons, including: (i) opposition by the issuer's management or shareholders of the subject company; (ii) "preemptive" defensive efforts by the issuer, including a merger with, or a friendly tender offer by, another company; (iii) material changes in securities prices; (iv) intervention by a governmental agency; or (v) the issuer's corporate governance mechanisms. Successful advocacy with an issuer may also depend on the active cooperation of shareholders and others with an interest in the issuer, which may not materialize or may change. Even if the Adviser's efforts succeed, market reactions may not be what was anticipated or hoped for and, particularly if the Master Fund's and other accounts' position in the issuer is material relative to other security holders, the Master Fund may be unable to exit its position at a favorable price.

Substantial Positions in Portfolio Companies. The Master Fund may from time to time acquire positions in the securities of particular companies that, by themselves or when combined with positions held in other investment funds and accounts the Adviser manages, comprise a substantial percentage of those companies' outstanding securities. The Adviser and/or the Master Fund may be required to file with the SEC and/or other regulatory authorities reports of beneficial ownership of securities. In these cases, it may be difficult to liquidate or reduce the Master Fund's position in these securities, preventing the Fund from realizing profit or avoiding loss. In addition, there may be other circumstances under which the aggregate holdings of a security by the Master Fund and other accounts the Adviser manages, or the Adviser's involvement with the security's issuer, limit the Master Fund's ability to liquidate or reduce its position. The Adviser may at times attempt to influence management of a particular company or exercise control of a company.

Timing of Gains and Losses; Volatility. The Master Fund, from time to time, needs to hold some of its positions for significant periods before their success or failure becomes apparent or any gains can be realized. It may take longer for successful positions to realize their potential than for unsuccessful ones to reveal their weaknesses. Market prices of portfolio positions may be expected to fluctuate significantly over the Master Fund's holding periods, causing a Fund's performance to be volatile over the short term.

Debt Instruments. The Master Fund invests in debt or other fixed-income instruments, including bonds and debentures. Particular types of debt instruments are subject to various risks that are specific to the ways in which they are structured, the industries and markets in which their issuers participate, the assets underlying the instruments, the impact of applicable tax or regulatory factors, and numerous other specific factors. But the values and prices of all debt instruments are subject, in substantially the same way (albeit with differing levels of sensitivity), to credit risk, market risk, and interest rate risk.

- *Credit risk* is the risk that a fixed income security will decline in price, or fail to pay interest or principal when due, because the issuer of the security experiences a decline in its financial status.
- *Market risk* relates to the changes in the market perceptions of the risk of an issuer, country, or region. The market values of debt instruments, particularly non-investment grade debt, may be more volatile than the values of other investments and, during periods of economic uncertainty and change, the market price of these investments can decrease rapidly and dramatically.
- *Interest rate risks* include: (i) if interest rates increase, the value of fixed income securities will generally decline; (ii) during periods of rising interest rates, the average life of certain fixed

income securities may be extended because of slower than expected principal payments, which may lock in a below market interest rate, increase the security's duration, and reduce the value of the security (*i.e.*, extension risk); and (iii) during periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Master Fund to invest in lower yielding securities (*i.e.*, call or prepayment risk).

The following is a list of some of the types of debt instruments in which the Master Fund may, at any time, invest or trade and some of the particular risks that may be involved in those instruments. The Master Fund may buy any of these types of debt instruments in circumstances in which they are non-performing, or possibly in bankruptcy, and in those circumstances they would also be subject to the other risks related to distressed investing described elsewhere.

- *Non-U.S. Sovereign Debt.* The Master Fund may invest in securities issued by non-U.S. sovereign nations directly or through the use of derivatives. The default risk of such sovereign issuers and, therefore, the market prices of these instruments varies widely from country to country and by issuer within particular countries. It is also subject to wide fluctuation based on both local and global political factors. For example, continued uncertainty over European governments' financial support programs and policy decisions, including the possibility that certain European Union member states may default, experience similar financial troubles and/or abandon the European Union and the Euro currency entirely, has been a destabilizing economic force for some time, and sovereign credit issues can be expected from time to time to further disrupt the global markets, possibly with material adverse effects on a Fund. The fallout from these developments could have a significant impact on the stability and credit ratings of various European countries and financial institutions with exposure to European sovereign debt, and even the continued viability of the European Union and the Euro currency. The markets for sovereign debt instruments are subject to profound intervention by governments, which could also significantly affect prices and liquidity of the instruments. Such instruments are subject to currency risks.
- *Non-Investment Grade (High Yield) Instruments.* Bonds and other debt instruments are often traded in established securities markets, and their prices vary based on factors that influence those markets. Non-investment grade, or "high yield" instruments, are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be speculative. In the United States, these are generally debt securities that are not rated or are rated below investment grade (for example, below BBB by Standard & Poor's Rating Group or Baa by Moody's Investors Service, Inc.) by a nationally recognized statistical rating organization. They are also generally considered to be subject to greater risk than securities with higher ratings, because their yields and prices tend to fluctuate more than those for higher-rated instruments, and the market for lower-rated securities is less liquid and less active. Trading and investing in non-investment grade instruments can be highly speculative.
- *Bank Loans and Participations.* Bank loans, participations in bank loans, and similar investments are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws; (ii) so-called "lender liability" claims by the issuer of the obligations; (iii) environmental liabilities that may arise from collateral securing the obligations; and (iv) limitations on the Master Fund's ability to directly enforce its rights. They may also involve transactional risks: the Master Fund may experience significant delays in the settlement of certain loan and/or bank debt transactions, particularly in the case of investments that are or become distressed. Until a transaction is settled, the Master Fund will be subject to counterparty insolvency risk. Pursuant to certain insolvency laws, a counterparty may have the ability to reject or terminate an unsettled

loan transaction. If a counterparty rejects an unsettled transaction, the Master Fund might lose any increase in value with respect to such loan that accrued while the transaction was unsettled. The Master Fund may also invest in loan participations where it has no direct contractual relationship with the underlying borrower. In those cases, the Master Fund generally would depend on the lender to enforce its rights and obligations under the loan arrangements in the event of a borrower default and would generally have no voting rights as to the borrower, as the lenders typically retains those rights. Participation investments are subject to the credit risk of the lender (as well as the borrower) since they will depend upon the lender forwarding payments of principal and interest received on the underlying loan. A lender could default on its obligations to the Master Fund, resulting in substantial losses to the Feeder Funds.

- *Non-Traditional Debt Investments.* The Master Fund may acquire all manner of obligations, including trade or other receivables, possibly issued by credit-impaired obligors. These receivables, claims, or other obligations may not have any maturity and may not be secured. As with other types of debt instruments, they involve the risk of loss in case of default or insolvency of the obligor, particularly if the obligation is unsecured. In addition, these obligations may be subject to payment defenses, such as warranty claims, claims for failure to provide the product or services, or counterclaims for breaches by the supplier of the underlying goods or services. They are generally relatively illiquid.
- *Municipal Securities.* Municipal securities are generally issued or guaranteed by a state or local government or agency. They may be issued to raise money for public purposes, including general financing for or financing for public facilities, or for private purposes, including financing for specific projects. They may be issued in anticipation of future revenues and may be backed by the full taxing power of a government, the revenues from a specific project, or the credit of a private organization. Their value may be affected by uncertainties about a specific municipality or other issuer or in the municipal market generally, possibly related to legislation or litigation involving the taxation of municipal securities or the rights of municipal securities holders. In recent years, the credit quality of many local governments has degraded significantly and holders of municipal securities have faced significant losses due to municipal insolvencies. Uncertainties about particular governments' obligations, including pensions and unfunded benefits obligations, have significantly negatively affected the markets for many municipal securities and may be expected to continue to do so.
- *Asset-Backed Securities.* Asset-Backed Securities ("ABS") typically represent an interest in a pool of assets such as credit card receivables, automobile loans, or home equity loans, and have yield and maturity, characteristics corresponding to their underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain ABS include both interest and a partial payment of principal. This partial payment of principal may consist of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing, or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of ABS can be adversely affected. For example, during periods of declining interest rates, prepayments can be expected to accelerate, and the Master Fund would be required to reinvest the proceeds at the lower interest rates then available. Prepayments of loans that underlie securities purchased at a premium could result in capital losses because the premium may not have been fully amortized at the time the obligation is prepaid. In addition, like other interest-bearing securities, the values of ABS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment option.

- *Mortgage-Backed Securities.* Mortgage-backed securities are securitized pools of mortgage loans. They include Residential Mortgage Backed Securities (“RMBS”) and Commercial Mortgage Backed Securities (“CMBS”). The underlying mortgage loans may be of various types (including Alt-A, subprime and pay-option adjustable rate mortgages, in addition to traditional first-lien mortgages). The securities the Master Fund buys (or sells) may represent any of a number of types of participations in the principal and interest payments from those mortgages. They are subject to all the risks inherent in asset-backed securities and, in addition, to risks specific to their underlying assets. These include, among others (i) the impact of prepayment and perceptions of prepayment patterns on prices of the securities; (ii) the impact on underlying real estate conditions, borrower creditworthiness, and local default rates and other economic conditions and changes; (iii) the impact of real estate market forces on prepayment patterns and foreclosure realization; (iv) changes in the structure and effectiveness of government-sponsored enterprises that participate in the mortgage markets, such as Fannie Mae, Freddie Mac, and Ginnie Mae; and (v) changes in regulations that affect origination, collection, and securitization of mortgage loans.
- *Other Securitized Products.* Securitized products may include, in addition to the asset-backed investments described above, collateralized debt obligations and synthetic credit portfolio transactions. Structured products are generally subject to the risks of asset-backed securities, including prepayment, credit, liquidity, market, structural, legal, and interest risks. They may also be subject to special risks related to their particular structure. For example, synthetic portfolio transactions may be structured with two or more tranches, each of which receives different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of any given tranche may be extremely sensitive to the default rate in the underlying reference portfolio.
- *Mezzanine Debt Securities.* Mezzanine debt securities are generally unrated or below investment grade rated investments that have greater credit and liquidity risk than more highly rated debt obligations. Mezzanine debt securities are typically issued in traditional private placements or in connection with acquisitions and other business combinations and have no trading market. Moreover, mezzanine debt securities are generally unsecured and subordinate to other obligations of the obligor and are subject to many of the same risks as those associated with high-yield debt securities. Adverse changes in the financial condition of the obligor of mezzanine debt securities or in general economic conditions (including, for example, a substantial period of rising interest rates or declining earnings) or both may impair the ability of the obligor to make payment of principal and interest. Issuers of mezzanine debt securities may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations.
- *U.S. Government Securities.* Debt instruments issued or guaranteed by the U.S. Treasury or by an agency or instrumentality of the U.S. Government are generally considered high quality and less affected by credit quality factors than other instruments. However, not all U.S. Government securities are backed by the full faith and credit of the United States. For example, securities issued by the Federal Farm Credit Banks Funding Corporation are supported only by the credit of the entity that issued them. Even full faith and credit securities are subject to price fluctuations caused by interest rate fluctuations, as well as market disruptions.
- *Secured Loans.* The Master Fund may invest in secured debt, which involve various degrees of risk of a loss of capital. The factors affecting an issuer’s secured leveraged loans, and its overall capital structure, are complex. Some secured loans may not necessarily have priority over all other debt of an issuer. For example, some secured loans may permit other secured obligations

(such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company), or involve secured loans only on specified assets of an issuer (e.g., excluding real estate). Issuers of secured loans may have more than one tranche of secured debt outstanding each with secured debt on separate collateral. In the event of Chapter 11 filing by an issuer, the Bankruptcy Reform Act of 1978, as amended (the “Bankruptcy Code”) authorizes the issuer to use a creditor’s collateral and to obtain additional credit by grant of a priority lien on its property, senior even to liens that were first in priority prior to the filing, as long as the issuer provides what the presiding bankruptcy judge considers to be “adequate protection” which may but need not always consist of the grant of replacement or additional liens or the making of cash payments to the affected secured creditor. The imposition of priority liens on the Master Fund’s collateral would adversely affect the priority of the liens and claims held by the Master Fund and could adversely affect the Master Fund’s recovery on the affected loans. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity, and interest rate risk.

- *Online Marketplace Loans.* The Master Fund may invest in loans, or participations in loans, originated through so-called online marketplaces or “platforms” (including what have also been called “peer-to-peer” or “marketplace” lending platforms) (“OM Loans”). Such OM Loans may be consumer loans or small business loans, will generally be unsecured, and will generally have terms of five years or less. OM Loans are originated, issued, and serviced in ways that are relatively novel, and they present risks and uncertainties that some of the debt instruments discussed above do not. The performance of the Master Fund’s investments in OM Loans will depend primarily on the interest rates those OM Loans pay and the payment performance of those OM Loans (primarily default rates). There is very little historical information about the performance of OM Loans in different economic and interest rate environments. Changes in various economic conditions, as well as developments with particular origination platforms and other participants involved with those investments, could have unpredictable results on the performance of the Master Fund’s OM Loans. Because there is no currently reliable secondary market for OM Loans, the Master Fund will not necessarily be able to access significant liquidity with respect to its OM Loan investments.

Convertible Securities, Rights, and Warrants. The Master Fund may invest in hybrid securities that may be exchanged for, converted into, or exercised to acquire a predetermined number of shares of an issuer’s common stock at the option of the holder during a specified time period (such as convertible preferred stocks, convertible debentures, stock purchase rights, and warrants). Convertible securities generally pay interest or dividends and provide for participation in the appreciation of the underlying common stock but at a lower level of risk because the yield is higher and the security is senior to common stock.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The credit standing of the issuer and other factors may also affect the investment value of a convertible security. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security is increasingly influenced by its conversion value.

Convertible securities may also include warrants, often publicly traded, that give a holder the right

to purchase at any time during a specified period a predetermined number of shares of common stock at a fixed price but that do not pay a fixed dividend. Their value depends primarily on the relationship of the exercise price to the current and anticipated price of the underlying securities.

Risks of Investing in Non-U.S. Securities. The Master Fund. From time to time, invests and trades in securities of non-U.S. companies or governmental entities, and in securities, commodity interests, and derivative contracts and instruments denominated in currencies other than U.S. dollars. Such securities and other instruments can subject the Fund to risks not typically associated with investing in securities and commodity interests in the United States. The following are some of the more significant risks associated with this type of investing.

- *Political and Economic Instability.* Many non-U.S. economies and markets are relatively unstable due to, among other things, volatile internal political environments, relatively unstable monetary systems, and/or external political risks. Some governments participate in their economies through ownership or regulation in ways that can have a significant effect on securities prices. The economies of some countries depend heavily on international trade and can be adversely affected by the enactment of trade barriers or changes in the economic condition of their trading partners. In some countries, especially developing or emerging countries, political or diplomatic developments could lead to programs that would adversely affect investments, such as confiscatory taxation or expropriation.
- *Currency Fluctuations.* The Master Fund from time to time, invests in securities denominated in foreign currencies. A change in the value against the U.S. dollar of a currency in which an investment is denominated causes a corresponding change in the U.S. dollar value of the investment. Some foreign countries maintain their currencies at artificial levels relative to the U.S. dollar. This type of system can lead to sudden and large adjustments in the currency, which can in turn result in losses to foreign investors. The Master Fund may enter into futures and foreign currency transactions to attempt to reduce its foreign currency exposure. These techniques may reduce, but will not eliminate, the risk of loss due to unfavorable currency fluctuations and they tend to limit any potential gain that might result from favorable currency fluctuations. Some countries restrict conversion of their currency into foreign currencies, including the U.S. dollar, and for some currencies, there is no significant foreign exchange market.
- *Characteristics of Foreign Securities Markets.* Many foreign securities markets are not as developed or efficient as those in the United States and may be more volatile than the U.S. markets. In particular, there is generally less government supervision and regulation of many foreign exchanges, brokers, and listed companies than in the United States. Further, trading volumes in many markets are lower than in U.S. markets, resulting in reduced liquidity and potentially rapid and erratic price fluctuations. Commissions for trades on foreign exchanges may be higher than negotiated commissions on U.S. exchanges and custody expenses may be higher as well. Settlement practices for transactions in foreign markets may involve delays beyond periods customary in the United States, possibly requiring the Master Fund to borrow funds or securities to satisfy its obligations arising out of other transactions. In addition, there could be more “failed settlements,” which can result in losses to the Fund.
- *Less Company Information and Regulation.* There is less publicly available information about many foreign companies than about U.S. companies. This may make it more difficult for the Adviser to keep informed of corporate actions that may affect the price of a particular security. Further, many foreign countries lack uniform accounting, auditing, and financial reporting standards, practices, and requirements. These factors can make it difficult to analyze and

compare the performance of foreign companies.

- *Restrictions on Investment and Repatriation.* Some countries impose restrictions and controls regarding investment by foreigners. Among other things, they may require prior governmental approvals, impose limits on the amount or types of securities that may be held by foreigners, or impose limits on the types of companies in which foreigners may invest. These restrictions may at times limit or preclude the Master Fund's investment in certain countries and may increase the Master Fund's costs. Indirect foreign investment may, in some cases, be permitted through investment funds that have been specifically authorized for that purpose. Because of the limited number of authorizations granted in such countries, however, units or shares in most of the investment funds authorized in those countries may at times trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained and if the restrictions on direct foreign investment in the relevant country were significantly liberalized, premiums might be reduced, eliminated altogether, or turned into a discount. In addition, certain foreign countries impose restrictions and controls on repatriation of investment income and capital.
- *Foreign Taxes.* Dividend and interest payments on certain foreign securities owned by the Master Fund may be subject to foreign withholding taxes, as may realized capital gains. Such taxes will reduce net proceeds to the Master Fund.
- *Depository Receipts.* The Master Fund may pursue some non-U.S. investing through American Depositary Receipts ("ADRs"), Global Depositary Receipts ("GDRs"), European Depositary Receipts ("EDRs"), or other similar securities representing ownership of foreign securities (collectively, "Depository Receipts"). Depository Receipts generally evidence an ownership interest in a corresponding foreign security on deposit with a financial institution. Transactions in Depository Receipts usually do not settle in the same currency in which the underlying securities are denominated or traded. Generally, ADRs, in registered form, are designed for use in the U.S. securities markets and EDRs, in bearer form, are designed for use in European securities markets. GDRs may be traded in any public or private securities markets and may represent securities held by institutions located anywhere in the world.

Investing through Depository Receipts involves substantially the same risks as investing directly in non-U.S. securities.

Distressed Investments. The Master Fund does invest in "distressed" securities — claims and obligations of issuers that are experiencing significant financial or business difficulties. Investments may include loans, loan participations, trade claims held by trade or other creditors, stocks, partnership interests, and similar financial instruments, executory contracts, and options or participations therein not publicly traded. The Master Fund may lose a substantial portion or all of its investment in a distressed situation or may be required to accept cash or securities with a value less than its investment. Among the risks inherent in investments in entities experiencing significant financial or business difficulties is the fact that it frequently may be difficult to obtain information as to the true condition of the issuers. These investments also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability, and the bankruptcy court's discretionary power to disallow, subordinate, or disenfranchise particular claims. The market prices of distressed entity investments are subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and asked prices of these investments may be greater than normally expected. In trading distressed securities, litigation is sometimes required, which can be time-consuming and expensive and can frequently lead to unpredicted delays or losses. To the extent the Master Fund invests in

distressed sovereign debt obligations, it will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and other factors outside of the Adviser's control.

Special Situations. Among its distressed securities investments are investments in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies, or other catalytic changes or similar transactions. In any investment opportunity involving these types of special situations, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time, or will result in a distribution of cash or a new security with a value less than the Master Fund's purchase price for the security or other financial instrument in respect of which the distribution is made. Similarly, if an anticipated transaction does not occur, the Master Fund may be required to sell its investment at a loss. As with other distressed company investments, the Master Fund could lose its entire investment in special situation investments.

Bankruptcy Proceedings. There are a number of significant risks when investing in companies involved, or that may have been involved, in bankruptcy proceedings, including the following. First, many events in a bankruptcy are the product of contested matters and adversary proceedings which are beyond the control of the creditors. Second, a bankruptcy filing may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees and otherwise become incapable of restoring itself as a viable entity. Further, if the proceeding is converted to a liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. Third, the duration of a bankruptcy proceeding is difficult to predict. A creditor's return on investment can be impacted adversely by delays while the plan of reorganization is being negotiated, approved by the creditors and confirmed by the bankruptcy court, and until it ultimately becomes effective. Fourth, certain claims, such as claims for taxes, wages and certain trade claims, may have priority by law over the claims of certain creditors. Fifth, the administrative costs in connection with a bankruptcy proceeding are frequently high and will be paid out of the debtor's estate prior to any return to creditors. Sixth, investments in troubled companies may also be adversely affected by U.S. federal and state laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability, alter ego, veil-piercing, or "domination and control" theories of liability, and a bankruptcy court's discretionary power to disallow, subordinate, recharacterize, or disenfranchise particular claims. Seventh, investors in the company may be subject to a court-imposed "cram down" in which they lose their seniority in the capital and security interest structure. Eighth, the Master Fund may seek representation on creditors' committees and as a member of a creditors' committee it may owe certain obligations generally to all creditors similarly situated that the committee represents and may be exposed to liability to such other creditors who disagree with the Master Fund's actions. There can be no assurance that the Master Fund would be successful in obtaining results most favorable to it in such proceedings, although the Master Fund may incur significant legal fees and other expenses in attempting to do so. The Master Fund may also be subject to various trading or confidentiality restrictions. In addition, the Master Fund and some of the Adviser's other clients may potentially hold conflicting positions in relation to investments in companies involved in bankruptcy proceedings. Finally, changes in bankruptcy laws (including U.S. federal laws and applicable non-U.S. laws) may adversely impact the Master Fund's investments. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing, and the classification, seniority, and treatment of claims.

Portfolio Leverage. Leverage in the Master Fund's portfolio could increase both the possibilities

for profit and the risk of loss. If the Master Fund were to borrow to leverage its investments (margin borrowing), that borrowing would probably be secured by the Master Fund's securities and other assets. Margin borrowings typically allow the lender to demand an increase in the collateral that secures the Master Fund's obligations, and if the Master Fund were unable to provide additional collateral, the lender could liquidate the collateral to satisfy the Master Fund's obligations. Forced liquidation could have extremely adverse consequences, including sales at disadvantageous times and prices and the acceleration of tax consequences.

Securities Lending. The Master Fund may lend portfolio securities either directly or through programs operated by financial intermediaries. As a creditor, the Master Fund runs the risk that borrowers of its securities may fail to return borrowed securities on demand or at all. A borrower's failure to return securities on a timely basis could cause the Master Fund to default on obligations it owes to third parties or it could force the Master Fund to make other arrangements to satisfy those obligations (such as borrowing equivalent securities elsewhere), resulting in penalties and unexpected costs. The Master Fund could lose the entire value of the lent securities. While borrowers typically provide securities as collateral for their obligations to return borrowed securities, that collateral is typically invested in instruments the value of which could decline, resulting in losses to the Fund. The institutions that operate securities lending programs in which the Master Fund participates may make mistakes in administering the lending and collateral investing arrangements, resulting in delays and potential losses for the Fund.

Exchange Traded Funds and Other Pooled Investment Vehicles. The Master Fund invests and/or trades in Exchange Traded Funds ("ETFs"), index-related instruments, and other instruments or pooled vehicles as a way of hedging risks related to particular industries, sectors, or markets in connection with its other investments. Doing so will subject the Master Fund to the hedging-related risks. It may also include the risk that an ETF or index-related instruments may not effectively reflect the performance of the index, industry, or other market it is intended to replicate. Investing in any pooled investment vehicle involves, in addition to all the risks involved in investing in securities or commodities generally, the risk that the expenses charged to the pooled vehicle reduce the return, that the managers of the pooled vehicle are not successful at their stated program, that those managers face conflicts of interest, that the investment is illiquid, and that the non-investment operations of the pooled vehicle become subject to error and mismanagement, resulting in losses for the pooled vehicle. In any event, such pooled vehicles can be expected to incur costs in addition to the Fund's and Master Fund's fees and costs, thus reducing the return on investments in those vehicles.

Limited Liquidity of Investments. Some of the Master Fund's investments may be relatively illiquid. An investment may be illiquid because it is thinly traded or because the Master Fund's position in it is large in relation to the overall market for the security. The Master Fund may own (or have a short position in) securities that are relatively liquid when acquired (or sold short) but that later become illiquid. The Master Fund may not be able to liquidate illiquid positions if the need were to arise; rapid sales of such securities could depress the market value of those securities, reducing the Master Fund's profits, or increasing its losses, in the positions (and rapid purchases to cover short positions could have the corollary effect). In addition, while it does not currently intend to, the Master Fund may buy securities that are not immediately saleable in the public markets.

Withdrawals funded out of the most liquid portion of the Master Fund's assets could cause the illiquid portion to be a greater percentage of the Master Fund's portfolio than would otherwise be optimal.

The value assigned to illiquid securities (including thinly traded securities) and large blocks of securities for purposes of determining participation account sharing percentages and determining

net profit and net loss may differ from the value the Master Fund is ultimately able to realize on those securities.

Hedging. The Adviser uses hedging strategies to the extent it considers appropriate in light of current circumstances and portfolio composition. It may, and does, so using short positions in one instrument to hedge long positions in another instrument, and vice versa. Hedging strategies in general are intended to limit or reduce investment risk, but they can also be expected to involve transaction costs and may inherently limit or reduce the potential for profit. Hedges are often imperfectly inversely correlated with the underlying exposure the Master Fund seeks to hedge and, to the extent that is the case, can subject the Master Fund to additional risk, if prices involved in the hedging position move against the Master Fund. Other risks that may be involved in hedging include: (i) possible illiquidity in the market for closing out a hedging position; (ii) interest rate, spread, or other broad market movements not anticipated by the Adviser; (iii) the Master Fund's obligations to meet margin or other payment requirements; (iv) a counterparty's default or refusal to perform; and (v) impact that required segregation of the Master Fund's assets to cover hedge-related obligations may have on portfolio management or the Master Fund's ability to meet short-term obligations. The Master Fund does not attempt to hedge all market or other risks inherent in its positions and will hedge certain risks, if at all, only partially.

Currencies and Foreign Exchange. The Master Fund may take positions in currencies, either directly or through the use of derivative instruments. While it may do so to hedge currency exposure on other investments, it may also do so to take advantage of what the Adviser considers trading opportunities. The foreign exchange markets can be news-driven, can be unexpectedly volatile, and can be affected by non-market forces such as actions of various governments.

Forward Contracts. The Master Fund may trade deliverable forward contracts in the inter-bank currency market. Such deliverable forward contracts and "cash" trading are substantially unregulated. Deliverable forward contracts are not currently traded on exchanges; rather, banks and dealers act as principals in these markets. There is currently no limitation on daily price movements and speculative position limits are not applicable. Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The CFTC now regulates non-deliverable forwards (which includes many deliverable forwards where the parties do not take delivery) as swaps. The imposition of credit controls by governmental authorities or the implementation of additional regulations might limit forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of the Fund.

Derivatives in General. The Master Fund's investments in derivative instruments could include, among other things, options, contracts for differences, participatory notes, swaps (including on interest rate, credit default, total return, and equity swaps), futures, and forward contracts. While specific types of derivatives involve specific risks, all derivative instruments can involve a variety of material risks, including the following:

- *Leverage.* Derivatives can have significant embedded leverage: they can allow the Master Fund to participate in market price fluctuations of the underlying reference instrument or value (e.g., securities, indices, interest rates, commodities, or currencies) while only investing a small percentage of the "notional" value of the contract. As with all forms of leverage, this can increase not only the opportunity for profit but also the risk of loss. Depending on how they are used, derivatives may increase or decrease the overall volatility of a portfolio.
- *Limited Liquidity.* The markets for many derivative instruments are frequently characterized by

a limited number of dealers, can mean limited liquidity and can, in turn, make it difficult and costly to close out open positions in order either to realize gains or to limit losses.

- *Correlation Error and Change.* The pricing relationships between derivatives and the reference values or instruments underlying them may suddenly change from historical patterns, resulting in unexpected losses.

Futures/Commodities Activities. The Master Fund could buy futures on securities indices, commodities, or currencies, and trade in other commodity interests. As with some other derivatives, futures can provide a form of leverage, allowing the Master Fund to participate in market price fluctuations of indices, interest rates, or commodities underlying futures (or options on futures), while only investing a small percentage of the value of those underlying indices, rates, or commodities as margin. Trading in futures is highly speculative and may entail risks that are greater than investing in securities, including: increased volatility relative to other securities; increased exposure resulting from the leverage aspects of futures trading; and the potential illiquidity of futures positions.

The Master Fund's futures and options activities may include futures and options traded in non-U.S. markets. The risks of these activities may be greater than those of trading in futures and options on U.S. exchanges. For example, foreign futures and options are cleared on and subject to the rules of a foreign board of trade. Neither the CFTC nor the NFA regulates activities of any foreign board of trade, including transaction execution, delivery, and clearing. Moreover, these agencies have no enforcement authority over foreign boards of trade. In addition, funds provided for foreign futures and options may not be provided the same protections as funds received in respect of U.S. transactions.

Over-the-Counter Derivatives. Over-the-counter or "OTC" derivatives have historically been individually – negotiated, non-standardized agreements entered into directly and privately between two parties—rather than on an exchange—to make/receive payments based on changes in underlying reference instruments or values. While, as described below, legislation and regulations require many derivatives to be cleared, many will remain bilateral and non-cleared. OTC derivatives involve the following types of risks, among others:

- Counterparties to non-cleared OTC derivatives might fail to perform, subjecting the Master Fund to loss of the benefit of the derivative agreement and potentially to loss of access to assets posted with the counterparty as collateral. Non-cleared OTC derivatives are generally not afforded the risk-mitigating protections of an execution facility or clearinghouse, or of a government regulator that oversees the execution facility or clearinghouse, in the event of such a failure to perform. Even cleared derivatives may not avoid these risks entirely: when transacting in cleared OTC derivatives, the Master Fund will not face a clearinghouse directly but rather will transact through an OTC derivatives dealer that is registered with the CFTC or SEC and that acts as a clearing member (a futures commission merchant). If another of the Master Fund's clearing member's customers fails to meet its obligations to the clearing member, under certain circumstances the clearing member could default on its obligations to the clearinghouse, and the Master Fund's assets held by the clearing member could consequently become inaccessible for an indefinite period or could ultimately prove not to be recoverable.
- If a counterparty's creditworthiness declines, the value of a derivative contract with the counterparty can be expected to decline, potentially resulting in losses by the Fund.
- Many derivative contracts call for payments by the Master Fund periodically or upon changes in the price of an underlying instrument or in underlying rates or indices. The Master Fund must be prepared to make those payments when due, and it may be required to maintain collateral

with its counterparty to support its payment obligations. If the Master Fund were to fail to fulfill those obligations or to post any required collateral, its counterparty could declare an event of default, and the Master Fund could be required to pay breakage fees, suffer the loss of the amounts paid to the counterparty, and possibly forego future payments from the counterparty.

- OTC derivatives are less liquid than listed options or futures
- Difficulties may arise in interpreting the legal terms of the relevant agreements.

Regulation of Over-the-Counter Derivatives. As a result of Dodd-Frank, the CFTC now requires a substantial portion of derivative transactions that were previously executed on a bilateral basis in the OTC markets to be executed through a regulated futures exchanges or swap execution facilities (“SEFs”) and be submitted for clearing to regulated clearinghouses. The SEC is also expected to impose similar requirements on certain security-based derivative transactions in the near future, though it is not yet clear when these parallel SEC requirements will go into effect.

Among other things, in the United States, trades submitted for clearing are subject to minimum variation margin requirements, and may be subject to minimum initial margin requirements, set by the relevant clearinghouse, as well as margin requirements mandated by the CFTC, SEC and/or federal prudential regulators. Regulators also have imposed margin requirements on non-cleared OTC derivatives and new requirements that apply to derivatives dealers’ holding of customer collateral. Derivatives dealers may require the Master Fund to give them the right unilaterally to increase collateral requirements for cleared OTC trades beyond regulatory and clearinghouse minima. These factors may increase the amount of collateral the Master Fund is required to provide and the costs associated with providing it.

In an effort to facilitate derivatives strategies, the Master Fund and/or the Adviser might become member(s) of exchanges and/or SEFs. Doing so would subject the Master Fund and/or the Adviser to a wide range of regulations and other obligations and associated costs. Like other self-regulatory organizations, SEFs regularly revise and interpret their rules, and those revisions and interpretations could adversely affect the Master Fund. The Adviser may engage brokers that are members of exchanges and/or SEFs to place trades on its behalf. While the Master Fund and Adviser are not direct members of any SEF, such indirect SEF participation may nevertheless require the Master Fund to consent to the SEF’s jurisdiction as a self-regulatory organization and to be subject to the SEF’s rules, which could adversely impact the Master Fund.

In Europe, the EU Market Infrastructure Regulation on OTC derivatives, central counterparties, and trade repositories (“EMIR”) imposes requirements in respect of derivative contracts that may affect the Master Fund’s derivatives activities in Europe, including a general obligation to clear certain types of OTC derivative contracts through a duly authorized central counterparty. EMIR will largely be implemented through secondary measures, some of which are already in effect, and some of which will come into effect over the coming years. The EU regulatory framework for derivatives is also affected by the Markets in Financial Instruments Directive (“MiFID II”), which is expected to be implemented over the next one or two years.

While these and other legislative and regulatory measures may provide protections for some market participants, they are new and still being implemented, and their effects on the derivatives market activities cannot be reliably predicted. They may reduce the availability of some types of derivative instruments, may increase the cost of trading in or maintaining others, and may cause uncertainty in the markets for a variety of derivative instruments.

Swap Agreements. The Master Fund from time to time enters into various swap agreements (“Swaps”) as part of its investment program. A Swap is agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, commodity

prices, exchange rates, energy rates, indices or prices, with payments generally calculated by reference to a principal (“notional”) amount or quantity. OTC Swaps and similar derivatives are individually negotiated contracts that are not traded on exchanges or SEFs; rather, banks and dealers act as principals in these markets. Furthermore, OTC Swaps may have non-standardized and highly bespoke terms, and may or may not be cleared by a central counterparty. As a result, the Master Fund is subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Master Fund trades. However, many Swaps representing a substantial portion of the Swap marketplace, for example many interest rates swaps, are required to be executed through regulated futures exchanges or SEFs and be submitted for clearing to regulated clearinghouses. All Swaps, whether OTC or traded on regulated markets, may be subject to various other types of risk, including market risk, liquidity risk, counterparty credit risk (including, if applicable, risk of clearing member or clearinghouse default), legal risk, and operations risk. In addition, Swaps can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Depending on their structure, Swaps may increase or decrease exposure to the corporate credit market, equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors. Swaps 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 if its use is consistent with the Master Fund’s investment objectives and policies.

Depending on how they are used, Swaps may increase or decrease the overall volatility of a portfolio. The most significant factor in the performance of Swaps is the change in the specific interest rate, currency, equity index or other factors that determine the amounts of payments due to and from the Master Fund. If a Swap calls for payments by the Master Fund, the Master Fund must be prepared to make such payments when due. In addition, if a counterparty’s creditworthiness declines, the value of a Swap with such counterparty can be expected to decline, potentially resulting in losses by the Master Fund.

Credit Default Swap Agreements. The Master Fund invests in credit default swaps. The typical credit default swap contract requires the seller to pay to the buyer, if a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Master Fund may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Master Fund is subject to certain risks in addition to those described elsewhere herein. In circumstances in which the Master Fund does not own the debt securities that are deliverable under a credit default swap, the Master Fund will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” While the credit default swap market auction protocols reduce this risk, it is still possible that an auction will not be organized or will not be successful. In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been

unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation had occurred. The creation of the ISDA Credit Derivatives Determination Committee (the “Determination Committee”) is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determination Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Master Fund would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Master Fund incurs leveraged exposure to the credit of the reference entity and become subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Master Fund will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Master Fund following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Master Fund.

Counterparty risk is always present in credit default swaps. The market for credit default swaps on distressed securities is not liquid (compared to the market for credit default swaps on investment-grade corporate reference entities). If current interest rate spreads over an applicable credit benchmark (such as LIBOR or a successor index) widen or the prevailing credit premiums on credit default swaps increase, the amount of a termination or assignment payment upon a termination or assignment of a transaction due from the Master Fund to the credit default swap counterparty could increase by a substantial amount.

In addition, the proper tax treatment of credit default swaps and other derivatives may not be clear. Investors generally are required to treat any such derivatives for U.S. federal income tax purposes in the same manner as they are treated by the Fund. The tax environment for derivatives is evolving, and changes in the taxation of derivatives may adversely affect the value of derivatives held by the Master Fund.

Given the increases in trading volume of some credit derivatives in the market, settlement of such contracts may also be delayed beyond the time frame originally anticipated by counterparties. Such delays may adversely impact the Master Fund's ability to otherwise productively deploy any capital that is committed with respect to such contracts.

Certain governmental entities have indicated that they intend to regulate the market in credit default swaps. It is difficult to predict the impact of any such regulation on the Master Fund, but it may be adverse (including making the Master Fund ineligible to be a "seller" of credit default swaps).

Total Return Swaps. The Master Fund from time to time may invest in total return swaps. As a buyer of total return swaps, the Master Fund will be obligated to make certain periodic payments in exchange for the total return on a referenced asset, including coupons, interest, and the gain or loss on such asset over the term of the swap. The Master Fund may be required to maintain collateral with the total return swap counterparty. If the Master Fund fails to fulfill its payment obligations or fails to post any required collateral under a total return swap, the total return swap counterparty may declare an event of default, and, as a result, the Master Fund may be required to pay swap breakage fees (with respect to OTC swaps), suffer the loss of the amounts paid to the counterparty, and forego the receipts from the counterparty of further total return swap payments.

Credit Default Swaps on Loans and LCDX Transactions. The Master Fund may invest in all types of loan credit default swaps ("LCDS") and all types of LCDX transactions, a tradable index comprising 100 equally – weighted underlying single-name loan-only credit default swaps. LCDS are similar to credit default swaps on bonds, except that the underlying protection is sold on syndicated secured loans of a reference entity rather than a broader category of bonds or loans. Buyers of protection pay a fixed coupon agreed at the time of the trade and receive compensation on the principal if the entity named on the contract defaults on its secured debt. The compensation will be par minus recovery either via the protection seller paying par in return for gaining possession of the loan or via cash settlement. Loan credit default swaps may be on single names or on baskets of loans, both tranching and untranching.

The Master Fund may also invest in LCDX, which is the buying or selling of protection on 100

names that comprise the LCDX portfolio (*i.e.*, the buying and selling of 100 single-name LCDS). Buying and selling the LCDX can be compared to buying and selling a loan portfolio. When the index is bought, the buyer is taking on the credit exposure to the loans and is exposed to defaults similar to when a loan portfolio is bought. If the index is sold, this exposure is passed on to someone else. The index has a fixed coupon, which is paid when the index is sold, or received if the index is bought. The credit events that generally trigger a payout from the buyer (protection seller) of the index are bankruptcy or failure to pay a scheduled payment on any debt (after a grace period), for any of the constituents of the index. Credit events can be settled by physical or cash settlement. Physical settlement entails delivering the loan and receiving par. The protection seller who took delivery of the loan holds the defaulted asset. Although this method is the traditional method of settlement, there are risks that the notional amounts of the outstanding loans is less than the LCDS outstanding and that the LCDX counterparty will be able to take receipt of the loans.

Trading Errors. Trading inevitably entails the risk of errors in order placement and execution. The Master Fund may engage in trading that is, at times, rapidly executed, and it may rely on computer code, software, hardware, and modes of transmission. These activities may increase the risk of trading errors. The Master Fund will bear the burdens, and enjoy the profits, from any trading errors, unless those errors constituted “disabling conduct” by the Adviser. Disabling conduct is defined as any act performed or omitted by an employee or agent on behalf of the Adviser in relation to ASIM’s business that constitutes gross negligence, fraud, willful misconduct, or a material breach of the Partnership Agreement or the Master Fund’s Investment Management Agreement by the Firm’s personnel.

New Issues. The Master Fund will invest in “new issues”—initial public offerings of equity securities. Investors who are “restricted persons” under the rules of FINRA, as well as executive officers and directors of certain companies that have or may have certain investment banking relationships with broker-dealers selling new issues, may be limited in the amount of profits (if any) that they may be allocated from new issues in which the Master Fund invests or prohibited entirely from participating in a new issue. The Master Fund currently prohibits any participation in new issues by “restricted persons”. To the extent an investor is subject to these limitations, an investment in a Feeder Fund may produce lower performance than that experienced by investors who are not so subject. Any investor who does not provide the Fund with information sufficient to show that he or she or it is not subject to FINRA-related limitations will be presumed to be subject to them.

FUND RISKS

Limited Liquidity. An investment in the Fund is illiquid and is not suitable for an investor who needs liquidity. There is no public market for Shares, and there are limitations on Shareholders’ abilities to transfer their Shares. Although investors may redeem shares/interests, their ability to do so is subject to several limitations. Investors generally may not redeem shares/interests without a redemption charge equal to 3% of the redemption proceeds until the end of the fourth full calendar quarter after the date of the issuance of the shares/interests being redeemed. Thus, an investor may not be able to redeem shares/interests without paying a redemption charge when he or she or it needs liquidity, and shares/interests could decline in value before the investor is able to redeem shares/interests without paying a redemption charge.

Net Asset Value Volatility. Some of the Master Fund’s investment activities could involve discrete events with binary outcomes in which there is potentially a material and abrupt adjustment to the Fund’s net asset value (a “gapping” net asset value) at the point that the consummation/non-consummation result is determined. While the market prices of the Master Fund’s positions will be

affected by the perceived change in probability of consummation during the progress of a transaction, until the final resolution of the consummation/nonconsummation outcome there is a material potential uncertainty in the net asset values as currently determined. Subscriptions and redemptions will, however, be processed based on a particular date's net asset value, without adjustments for potential "gapping," which the Adviser believes cannot be reasonably predicted, much less quantified. As a result, continuing, redeeming, and subscribing investors are subject to the risk of economic dilution (i.e., to the risk of a subscription or redemption being processed in accordance with a net asset value that is suddenly and materially changed by a non-consummation or consummation event). The risk of such economic dilution will typically increase the nearer an outstanding transaction in which the Master Fund is invested comes to its "decision date."

Valuation. For some of the Master Fund's securities, the market may be or become subject to irregular trading activity, wide bid/ask spreads, and extended trade settlement periods, resulting in unreliability of pricing information. Further, if an issuer's financial condition deteriorates, accurate financial and business information can become limited or entirely unavailable, and prices for its securities may not be available from any source. Although most marketable securities and other instruments are valued based on prices reported in the public markets, where third-party pricing of an asset is not readily available, valuation will be done by Arts & Sciences in accordance with the Valuation Policy. As a result of this and other factors, values reflected in financial reports and used in determining investors' sharing percentages (e.g., upon new subscriptions), redemption proceeds, the Management Fee, and Incentive Allocations might not accurately reflect the amounts the Master Fund could obtain (or would be required to pay as to some types of derivatives positions) if it were to try to sell the security (or close the position). While valuation decisions will be made pursuant to the Valuation Policy, that policy grants the Valuation Committee significant discretion, and Arts & Sciences faces conflicts of interest in making valuation decisions.

Effect of Substantial Redemptions. Substantial redemptions from a Feeder Fund over a short period could require the Master Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the Master Fund's assets and/or disrupting the Master Fund's investment strategy or strategy with respect to particular investments. Reduction in the Master Fund's size could make it more difficult to generate a positive return or to recoup losses. Among other things, such a reduction could impair the Master Fund's ability to take advantage of particular investment opportunities, and it would decrease the ratio of the Fund's income to its expenses.

Strategic Investor. A significant portion of the Master Fund's capital at inception has been provided by the Strategic Investor. Pursuant to an agreement dated June 2018, a substantial amount of the Strategic Investment is subject to a one year lock-up with an additional one year soft lock up. However, even during the lock-up period, upon the occurrence of certain "cause" events, the Strategic Investor may withdraw/redeem its Strategic Investment. The Strategic Investor also has enhanced information rights that could give the Strategic Investor an advantage in determining whether to make subscriptions to or redemptions/withdrawals from the A&S Funds. A redemption/withdrawal by the Strategic Investor could require asset liquidations at disadvantageous times and prices, impair the Master Fund's ability to implement its investment program or even lead to the termination of the A&S Funds.

Suspension of Redemptions. A Feeder Fund may suspend investors' rights to redeem shares/interests if the Board of Directors/General Partner determines that, due to extraordinary circumstances, suspension would be in such Feeder Fund's best interests. Similarly, the Master Fund may suspend the Feeders' rights to withdraw capital from the Master Fund in certain extraordinary circumstances described in the Master Fund's partnership agreement. Situations in which a suspension might occur

include: when disruptions in markets for the Master Fund's investments would make pricing and/or liquidation of some or all Master Fund positions difficult or would result in losses if the Master Fund attempted such liquidations; when a withdrawal would cause the Master Fund or the Investment Manager to violate securities or commodities or other laws; or when there exist other extraordinary circumstances, as determined by the Board of Directors/General Partner, that cause redemptions or payments to be impracticable under existing economic or market conditions or conditions relating to the Feeder Fund or the Master Fund.

Potential Mandatory Redemptions. A Feeder Fund may, in its sole discretion at any time, for any reason or no reason, require a shareholder/limited partner to redeem all or a portion of his, her or its shares/interests. A mandatory redemption could result in adverse and/or economic consequences to that investor.

Risks Associated with Incentive Allocations. The prospect that the General Partner or its affiliates could receive Incentive Allocations could encourage the Adviser to make investments on the Master Fund's behalf that are riskier or more speculative than it would otherwise. Because the General Partner or its affiliates will receive an Incentive Allocation as to unrealized gains that may never be realized and will not return an Incentive Allocation made for one period if, in a later period, the Master Fund experiences losses, the Incentive Allocation may be greater than it would be if it were based solely on realized gains. Further, unrealized gains will be determined based on valuations over which Arts & Sciences has ultimate authority. ASIM may at any time withdraw from the Master Fund capital attributable to Incentive Allocations (and earnings on that capital). These factors could be viewed as providing an incentive for ASIM to cause valuations of securities as of a calendar year end to be higher than it might in the absence of those factors. It is possible that an investor that has both Founders and non-Founders shares/interests could be subject to an Incentive Allocation as to one type of share/interest and not as to others, and could even be subject to Incentive Allocations as to one type of share/interest for a year in which he or she or it has experienced an overall net loss across all shares/interests.

Master-Feeder Structure. The Feeder Funds invest alongside each other as "feeder funds" in the Master Fund, and other pooled investment vehicles or other entities may do so in the future. Operating in a master-feeder structure could, under some circumstances, create pressure for the Adviser to manage the Master Fund's portfolio in ways that are less advantageous to a particular Feeder Fund than if the Feeder Fund pursued its investment activities independently. For example, the Master Fund might make investments that are attractive to the Domestic Fund but that could give rise to withholding taxes or other tax burdens specific to another Feeder Fund when other opportunities might provide lower pre-tax returns but better returns for such Feeder Fund because they would not subject the Fund to withholding or other taxes. Separately, withdrawals from the Master Fund as a result of withdrawals or redemptions from Feeder Funds could affect the Master Fund's investment activities.

Feeder Currency Hedging. The Master Fund engages in currency hedging activities on behalf of the AUD Offshore Fund, incurring costs and potentially realizing losses or gains on hedging transactions. The obligations arising out of any such hedging activities would be obligations of the Master Fund and, while the Master Fund specially allocates the costs, losses, and gains arising from any such activities to the AUD Offshore Fund, it is at least theoretically possible that costs and losses from those activities could affect the value of another Feeder Fund's investment in the Master Fund.

OTHER RISKS

Limited Investment Company Regulation. Each Feeder Fund relies on Section 3(c)(7) of the Investment Company Act to avoid requirements that the Fund register as an “investment company” under, and comply with the substantive provisions of, that act. If the Fund were registered as an investment company, the Investment Company Act would require, among other things, that the Fund have a board of directors, a majority of whom are “disinterested,” compel certain custodial arrangements, and regulate the relationship and transactions between the Fund and the Investment Manager or its affiliates. Investors do not have the benefit of the protections afforded by, nor is the Fund subject to the restrictions that arise from, such registration and regulation. Compliance with some of those regulations could possibly reduce certain risks of loss, although it would significantly increase the Fund’s operating expenses and limit the Fund’s investment and trading activities. The Fund is not subject to comparable regulation in any non-U.S. jurisdiction.

Interpretations of Section 3(c)(7) are complex and uncertain in several respects. As a result, there can be no assurance that the Fund will remain entitled to rely on this section. If the Fund were found not to have been entitled to exclusion from investment company regulation under this section, the Fund and the Investment Manager could be subject to legal actions by the SEC and others, and the Fund could be forced to terminate its business under adverse circumstances.

Limited Commodity-Related Regulation. ASIM is registered with the CFTC as a commodity pool operator and commodity trading advisor under the Commodity Exchange Act, as amended (“CEA”), and performs the responsibilities of a commodity pool operator and commodity trading advisor with respect to the Fund. However, pursuant to CFTC Rule 4.7, ASIM is exempt from certain substantive disclosure, reporting and recordkeeping requirements to which it would otherwise be subject in connection with the offering and the operation of the Fund. ASIM’s registration with the CFTC (and the SEC) does not imply that ASIM has been endorsed or approved by any governmental authority.

European Union Alternative Investment Fund Managers Directive. Under the European Union Alternative Investment Fund Managers Directive (the “AIFMD”), which was enacted in 2011, if a Fund were to market shares/interests in the European Union, ASIM and the Fund would have to comply with certain disclosure and reporting requirements set forth in the AIFMD. Because various member countries in the European Union are still implementing their own statutes and regulations in response to the AIFMD, these requirements are unsettled and still evolving. If ASIM or the Fund were found not to have complied with the AIFMD and related laws, as implemented by any particular European Union country, the Fund may incur costs and expenses that could adversely affect Shareholders’ return on their investments. Finally, the costs of compliance with the AIFMD and related laws, or the threat of penalties and sanctions for failure to comply, may cause the Investment Manager to determine not to offer shares/interests in some or all European Union countries, which could hinder the Fund’s ability to raise capital to fund investment strategies. ASIM currently relies on “reverse solicitation.”

TAX RISKS

General and specific tax risks are discussed in each Feeder Fund's offering documents.

THIS LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN CONNECTION WITH THE ADVISER'S INVESTMENT PORTFOLIO OR THE MANAGEMENT OF THE FUNDS. IN ADDITION, PROSPECTIVE INVESTORS SHOULD BE AWARE THAT, AS THE FUNDS' INVESTMENT PORTFOLIOS DEVELOP AND CHANGE OVER TIME, THE FUNDS MAY BE SUBJECT TO ADDITIONAL AND DIFFERENT RISKS. FUND INVESTORS SHOULD REFER TO THE RELEVANT FUND'S OFFERING DOCUMENTS FOR ADDITIONAL INFORMATION REGARDING RISKS.

Item 9: Disciplinary Information

ASIM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Item 10: Other Financial Industry Activities and Affiliations

Neither ASIM nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

ASIM is registered with the CFTC as a Commodity Pool Operator and Commodity Trading Advisor.

Arts & Sciences GP, LLC is an affiliate of ASIM and serves as the general partner to Arts & Sciences Master Fund, L.P. and Arts & Sciences Partners, L.P.

While Arts & Sciences GP, LLC (the "General Partner") is not registered as an investment adviser, any of its investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the General Partner are subject to the supervision and control of ASIM. Thus, the General Partner, all of its employees and the persons acting on its behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act against the General Partner.

In June 2018, ASIM and the Funds have entered into an arrangement (the "*Strategic Investor Arrangement*") with a group of investors advised by a single investment adviser (collectively, the "*Strategic Investor*"), whereby the Strategic Investor has agreed to make a significant investment in the Funds (the "*Strategic Investment*"). A substantial portion of the Strategic Investment is subject to a one-year lock-up with an additional soft lock-up period of one year, although the Strategic Investor may withdraw its investment before the lockup has expired if certain events occur. In consideration for the Strategic Investment, the Strategic Investor is entitled to certain additional rights including certain consent rights, the right to receive a specified percentage of certain gross revenues otherwise payable or allocable to ASIM, certain information rights, capacity rights, and certain other rights that are in addition to, and may be more favorable than, the rights of Shareholders, including a more favorable Management Fee rate and Incentive Allocation rate.

The Firm does not recommend or select other investment advisers in exchange for direct or indirect compensation from those advisers that creates a material conflict of interest.

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

To avoid any potential conflicts of interest involving personal trades, ASIM has adopted a Code of Ethics, which requires, among other things, that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of the Adviser above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing capital markets; and
- Comply with applicable provisions of the federal securities laws.

The Adviser's Code of Ethics also requires Employees to: 1) pre-clear certain personal securities transactions, including transactions in private placements or initial public offerings 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Adviser with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest. Personal trading transactions by employees may raise potential conflicts of interest when such persons trade in a security, commodity interest or other instrument that is owned by, or considered for purchase or sale for, a client. The Firm has adopted policies and procedures designed to detect and prevent such conflicts of interest, including a prohibition to trade a security on the Firm's watch list, and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law.

All transactions made by employees are closely monitored on an ongoing basis by the compliance department to ensure pre-clearance has been sought and obtained when required, and to ensure the personal trading patterns of employees fall within the guidelines set forth in the Code of Ethics. ASIM's principals and employees may invest directly in one or more of the Funds provided that they are qualified to do so.

The Code of Ethics also explains each person's duty to maintain the confidentiality of the Adviser's proprietary information as well as a policy against insider trading and restrictions with respect to giving or receiving of business-related gifts and entertainment (including from clients) or making political contributions to local, state and federal candidates for public office. Specifically, the giving and receiving of business-related gifts and entertainment (including from clients) over a threshold cost or value must be reported or pre-approved (depending on the amount) by the CCO as applicable. In regard to political contributions, such contributions are generally prohibited with respect to candidates for local or state-level office, except with respect to the state of California

(pre-approval by the CCO is required for those) and contributions to candidates for federal office require pre-approval by the CCO. ASIM requires that all principals and employees attend an annual Code of Ethics training session.

A copy of ASIM's Code of Ethics shall be provided to any client or prospective client upon request.

The Firm as Principal

The Firm does not generally act as principal, either buying securities for itself or its affiliates from a Client or selling securities it or its affiliates own to a Client. However, in the event that the Firm decides to engage in any such principal transaction with respect to a Client in the future, it will comply with the requirements of Section 206(3) of the Advisers Act and Section 25235(c) of the California Corporate Code by: (i) disclosing to the Client in writing the material terms of the transaction; and (ii) obtaining the written consent of the Client for such transaction (which for the avoidance of doubt will be provided by an Independent Investor Representative where applicable per a Client's offering documents). The Firm will include in such disclosure: (1) its capacity as principal; (2) the cost to the Firm of the security, in the case of a sale to the Client, or the price of the security in a resale, in the case of a purchase from the Client; and (3) the best price at which the transaction could be effected by or for the Client elsewhere if such price is more advantageous to the Client than the purchase or sale with the Firm. The Fund does not anticipate engaging in such transactions when the Firm may make a trading profit.

Cross Trades between Clients of the Firm

The Adviser has no current plans to effect cross trades. In the event that the Adviser wishes to engage in any cross trades, prior approval of the CCO is required.

Co-investments

An advisory client may "co-invest" with the Firm and/or principals of the Firm and other advisory clients in respect of certain investment opportunities. Any such co-investments will be on the same terms as made available to the Client, and no additional fees will be incurred by virtue of such investments unless explicitly disclosed otherwise. In the context of potential co-investment opportunities with either the Firm or its principals, the Firm may provide information regarding such potential investment, including investment documents and term sheets to certain potential or actual advisory clients.

ASIM retains the right to offer, and indeed has agreed in principal to do so via side letters, certain investors or certain existing or prospective clients the opportunity to participate in "co-investments" with the Firm and/or principals of the Firm or other investment opportunities, which may be in the form of separately managed accounts or investment vehicles which will be managed with an investment approach that is substantially similar to, overlapping with, or entirely different from a Client. ASIM does not maintain an allocation process in deciding to which investors or prospective investors it offers such investment opportunities. ASIM has no obligation to offer co-investment opportunities to any particular investor and prospective investors should not invest in a Fund with the expectation they will be afforded the opportunity to participate in co-investments. However, if an investor or prospective investor is interested in learning about co-investment opportunities, such investor is invited to contact the Firm.

The Firm principals may have personal relationships involved in connection with some such potential co-investments and/or other investment opportunities and thus the Firm may have a conflict of interest in offering such opportunities. In the event of a conflict of interest related to such an investment opportunity, the Firm will make the requisite disclosure in the applicable governing document (e.g., an IMA) or otherwise.

Board Membership and Control Positions

Subject to the limitations contained in ASIM's compliance manual, employees of ASIM may serve on boards of directors or executive committees or in other management capacities at companies in which an advisory client invests, either directly or indirectly. Serving in such a capacity may expose such employee, and by association ASIM and the advisory client, to certain limitations on the ability to trade the securities of the issuer company and certain conflicts of interest. An employee may become aware, from time to time, of material non-public information about the company in which the advisory client invests, and the employee's knowledge is likely to be attributed to ASIM and the client, and therefore, the client's ability to trade the securities of such company may become substantially restricted. The client's ability to buy and sell such securities may be limited to such times as company insiders are permitted to do so. Such limitations may cause the client to forgo sales that it would otherwise make, thereby exposing the client to losses, or to forgo purchases, thereby exposing the client to lost opportunities.

Furthermore, the exercise of control or influence over the management and policies of a company through the service of an officer or employee of ASIM as an officer or director of such company could expose the assets of the client to claims by the portfolio company, its security holders and creditors, or could impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability. If these liabilities were to occur, the client directly, and the investors indirectly, could suffer losses in their investments.

Relationships with Service Providers in the Financial Industry

The Firm has relationships, including family relationships and past employments, with service providers in the financial industry, including, but not necessarily limited to, relationships with executing and prime brokers, private banking institutions and legal/compliance and accounting firms. In certain cases, these service providers or affiliated entities will have additional exposure and relationships with the Firm including as clients or investors in the Funds. In certain instances, service providers may, and in some instances currently do, extend discounts to the Firm that they also extend to the Funds (e.g., legal bills). Such discounts are not greater and/or made at the expense of the Funds.

The Firm may in the future make, investment recommendations to clients to invest in issuers that may be affiliated with service providers (or their personnel) to the Firm or its clients. The Firm will only make such recommendations to the extent it determines such investments to be in the best interests of its clients and if the financial terms of such investments are fair to the Firm's clients. The Firm will not intentionally seek to obtain reduced fees for itself from such service providers in circumstances where it may be recommending such investments. Rather, all fee negotiations will be conducted on an arm's length basis.

Effect of Potential Conflict on Director Voting

Under the provisions of the offshore Funds' formation documents, a director may vote on issues or transactions which could involve a conflict of interest (such as a proposal, arrangement or contract in which such director is in any way interested), but only if the nature of the interest has been disclosed by the director prior to its consideration by the applicable board of directors. The applicable board of directors will endeavor to ensure that any conflicts of interest are resolved fairly.

Item 12: Brokerage Practices

The Adviser has complete discretion in deciding what brokers, dealers, and other financial intermediaries and counterparties to use for portfolio transactions (collectively, "Transacting Parties"). It also has complete discretion to negotiate compensation arrangements and transaction terms with Transacting Parties, including not only commissions for transactions effected on any agency basis, but also markups, markdowns, and other compensation implicit in prices of transactions effected directly with Transacting Parties acting as principal.

Selection Criteria

In choosing Transacting Parties, the Adviser is not required to consider any particular criteria. It generally seeks "best execution" of the Master Fund's transactions. However, what constitutes "best execution" and determining how to achieve it are inherently uncertain. The Adviser typically considers a range of factors, including: historical net prices (after markups, markdowns, and other transaction-related compensation); Transacting Parties' execution, clearance, and settlement and error correction capabilities generally and in connection with instruments of the type and in the amounts to be bought or sold; their willingness to commit capital; their reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the market for the instrument in question; and the nature, quantity, and quality of research and other services and products the Transacting Party provides, including meetings with corporate executives, attendance at certain seminars and consultations with research analysts.

In selecting a broker or dealer for any transaction or series of transactions, the Adviser does not necessarily solicit competitive bids and is under no duty to obtain the lowest commission or best net price for the Client on any particular transaction.

The Adviser may effect securities transactions which cause a client to pay an amount of commission (as that term may be interpreted from time to time by relevant regulatory authorities) in excess of the amount of commission another broker would have charged; provided, however, that the Adviser determines in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by such broker, viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts for which the Adviser exercises investment discretion. The receipt and use of such services will not reduce the Firm's customary and normal research activities.

ASIM has formed a Best Execution Committee which meets formally on at least a quarterly basis. Such review will be memorialized.

"Soft Dollars." Section 28(e) of the Exchange Act provides a safe harbor that allows an investment adviser to pay more than the lowest available commission in order to obtain brokerage and research services (commonly referred to as a "soft dollar" arrangement). ASIM does not utilize third-party soft dollar arrangements such as commission sharing accounts or similar brokerage commission

conduits whereby ASIM generates “commission credits” through trading that are used to pay for third party research or related products and services. ASIM also does not expressly agree to provide a certain level of execution to a broker or dealer in exchange for research products or services.

However, ASIM does utilize proprietary research provided by brokers or dealers (which includes information on the economy, industries, political developments, credit analysis, performance analysis, individual companies and statistical information), as well as potential access to corporate officers of public companies and other access opportunities that provide value to ASIM’s investment management activities which ASIM would have otherwise had to produce or pay for itself. In such circumstances, ASIM operates within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e). As a result, ASIM may affect securities transactions which cause a Client to pay an amount of commission (as that term may be interpreted from time to time by relevant regulatory authorities) in excess of the amount of commission another broker would have charged. However, ASIM believes it is important to its investment decision-making processes to have access to such research and that this research ultimately benefits the Client accounts. Subject to best execution, ASIM may affect securities transactions with a specific broker or a dealer in recognition of such services.

Further, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by Clients may be used by ASIM to service one or more Client accounts, including Client accounts that may not have paid for the soft dollar benefits. ASIM does not seek to allocate soft dollar benefits to Client accounts in proportion to the soft dollar credits the Clients generate.

Trading Errors.

Trading inevitably entails the risk of errors in order placement and execution. The Master Fund may engage in trading that is, at times, rapidly executed, and it may rely on computer code, software, hardware, and modes of transmission. These activities may increase the risk of trading errors. The Master Fund will bear the burdens, and enjoy the profits, from any trading errors, unless those errors constituted “disabling conduct” by the Adviser. Disabling conduct is defined as any act performed or omitted by an employee or agent on behalf of the Adviser in relation to ASIM’s business that constitutes gross negligence, fraud, willful misconduct, or a material breach of the Partnership Agreement or the Master Fund’s Investment Management Agreement by the Firm’s personnel.

Capital Introduction

Some of the Firm’s executing and prime brokers, from time to time, refer potential clients to the Firm or arrange for meetings with potential clients who are also often clients of the broker. Although this may create a potential conflict of interest, capital introduction is not a consideration when selecting or retaining prime brokers or executing trades. While the meetings may be arranged by the brokers, there is no guarantee that the clients will invest with the Firm. Other than the standard commission rates paid by the Firm’s funds and accounts, and customary prime brokerage fees, the brokers do not receive any compensation, directly or indirectly, for the meeting or the subsequent investments, if any.

Aggregation of Orders

While the Adviser currently manages one master-feeders account, if the Adviser were to begin managing other client accounts and the Master Fund and other clients were to seek to buy or sell the same security at the same time, ASIM may combine the Master Fund’s and the other clients’ orders. If it did so, ASIM generally would allocate the proceeds of those transactions (and the related transaction expenses) among the participants on an average price basis (although it may allocate

partially filled orders differently). ASIM believes combining orders in this way is, over time, advantageous to all participants. However, the average price could be less advantageous to the Master Fund than if the Master Fund had been the only transacting account or had traded ahead of the other participants.

Relationships with Service Providers in the Financial Industry

The Firm has relationships, including family relationships and past employments, with service providers in the financial industry, including, but not necessarily limited to, relationships with executing and prime brokers, private banking institutions and legal/compliance and accounting firms. In certain cases, these service providers or affiliated entities will have additional exposure and relationships with the Firm including as clients or investors in the Funds.

Item 13: Review of Accounts

ASIM's investment team will closely monitor the portfolio on an ongoing basis by reviewing investment performance, revisiting and updating (as needed) underlying assumptions and models to ensure the thesis remains robust. The investment team will do so by monitoring news flow, company data and research; and assessing macro risks, financial conditions and indirect and direct geographic/sector exposures. The Firm's Investment Committee meets on a weekly and as needed basis to review current and potential positions. In addition, the Firm's Risk Committee meets monthly and as needed (e.g., when soft flags are being hit) to review current positions, liquidity, leverage, market, counterparty and operational risks

The Fund will provide monthly estimates of capital balances and an annual report that will include audited financial statements as of the end of each fiscal year.

Item 14: Client Referrals and Other Compensation

ASIM does not currently compensate third parties for client or investor referrals but may do so in the future. To the extent the Adviser engages a placement agent, such terms and conditions will be disclosed to each potential Fund investor consistent with applicable law. However, several portfolio managers (e.g. private banks) may advise their private investors to invest in the Firm's products (as part of a platform). The Firm does not pay any direct or indirect compensation to such portfolio managers in connection with such advice/recommendation but may have trading relationship with such portfolio managers' affiliated/related entities. Such potential investments are not a consideration when selecting or retaining prime brokers or executing trades.

Additionally, ASIM will not receive any economic benefits from non-clients relating to the provision of investment advice.

Please see disclosures regarding capital introduction in Item 12 and with respect to side arrangements in Item 7.

Item 15: Custody

All Fund assets are held in custody by unaffiliated broker/dealers or banks, however ASIM may have access to client accounts since an affiliate serves as a general partner to the Domestic Fund and Master Fund. Assets not meeting the legal definition of security or for which an exemption may be available from the Custody Rule may not in all cases be maintained at a qualified

custodian. However, appropriate safeguards, as applicable, will be implemented to ensure these assets are maintained in a safe and secure manner.

Investors will not receive statements from the custodian. Instead the Funds are subject to an annual audit and the audited financial statements are distributed to investors. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Fund's fiscal year end. Funds' investors also receive monthly account statements directly from the Funds' administrator.

Investors and clients should carefully review any statement or reports provided by a Fund's administrator as well as a Fund's audited financial statements.

Item 16: Investment Discretion

ASIM has investment discretion over all clients' accounts. Clients grant ASIM discretion through the execution of a limited power of attorney included in the investment management agreement or Fund governing documents. Investors agree to such appointment of discretionary management through submission of subscription documents. Various securities and/or tax laws, as well as limitation contained in side agreements and internal compliance policies may, and in some instances do, impose restrictions on the instruments that may be traded.

Item 17: Voting Client Securities

The Adviser's general policy is to not vote on proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds. In general, the Adviser believes that the impact on the value of the securities in which proxies would be voted does not outweigh the anticipated costs and benefits associated with the respective proxy.

While the Adviser will generally not vote on proxies, each proxy will be assessed by investment personnel for its material impact on either the value of the underlying security or its potential impact on the underlying investment thesis of the respective security. For those proxies that present a material impact on the value of the underlying security or may pose to alter or affect the underlying investment thesis of the respective security, the Adviser may choose to exercise its voting authority and when it does, will do so in a manner that serves the best interests of the clients managed by the Adviser, as determined by the Firm in its discretion, taking into account relevant factors. In all cases where a proxy is voted, the reason for the decision as to why the proxy was voted, along with a record of the vote, will be retained by the CCO.

The President and CCO will review proxies for potential for conflicts of interest. If a conflict of interest is identified, the Adviser will not make related proxy voting decisions until it has been determined that the conflict of interest is not material or a method for resolving the conflict of interest has been agreed upon and implemented. Materiality determinations will be based on an assessment of the particular facts and circumstances. The CCO will maintain a written record of all materiality determinations. If it is determined that a conflict of interest is not material, the Adviser may vote the proxy, notwithstanding the existence of the conflict. If it is determined that a conflict of interest is material, one or more methods may be used to resolve the conflict, including: abstain/not vote; disclosing the conflict to the client and obtaining its consent before voting; engaging a third party to recommend a vote with respect to the proxy; or such other method as is deemed appropriate under the circumstances given the nature of the conflict. The CCO will maintain a written record of the method used to resolve a material conflict of interest.

A copy of ASIM's proxy voting policies and procedures, as well as specific information about how ASIM has voted in the past, is available upon written request.

In some instances the governing documents of an SMA client (which ASIM does not currently have) may impose some additional limitations on the ASIM's proxy authority by way of requiring consultation and/or the client's consent prior to voting.

ASIM will not abstain from voting or affirmatively decide not to vote a proxy if the advisory client is a plan asset fund subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended. ASIM currently does not have such advisory client.

With respect to class action lawsuits, it is generally the practice of ASIM not to participate in class actions on behalf of our clients as we believe it generally does not materially benefit our investment strategies. Similar to proxy voting opportunities, each class action that becomes known to ASIM is reviewed and a decision is made on materiality. Should a class action have a potential material impact on returns for client accounts, ASIM may elect to participate, but this is generally not the case.

Item 18: Financial Information

A balance sheet is not required to be provided as ASIM (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.