

**ITEM 1**  
**COVER PAGE**

**PART 2A OF FORM ADV: FIRM BROCHURE**

**VINIK ASSET MANAGEMENT LP**

March 2019

Vinik Asset Management LP  
401 East Jackson Street, Suite 2525  
Tampa, FL 33602  
Tel: 813-229-0420

This brochure (this “Brochure”) provides information about the qualifications and business practices of Vinik Asset Management LP. If you have any questions about the contents of this Brochure, please contact us by phone at the number indicated above or by email at [compliance@vinik.com](mailto:compliance@vinik.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Registration with the SEC does not imply any level of expertise or training.

Additional information about Vinik Asset Management LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **ITEM 2**

### **MATERIAL CHANGES**

We initially filed this Brochure in January 2019 and have not made any updates to it since that date. While this amended Brochure contains changes and updates to certain information, we believe that the following are the only material changes since we filed our initial Brochure:

- Our original filing was made in reliance on the “newly-formed adviser” exemption from the prohibition on SEC registration available under SEC Rule 203A-2(c). This updated Brochure is filed as part of an overall amendment of our Form ADV confirming that we are eligible for SEC registration because we now qualify as a “large advisory firm” with more than \$100 million of regulatory assets under management.
- Our advisory business activities are more developed than was the case at the time we filed our initial Brochure. These changes are reflected in Items 4, 5 and 10, and relate to, among other things, the fact that the private funds we advise are now operating and have received investments from unaffiliated third parties.

### ITEM 3 TABLE OF CONTENTS

	<u>Page</u>
ITEM 1 COVER PAGE.....	1
ITEM 2 MATERIAL CHANGES .....	2
ITEM 3 TABLE OF CONTENTS.....	3
ITEM 4 ADVISORY BUSINESS .....	6
A.    General Description of Advisory Firm .....	6
B.    Description of Advisory Services .....	6
C.    Availability of Customized Services for Individual Clients .....	8
D.    Wrap Fee Programs.....	8
E.    Assets Under Management .....	8
ITEM 5 FEES AND COMPENSATION .....	9
A.    Advisory Fees and Compensation .....	9
B.    Payment of Fees.....	10
C.    Additional Fees and Expenses .....	10
D.    Prepayment of Fees.....	11
E.    Additional Compensation and Conflicts of Interest.....	11
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	12
ITEM 7 TYPES OF CLIENTS .....	13
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	14
A.    Methods of Analysis and Investment Strategies.....	14
B.    Material, Significant or Unusual Risks Relating to Investment Strategies.....	15
C.    Risks Associated With Particular Types of Securities.....	24

ITEM 9 DISCIPLINARY INFORMATION .....	37
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	38
A. Broker-Dealer Registration Status .....	38
B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status .....	38
C. Material Relationships or Arrangements with Industry Participants .....	38
D. Material Conflicts of Interest Relating to Other Investment Advisers .....	38
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	39
A. Code of Ethics .....	39
B. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients .....	39
C. Conflicts of Interest Created by Contemporaneous Trading .....	39
D. Securities in which the Investment Adviser or a Related Person May Have a Material Financial Interest .....	40
ITEM 12 BROKERAGE PRACTICES .....	41
A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions .....	41
ITEM 13 REVIEW OF ACCOUNTS .....	44
A. Frequency and Nature of Review of Client Accounts or Financial Plans .....	44
B. Factors Prompting Review of Client Accounts Other than a Periodic Review .....	44
C. Content and Frequency of Account Reports to Clients .....	44
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION .....	45
A. Economic Benefits for Providing Services to Clients .....	45
B. Compensation to Non-Supervised Persons for Client Referrals .....	45
ITEM 15 CUSTODY .....	46
ITEM 16 INVESTMENT DISCRETION .....	47

ITEM 17 VOTING CLIENT SECURITIES.....	48
ITEM 18 FINANCIAL INFORMATION .....	49

## **ITEM 4 ADVISORY BUSINESS**

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

#### *Vinik Asset Management LP*

Vinik Asset Management LP (the “Investment Adviser,” “we” and “us”), is a Delaware limited partnership that was formed in 2019.

We only have one office, which is located in Tampa, Florida.

We are controlled by our principal owner, Jeffrey N. Vinik (the “Principal Owner”), who is a limited partner of the Investment Adviser and also acts as the managing member of our general partner, Vinik Asset Management LLC, a Delaware limited liability company. Vinik Asset Management LLC has ultimate responsibility for our management, operations and investment decisions.

#### *JNV Partners LLC*

Our registration on Form ADV also covers JNV Partners LLC (the “Fund General Partner”), a limited liability company organized under the laws of the state of Delaware. The Fund General Partner is an affiliate of the Investment Adviser and it serves as the general partner of clients that are organized as U.S. partnerships. The Fund General Partner’s facilities and personnel are provided by the Investment Adviser. The Principal Owner controls, and is the principal owner of, the Fund General Partner.

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

This Brochure generally includes information about us and our relationships with our clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.

This Brochure does not constitute an offer to sell or a solicitation of an offer to buy any securities. The securities of any funds or other vehicles are offered and sold only on a private placement basis under exemptions promulgated under the Securities Act of 1933 (the “Securities Act”) and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in any fund or other vehicle, including requirements that they be “accredited investors,” as defined in Regulation D; “qualified clients,” as defined in the Investment Advisers Act of 1940 (the “Advisers Act”); “qualified purchasers,” as defined in the Investment Company Act of 1940; and/or non-“U.S. Persons,” as defined in Regulation S under the Securities Exchange Act of 1934 (the “Exchange Act”). Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any fund or other vehicle described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

### *Advisory Services*

We serve as the investment adviser, with discretionary trading authority, to pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each, a “Fund” and collectively, the “Funds”). Any use of the term “client” in this Brochure refers to the Funds.

The Funds include:

- Vinik Fund II LP, a Delaware limited partnership, and Vinik Partners II LP, a Delaware limited partnership (each, a “Domestic Fund” and, together, the “Domestic Funds”); and
- Vinik Offshore Fund II Ltd, a Cayman Islands exempted company (the “Offshore Fund”).

The Fund General Partner serves as the general partner of the Domestic Funds.

### *Investment Strategies and Types of Investments*

Our clients’ portfolios will predominantly invest by taking long and short positions in equity investments and other securities, including U.S. and international equities and broad market, industry-focused and fixed-income exchanged-traded funds (“ETFs”). Long positions will be taken in securities of companies or sectors that we believe to be attractively valued, with an emphasis on companies or sectors likely (in our view) to achieve earnings above consensus expectations. Short positions will be taken in the securities of companies or sectors that, in our view, are overvalued by the market, with an emphasis on companies or sectors likely (in our view) to achieve earnings below consensus expectations or showing deteriorating financial positions. We also intend to use ETFs and similar securities to hedge the portfolio.

Our investment strategy is based upon a research-intensive security selection process, which often includes direct contact with senior management at companies whose securities are being considered as potential investments. While attention is paid to general macro-economic and financial market conditions (with a macro overlay provided by us), we believe that the underlying stock selection process is the critical determinant to achieving superior investment results. We generally develop earnings models and/or valuation models for issuers in which clients invest.

In addition to the emphasis on fundamental analysis discussed above, we may also use technical analysis to screen for potential investments and to monitor current positions. Securities of all market capitalizations may be included in the portfolio, including small-to-mid capitalization companies. When deemed appropriate, the clients may engage in short-term trading to take advantage of opportunities in the financial markets.

We view short positions as profit opportunities for clients as well as a degree of protection against a declining market. The aggregate size of a client’s short position will vary from time to time. While we believe a net long bias is appropriate for the best long term capital

appreciation, we also feel that net short positions should be held when warranted by market conditions and/or specific investment opportunities.

From time to time, our clients, if and when we deem appropriate, may also invest in options, futures, warrants, convertible securities, government securities, corporate bonds (both investment grade and high yield), forward contracts and derivative instruments, including currency instruments.

The descriptions set forth in this Brochure of specific advisory services that we offer to our clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, even if not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines.

The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

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

Our investment decisions and advice with respect to each Fund will be subject to each Fund's investment objectives and guidelines, as set forth in its respective offering documents. If in the future we determine to offer separately managed accounts ("Managed Accounts"), the investment objectives and guidelines of the Managed Accounts would be determined in conjunction with the applicable client.

In our role as investment adviser to Funds, we and/or the Fund General Partner, in its role as the general partner of certain Funds that are partnerships, may from time to time in the future agree to supplements, clarifications, or variations of the terms of a Fund's offering, subscription, or organizational documents in "side letters" or similar agreements. If we determine that any of these side letters or agreements represents a variation that would be material to other investors, we would disclose it in an appropriate fashion.

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

We do not currently participate in any Wrap Fee Programs.

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

We manage, on a discretionary basis, approximately \$465,035,105 of client regulatory assets under management. This figure for regulatory assets under management was determined as of our initial closing on March 1, 2019.



## ITEM 5 FEES AND COMPENSATION

### A. Advisory Fees and Compensation

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below:

#### *Management Fee*

Generally, each Fund pays the Investment Adviser a quarterly fee for investment management services (the "Management Fee") that is between 0.125 and 0.5% (*i.e.*, 0.5% to 2% per annum) of the net asset value of each investor's capital account or series of shares (as applicable) as of the beginning of such fiscal quarter. The Management Fee is calculated and paid in advance but is amortized monthly over the quarter for which such Management Fee is paid.

The Management Fee will be prorated for any capital contribution, subscription or withdrawal by an investor that is effective other than as of the first day of a quarter. In the event of a withdrawal by an investor other than as of the last day of a quarter, the Investment Adviser will pay to the applicable Fund an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days remaining in such quarter, and the applicable Fund will distribute such amount to the withdrawing investor. In the sole discretion of the Fund General Partner, the Management Fee may be waived, reduced or calculated differently with respect to certain investors.

#### *Performance Compensation.*

Domestic Funds. Generally, at the end of each fiscal year of a Domestic Fund, the Investment Adviser is entitled to an incentive fee (the "Domestic Incentive Fee") in an amount between 20% and 30% of the net capital appreciation allocated to each investor's capital account over the Management Fee debited to such capital account for such fiscal year, subject to a loss carryforward mechanism.

Typically, the Incentive Fee will be determined as of the last day of a Domestic Fund's fiscal year. Any Domestic Incentive Fee accrued in respect of an investor's capital account will be paid to the Investment Adviser upon an interim year withdrawal or distribution from such capital account or in connection with the termination of the applicable Domestic Fund. In the sole discretion of the Investment Adviser, the Domestic Incentive Fee may be waived, reduced or calculated differently with respect to certain investors.

Offshore Fund. Generally, at the end of each fiscal year of the Offshore Fund, the Investment Adviser is entitled to an incentive fee (the "Offshore Incentive Fee," and together with the Domestic Incentive Fee, the "Performance Compensation") in an amount between 20% and 30% of the net realized and unrealized appreciation in the net asset value of each series of shares, adjusted for any redemption of shares in the series made during the year and any accruals of the Incentive Fee and subject to a loss carryforward mechanism.

Typically, the Offshore Incentive Fee will be determined as of the last day of the Offshore Fund's fiscal year. Any Offshore Incentive Fee accrued in respect of a series of shares will be paid to the Investment Adviser upon an interim year redemption of shares in such series. In the sole discretion of the Investment Adviser, the Offshore Incentive Fee may be waived, reduced or calculated differently with respect to certain investors.

## **B. Payment of Fees**

Fees and compensation paid to us or our affiliates by the Funds are generally deducted from the assets of such Funds. As discussed above, Management Fees are generally deducted on a quarterly basis and Performance Compensation is generally deducted on an annual basis.

## **C. Additional Fees and Expenses**

Each client bears its own expenses and its pro rata share of any trading vehicle's expenses, including the following: (i) Management Fee; (ii) Performance Compensation; (iii) expenses related to the research, due diligence and monitoring of actual and prospective investments (whether or not consummated) and the consummation of investments, including the following: third-party investment sourcing fees; fees and expenses related to obtaining research and market data (including any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data); due diligence expenses including consulting and appraisal fees; travel expenses; brokerage and prime brokerage and futures commission merchant fees, commissions and expenses; expenses relating to short sales; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and fees related to financings or refinancings; fees and expenses of proxy research and voting services; and fees and expenses of third-party professionals, including consultants, investment bankers, attorneys and accountants; (iv) organizational and reorganizational expenses; and (v) operational expenses, including the following: fees and expenses relating to information technology hardware, software or other technology (including costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organization or applicable law (including reporting obligations), facilitate and manage the order execution of securities or otherwise manage a Fund or any trading vehicle, such as Bloomberg terminals, portfolio management systems, risk management systems and order management systems; fees and expenses of third-party risk management products, models and services; third-party administrative fees and expenses; fees and expenses of third-party professionals, including consultants, valuation service providers, attorneys and accountants; the costs of any litigation or investigation involving activities of a Fund or any trading vehicle; third-party audit and tax preparation expenses; insurance expenses, including premiums for cybersecurity insurance and liability insurance covering the Investment Adviser, the Fund General Partner and their respective members, partners, officers, employees and agents, and each member of the board of directors (for the Offshore Fund); fees and expenses (including director registration fees) of a Fund and any trading vehicle's directors and officers (including any AML officers (for the Offshore Fund)); costs of preparing and distributing reports and notices; taxes; expenses incurred in connection with negotiating and complying with provisions of any side letter agreement; fees and expenses related to compliance with the rules of any self-regulatory organization or

applicable law in connection with the activities of a Fund or any trading vehicle, including any governmental, regulatory, licensing, filing or registration fees or taxes (including Cayman Islands Monetary Authority registration or other fees (for the Offshore Fund) and fees and expenses incurred in connection with the preparation and filing of Form PF, Annex IV, Section 13 filings, Section 16 filings and other similar regulatory filings); expenses incurred in connection with the offering and sale of a Fund's interests and other similar expenses related to a Fund; extraordinary expenses, including the following: indemnification expenses; fees and expenses incurred in connection with any tax audit by any taxing authority, including any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, dissolution, winding-up or termination of a Fund or any trading vehicle.

#### **D. Prepayment of Fees**

Generally, each client pays us a Management Fee for investment management services quarterly in advance based on the net asset value of such client. In the event that a client's net asset value is reduced in connection with a withdrawal or redemption by an investor of such client other than as of the last day of a quarter, we will pay such client an amount equal to the pro rata portion of the Management Fee, based on the actual number of days remaining in such quarter, and such client will distribute such amount to the affected investor.

#### **E. Additional Compensation and Conflicts of Interest**

Neither the Investment Adviser nor any of its supervised persons, acting within the scope of his or her position with the Investment Adviser, accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

As is disclosed in Section 7.A. (Financial Industry Affiliations) of our Form ADV Part 1A and in Item 10 (Other Financial Industry Activities and Affiliations) of this Brochure, Gerard J. Coughlin, co-President of the Investment Adviser, Leslie J. Osborn, Chief Compliance Officer of the Investment Adviser, and Christopher J. Capozzalo, Chief Operating Officer of the Investment Adviser, are associated with Oakpoint Solutions, LLC ("Oakpoint Solutions"), a registered limited purpose broker dealer that only provides placement agent and marketing services (Oakpoint Solutions does not provide research, execution, or investment banking services). In their capacity as registered representatives and principals of Oakpoint Solutions, Mr. Coughlin, Ms. Osborn and Mr. Capozzalo may be deemed to have received compensation for the sale of securities or other investment products for activities of Oakpoint Solutions that are not related to the Investment Adviser, the Funds, or their respective businesses. While such compensation could pose a conflict of interest in terms of allocations of time and resources, the Investment Adviser does not engage Oakpoint Solutions in its capacity as a placement agent or marketer.

**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We and our affiliates accept performance-based compensation from every client. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

**ITEM 7**  
**TYPES OF CLIENTS**

We provide investment advice to the Funds, as described above.

As discussed above, we may in the future provide investment advice to Managed Accounts for institutional and other investors.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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

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

Our clients' portfolios will predominantly invest by taking long and short positions in equity investments and other securities, including U.S. and international equities and ETFs. Long positions will be taken in securities of companies or sectors that we believe to be attractively valued, with an emphasis on companies or sectors likely (in our view) to achieve earnings above consensus expectations. Short positions will be taken in the securities of companies or sectors that, in our view, are overvalued by the market, with an emphasis on companies or sectors likely (in our view) to achieve earnings below consensus expectations or showing deteriorating financial positions. We also intend to use ETFs and similar securities to hedge the portfolio.

Our investment strategy is based upon a research-intensive security selection process, which often includes direct contact with senior management at companies whose securities are being considered as potential investments. While attention is paid to general macro-economic and financial market conditions (with a macro overlay), we believe that the underlying stock selection process is the critical determinant to achieving superior investment results. We generally develop earnings models and/or valuation models for issuers in which clients invest.

In addition to the emphasis on fundamental analysis, discussed above, we may also use technical analysis to screen for potential investments and to monitor current positions.

Securities of all market capitalizations may be included in the portfolio, including small-to-mid capitalization companies. When deemed appropriate, the clients may engage in short-term trading to take advantage of opportunities in the financial markets.

We view short positions as profit opportunities for clients as well as a degree of protection against a declining market. The aggregate size a client's short position varies from time to time. While we believe a net long bias is appropriate for the best long term capital appreciation, we also feels that net short positions should be held when warranted by market conditions and/or specific investment opportunities.

From time to time, our clients, if and when we deem appropriate, may also invest in options, futures, warrants, convertible securities, government securities, corporate bonds (both investment grade and high yield), forward contracts and derivative instruments, including currency instruments

This section summarizes key features of our investment program. Please refer to the applicable client's governing documents for additional details of the investment program.

## **B. Material, Significant or Unusual Risks Relating to Investment Strategies**

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

Investors and prospective investors should carefully consider the risks involved in an investment in a Fund, including those discussed below. Additional or new risks not addressed below may affect a Fund. The following list of risk factors cannot be and is not intended to be exhaustive. Investors and prospective investors should consult their own legal, tax and financial advisers about the risks of an investment in a Fund. The following risk factors and other relevant risks could have a material adverse effect on the Funds and the investments therein.

Investment and Due Diligence Process. Before making investments, the Investment Adviser will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Investment Adviser may be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, the Investment Adviser will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Investment Adviser at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

Counterparty Risk. The Investment Adviser expects to establish relationships for its clients to obtain financing, derivative intermediation and prime brokerage services that permit its clients to trade in a variety of markets or asset classes over time. However, there can be no assurance that the Investment Adviser will be able to establish or maintain such relationships on behalf of its clients. An inability to establish or maintain such relationships could limit clients' trading activities, create losses, preclude clients from engaging in certain transactions or prevent clients from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Investment Adviser's and the clients' business due to clients' reliance on such counterparties.

The Investment Adviser may cause clients to effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, the Investment Adviser causes clients to enter into a contract directly with dealer counterparties which may expose such clients to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, clients will likely have, from time to time, a concentrated risk in certain counterparties, which may mean that if such counterparty were to become

insolvent or have a liquidity problem, losses would be greater than if the Investment Adviser had caused its clients to enter into contracts with multiple counterparties. Certain OTC derivative contracts require that the clients post collateral.

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

Collateral that the Investment Adviser causes clients to post to their counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such clients. In the event that a counterparty were to become insolvent, clients may become subject to the risk that they may not receive the return of posted collateral or that such collateral may take some time to return.

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

Outsourced Services --General. Oakpoint LLC ("Oakpoint"), a financial industry operational services firm owned and controlled by Gerard Coughlin, provides substantially all of the Investment Adviser's operations, administrative, accounting, investor relations and compliance functions, on an outsourced basis. This means that, other than investment analysis, trading decisions and legal support, substantially all of the key functions of the Investment Adviser will be provided by a third party under a commercially reasonable, arm's-length contract. This differs from the practices of many asset managers, which rely on employees of the adviser and its affiliates to perform all or most of the key functions attendant to the operation of a complex regulated business. While the fact that Oakpoint is controlled by the Investment Adviser's co-President (Mr. Coughlin) serves, in the Investment Adviser's opinion, as a significant mitigation of any such risks, prospective investors should consider the risks inherent



in a structure where the Investment Adviser's principal does not exert direct control or oversight over the individuals carrying out key operational and other tasks.

*--Engagement Terms.* Oakpoint may be engaged to provide certain supplemental services to one or more of the Investment Adviser's clients, and the compensation for such services would be an expense of such client. Because of Mr. Coughlin's role as co-President, any such engagement of Oakpoint would give rise to a conflict of interest. Although the Investment Adviser would take steps to mitigate this conflict, the risks created by such a conflict might not be able to be completely eliminated.

*--Conflicts of Multiple Clients.* Oakpoint has, and will continue to have, clients other than the Investment Adviser and the Funds. These other demands could place limitations on, or reduce the responsiveness of, Oakpoint and result in harm to the Investment Adviser's clients (as compared to the service levels possible with a dedicated workforce). In addition, Oakpoint's trading restrictions will be applicable to the Investment Adviser's clients, which may result in a smaller universe of investment opportunities and the risk of being "frozen" into a position, all of which could negatively affect the performance of such clients. It is not currently anticipated that any such restrictions will apply to any securities a client will hold or will be seeking to buy.

Competition; Availability of Investments. Certain markets in which the Investment Adviser causes clients to invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Investment Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments.

Litigation Risk. The Investment Adviser and/or a client could be a party to lawsuits either initiated by it, or by a company in which the a client invests, other investors of such company, or U.S. federal, state and non-U.S. governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the Investment Adviser and/or its clients.

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

Currency Exchange Exposure. The Investment Adviser may cause clients to invest in securities denominated in currencies other than the U.S. dollar. The Investment Adviser values its clients' securities in U.S. dollars. The Investment Adviser may or may not seek to hedge clients' non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Investment Adviser wishes to use them, or that hedging techniques employed by the Investment Adviser on behalf of its clients will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of client positions denominated in currencies other than the U.S. dollar will fluctuate with U.S. dollar

exchange rates as well as with the price changes of the investments in the various local markets and currencies.

### *Risks Relating to Investment Strategies*

Risk of Loss. No guarantee or representation is made that a client's investment program, including a client's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time.

No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of investments made by the investment professionals of the Investment Adviser are not necessarily indicative of their future performance.

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

Short Selling. The success of the short selling investment strategy that the Investment Adviser pursues for its clients depends upon the Investment Adviser's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to clients of buying those securities to cover the short position. There can be no assurance that clients will be able to maintain the ability to borrow securities sold short. In such cases, clients can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and clients may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Investment Adviser causes its clients to secure a "good borrow" of the security sold short at the time of execution, the lending

institution may recall the lent security at any time, thereby forcing clients to purchase the security at the then-prevailing market price, which may be higher than the price at which the Investment Adviser originally caused clients to sell the security short.

Short-term Market Considerations. The Investment Adviser's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

Leverage and Borrowing -- Leverage for Investment Purposes. The use of leverage will allow the Investment Adviser to cause its clients to make additional investments, thereby increasing clients' exposure to assets, such that their total assets may be greater than their capital. However, leverage will also magnify the volatility of changes in the value of client portfolios. The effect of the use of leverage by the Investment Adviser on behalf of its clients in a market that moves adversely to clients' investments could result in substantial losses to clients, which would be greater than if clients were not leveraged.

-- *Borrowing for Cash Management Purposes.* The Investment Adviser also has the authority to cause its clients to borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which the Investment Adviser will cause its clients to borrow will affect such clients' operating results.

-- *Collateral.* The instruments and borrowings utilized by the Investment Adviser to leverage client investments may be collateralized by all or a portion of client portfolios. Accordingly, the Investment Adviser may cause a client to pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure such clients' margin accounts decline in value, those clients could be subject to a "margin call," pursuant to which the Investment Adviser must cause those clients to either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to clients can apply essentially discretionary margin, "haircut," financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to clients may have similar rights. There can be no assurance that the Investment Adviser will be able to secure or maintain adequate financing for its clients.

-- *Costs.* Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on client portfolios.

-- *Lending of Portfolio Securities.* The Investment Adviser may require clients to lend securities on a collateralized and an uncollateralized basis from client portfolios to creditworthy securities firms and financial institutions. While a securities loan is outstanding, clients will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in

receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Diversification and Concentration. The Investment Adviser may select investments that are concentrated in a limited number or types of securities. Similarly, client portfolios may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

Lack of Control. The Investment Adviser will cause clients to invest in equity securities of companies that it does not control, which clients will acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Investment Adviser does not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve its clients' interests. In addition, the Investment Adviser may cause clients to share control over certain investments with co-investors, which may make it more difficult for the Investment Adviser to implement its investment approaches or exit the investment when it would otherwise cause its clients to do so. The occurrence of any of the foregoing could have a material adverse effect on clients and the investors' investments therein.

Hedging Transactions. The Investment Adviser may cause clients to utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of clients' investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect clients' unrealized gains in the value of their investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in client portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any clients' securities; (vii) protect against any increase in the price of any securities the Investment Adviser anticipates causing clients to purchase at a later date; or (viii) act for any other reason that the Investment Adviser deems appropriate. The Investment Adviser will not be required to cause clients to hedge any particular risk in connection with a particular transaction or portfolios generally. Moreover, the Investment Adviser may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Investment Adviser may cause clients to enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for clients than if they had not engaged in any such hedging transaction. Moreover, client portfolios will always be exposed to certain risks that cannot be hedged.

Discretion of the Investment Adviser; New Strategies and Techniques. While the Investment Adviser will generally seek to employ the representative investment strategies and techniques discussed herein, the Investment Adviser (subject to the policies and control of the Board of Directors or General Partner of a Fund, as applicable) has considerable discretion in the types of securities that clients may trade and has the right to modify the investment strategies and techniques used to invest the assets of client portfolios without the consent of clients or Fund investors. New investment strategies and techniques may not be thoroughly tested in the market

before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to clients. In addition, any new investment strategy or technique developed by the Investment Adviser may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Fund.

**Volatility Risk.** The investment program that the Investment Adviser pursues on behalf of its clients will involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such investments and/or markets can adversely affect the value of securities held by clients.

**Credit Ratings.** In general, the credit rating assigned by a nationally recognized rating agency to a security represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Clients can be expected to incur losses if the Investment Adviser causes such clients to make investments based on credit ratings that subsequently change in a way not favorable to the clients' investment objective.

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

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

In addition, if the Investment Adviser causes clients, acting alone or as part of a group, to acquire beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), such clients may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances clients will be prohibited from entering into a short position in such issuer’s securities, and therefore have limited ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

### *Risks Relating to Methods of Analysis*

Risk Management Danger. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be subject to misinterpretation. In the complex environment in which the Investment Adviser operates, effective risk management depends upon many factors, not all of which may be properly identified, and effective assessment, analysis, process creation, control or treatment of risks could be difficult to implement.

Involuntary Disclosure Risk. The ability of the Investment Adviser to achieve its investment goals for a client is dependent in large part on its ability to develop and protect its proprietary research. The proprietary research is largely protected by the Investment Adviser through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer the Investment Adviser’s research, and thereby impair the relative or absolute performance of the clients.

Proprietary Trading Methods. Because the trading methods employed by the Investment Adviser on behalf of its clients are proprietary to the Investment Adviser, an investor will not be able to determine any details of such methods or whether they are being followed.

Fundamental Analysis. Certain trading decisions made by the Investment Adviser may be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to the Investment Adviser’s trading strategies (that it pursues on behalf of its clients), the Investment Adviser may not be able to realize its clients’ investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Investment Adviser misinterprets the meaning of certain data, clients may incur losses.

### *Risks Relating to Market Conditions Generally*

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

Governmental Interventions. Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the clients' strategies.

Potential Interest Rate Increases. The United States has experienced a decade-long period of historically low interest rate levels. Recently, however, short-term and long-term interest rates have begun to rise. The recovery of the U.S. economy, recent changes in U.S. government policy, including the tapering of the U.S. Federal Reserve Board's quantitative easing program, and increases in the federal funds rate, increase the risk that interest rates will rise in the future. Any future interest rate increases may result in periods of volatility and cause the value of the fixed-income securities held by client portfolios to decrease, which may result in substantial redemptions from Fund investors that, in turn, force the Investment Adviser to liquidate client holdings in such securities at disadvantageous prices negatively impacting the performance of client portfolios.

Rise of High-Frequency Trading. In recent years, high-frequency trading has increased, which has raised questions about the impact high-frequency trading has on financial markets generally. Though the increase in high-frequency trading has been correlated with increased market liquidity, this purported liquidity may be illusory and high-frequency trading may be the cause of reductions in true liquidity and certain instances of extreme volatility. Opponents of high-frequency trading argue that it exploits the work of active traders, has reduced the number of active traders and has resulted in increased execution costs. The effects of high-frequency trading on specific trades or markets generally may adversely affect the Investment Adviser's ability to effect the trading strategy that the Investment Adviser pursues on behalf of its clients.

Brexit. The United Kingdom has notified the European Council of its intention to withdraw from the European Union. The ongoing withdrawal process could cause an extended period of uncertainty and market volatility, not just in the United Kingdom but throughout the

European Union, the European Economic Area and globally. It is not possible to ascertain the precise impact these events may have on a client or the Investment Adviser from an economic, financial or regulatory perspective but any such impact could have material consequences for a client.

MiFID II. The package of European Union market infrastructure reforms known as “MiFID II,” in effect from January 3, 2018, is expected to have a significant impact on the European capital markets.

MiFID II increases regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II has brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets, and may result in significant increases in transaction costs.

Other regulatory changes, such as an increase in the scope of commodities and commodity derivatives regulation, including position limits and position management powers could similarly lead to liquidity reduction and/or an increase in costs and spreads in the European commodities markets.

Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on the ability of the Investment Adviser to execute the client’s investment program.

#### *Risks Relating to Specific Sectors and Types of Companies*

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

### **C. Risks Associated With Particular Types of Securities**

We do not recommend a particular type of investment instrument to the Funds, but rather, we recommend and invest in multiple investment instruments. Given the broad discretion we have in managing the Funds, any one or more of the risks listed in the previous section may be incurred by our clients.



However, because it may be useful in understanding our investment program, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized within client portfolios:

*Risks Relating to Specific Investments*

Equity Securities Generally. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, clients may suffer losses if the Investment Adviser causes them to invest in equity instruments of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Investment Adviser has not hedged client portfolios against such a general move. Clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Exchange-Traded Funds. Exchange-traded funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of a client's expenses (e.g., Management Fees and operating expenses), Fund investors may also indirectly bear similar expenses of an ETF.

U.S. Treasury Obligations. The Investment Adviser, on behalf of its clients, may invest in ETFs or other securities investing in or tracking U.S. Treasury obligations. U.S. Treasury obligations may differ from other securities in their interest rates, maturities, times of issuance and other characteristics and may provide relatively lower returns than those of other securities. Similar to other issuers, changes to the financial condition or credit rating of the U.S. government may cause the value of any investments related to U.S. Treasury obligations to decline.

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

These factors may contribute to substantial price volatility for such securities and, thus, for the value of client portfolios.

Preferred Stock. Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

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

American Depositary Receipts and Global Depositary Receipts. American Depositary Receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by non-U.S. issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts ("GDRs") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on non-U.S. stock exchanges or non-U.S. over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale of disposition proceeds, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

Convertible Securities. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a client is called for redemption, the Investment Adviser, acting on

behalf of its client, will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Investment Adviser's ability to achieve the client's investment objective.

Repurchase and Reverse Repurchase Agreements. In a reverse repurchase transaction, the Investment Adviser, on behalf of a client, "buys" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid Investment Adviser, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements involves certain risks. For example, if the seller of securities to a client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Investment Adviser, on behalf of a client, will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the client's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that a client may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, a client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

Restricted Securities. Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by the Investment Adviser on behalf of a client. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

Investments in Unlisted Securities. The Investment Adviser, on behalf of a client, may invest in unlisted securities. Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Investment Adviser, on behalf of its clients, are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other

factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Debt Securities. Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Market Making by Dealers. The value of clients' fixed-income investments will be affected by general fixed income market conditions, such as the volatility and liquidity of the fixed income market, which are affected by the ability of dealers to "make a market" in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes, such as capital requirements, and is expected to continue. As dealers' inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed income market, which could impair the profitability of client portfolios or result in losses.

Interest Rate Risk. Changes in interest rates can affect the value of clients' investments in fixed-income instruments. Increases in interest rates may cause the value of clients' debt investments to decline. Clients may experience increased interest rate risk to the extent that the Investment Adviser causes such clients to invest, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact client portfolios in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular

investments may underperform relative to hedges that the Investment Adviser may have constructed for these investments, resulting in a loss to clients' overall portfolios. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Sovereign Debt. Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued ("Sovereign Debt"), including securities that the Investment Adviser believes are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt and (iii) the inclusion of Sovereign Debt in future restructurings, including such issuer's (x) balance of trade and access to international financing, (y) cost of servicing such obligations, which may be affected by changes in international interest rates, and (z) level of international currency reserves, which may affect the amount of non-U.S. exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Illiquid Portfolio Securities. The Investment Adviser, on behalf of its clients, may invest in securities that may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Investment Adviser, on behalf of its clients, may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Investment Adviser, on behalf of its clients, may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, a client may be required to hold such securities despite adverse price movements. Even those markets which the Investment Adviser expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Derivative Instruments. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which the Investment Adviser may cause clients to participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on clients.

Regulation in the Derivatives Industry. There are many rules related to derivatives that may negatively impact client, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance

obligations of the Investment Adviser and clients, and increase the amount of time that the Investment Adviser spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to clients.

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

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

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

The following describes derivatives regulations that may have the most significant impact on client portfolios:

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

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

also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for clients in many respects (for instance, they may reduce the counterparty risk to the dealers to which clients would be exposed under non-cleared derivatives), clients could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and, as a result, the Investment Adviser may not be able to hedge the clients' risks or express an investment view as well as they would have been able to had it used customizable derivatives available in the over-the-counter markets. The Investment Adviser may have to split clients' derivatives portfolios between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

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

Although standardized clearing for derivatives is intended to reduce counterparty risk (for instance, it may reduce the counterparty risk to the dealers to which clients would have been exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and clients' FCM, subjecting clients to the risk that the assets of the FCM are insufficient to satisfy all of the FCM's payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

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

The EU regulatory framework governing derivatives is set not only by EMIR but also a legislative package known as a recast of the Markets in Financial Instruments Directive ("MiFID

II”). Among other things, MiFID II requires transactions in derivatives to be executed on regulated trading venues. The SEC has yet to finalize rules related to security-based swap execution facilities.

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

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

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

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

Uncovered option writing (i.e., selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant



loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the reference price or value of the underlier declines below the exercise price by more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

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

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

Credit Default Swaps. Credit default swaps can be used to implement the Investment Adviser's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, the Investment Adviser may cause clients to sell credit default protection in which clients receive a premium to take on the risk. In such an instance, the obligation of clients to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Investment Adviser may also cause its clients to buy credit default protection with respect to a referenced entity if, in the Investment Adviser's judgment, there is a high likelihood of credit deterioration. In such instance, clients will pay a premium regardless of whether there is a credit event.

Futures Contracts. The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which clients' positions trade or of their clearinghouses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a

single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Investment Adviser from promptly liquidating clients' unfavorable positions and subject clients to substantial losses or prevent them from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Forward Contracts. The Investment Adviser may cause clients to enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of client portfolios. In causing clients to engage in forward trading, the Investment Adviser will subject clients to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Investment Adviser causes clients to trade. Client assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Investment Adviser may order trades for clients in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject clients to the risk of loss.

Contracts for Differences. Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any financial instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the posting of additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation

between the return on clients' obligation to the applicable counterparties under the CFDs and the return on related assets in such clients' portfolios, the CFD transactions may increase clients' financial risk.

Failure to Enter into Offsetting Trade. To the extent that the Investment Adviser causes a client to invest in a futures contract or long option, unless an offsetting trade is made, the client would be required to take physical delivery of the commodity underlying the future or option. To the extent the Investment Adviser fails to enter into such offsetting trade prior to the expiration of the contract, a client may suffer a loss since neither the client nor the Investment Adviser has the operational capacity to accept physical delivery of commodities.

#### *Risks Relating to Non-U.S. Investments and Non-U.S. Jurisdictions*

Non-U.S. Exchanges. The Investment Adviser may cause its clients to trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks of investments in non-U.S. securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

Non-U.S. Investments. Investing in the securities of companies (and, from time to time, governments) outside of the United States may involve certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. may not be as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Investment Adviser may be unable to structure client transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce clients' rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC, the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to clients under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in a Fund. Prospective investors are urged to consult their own advisers before deciding to invest in a Fund.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

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

**ITEM 10**  
**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**A. Broker-Dealer Registration Status**

Gerard J. Coughlin (CRD#: 1792909), co-President of the Investment Adviser, Leslie J. Osborn (CRD#: 4580474), Chief Compliance Officer of the Investment Adviser, and Christopher J. Capozzalo (CRD#: 4464924), Chief Operating Officer of the Investment Adviser, are currently registered representatives of and hold other positions with a registered limited purpose broker-dealer, Oakpoint Solutions.

**B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

We and our management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities. We have filed with the National Futures Association for an exemption from the obligation to register as a commodity pool operator.

**C. Material Relationships or Arrangements with Industry Participants**

We have entered into an agreement with Oakpoint pursuant to which Oakpoint provides middle and back office services to us and our clients, including operations, administrative, accounting, investor relations and compliance support. Gerard J. Coughlin, co-President of the Investment Adviser, founded Oakpoint and currently serves as Managing Partner of Oakpoint. As a result, Mr. Coughlin has a conflict of interest with respect to (1) any contract or arrangement between us and/or our clients and Oakpoint and (2) any other business decisions that could impact us or our clients' relationships with Oakpoint.

Generally, fees due to Oakpoint for services rendered to a client are borne by us and not clients or investors. We may, however, engage Oakpoint for other supplemental projects or services (e.g., tax return preparation, regulatory filing preparation) not set forth above relating to a Fund, the expenses of which may be borne by a Fund in accordance with the expense provisions set forth in such Fund's offerings documents; any such arrangement will be at least as favorable to our clients as what would be available from unaffiliated third-party providers. We will be subject to any trading restrictions to which Oakpoint is subject as a result of Oakpoint's relationship with certain of its other clients. As a result, we may be restricted from buying or selling securities for such period of time as Oakpoint is restricted. It is not currently anticipated that any such restrictions will apply to any securities a client will hold or will be seeking to buy.

**D. Material Conflicts of Interest Relating to Other Investment Advisers**

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

**ITEM 11**  
**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS  
AND PERSONAL TRADING**

**A. Code of Ethics**

In recognition of our fiduciary obligations, and to comply with SEC Rule 204A-1, we have adopted a Code of Ethics (the “Code”) that governs several categories of personal transactions for our covered personnel. Clients may request a copy of the Code by contacting us at the address or telephone number listed on the first page of this document.

Among other things, the Code requires pre-approval for a wide range of personal securities transactions; mandates reporting of personal account holdings and transactions; sets forth certain limits, reporting and pre-approval requirements for business-related gifts and entertainment; requires pre-approval of political contributions; and requires disclosures of outside business activities.

**B. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients**

The Code places restrictions on, among other activities, personal trades by employees, and requires that they disclose their personal securities holdings and transactions to us on a periodic basis, and requires that employees pre-clear many types of personal securities transactions. In particular, our employees may not engage in personal trading of listed equities without the specific approval of the Chief Compliance Officer. However, related persons may purchase and sell mutual funds, ETFs that are broad market based, industry-focused or commodity-linked. Some clients may invest in the same or similar mutual funds and ETFs.

We, our affiliates and our employees may give advice or take action for our own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients, which we seek to address through our pre-approval requirements. Potential conflicts also may arise due to the fact that we and our personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

We have established policies and procedures to monitor and resolve related conflicts with respect to investment opportunities in a manner we deem fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

**C. Conflicts of Interest Created by Contemporaneous Trading**

We manage investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. In general, we will have no obligation to purchase or sell a security for, enter into a

transaction on behalf of, or provide an investment opportunity to any client solely because we purchase or sell the same security for, enter into a transaction on behalf of, or provide an opportunity to any client if, in our reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

It will be our policy to allocate investment opportunities among our clients on a fair and equitable basis, to the extent practical and in accordance with our clients' applicable investment strategies, over a period of time. Investment opportunities will generally be allocated among those clients for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: (i) whether the risk-return profile of the proposed investment is consistent with a client's objectives; (ii) the potential for the proposed investment to create an imbalance in a client's portfolio; (iii) the liquidity requirements of a client; (iv) potentially adverse tax consequences; (v) regulatory restrictions that would or could limit an client's ability to participate in a proposed investment; and (vi) the need to re-size risk in an client's portfolio.

#### **D. Securities in which the Investment Adviser or a Related Person May Have a Material Financial Interest**

##### *Cross Trades*

We may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. (We expect to be effecting rebalancing Cross Trades on a frequent basis.) When we decide to engage in a Cross Trade, we only do so if we have determined that the trade is in the best interests of each client involved and we take steps to ensure that the transaction is consistent with the duty to seek best execution for each of those clients. A Cross Trade between two clients generally occurs as an "internal cross," where we instruct the custodian for the clients to book the transaction at the price determined in accordance with our valuation policy. If we effect an internal cross, we will not receive any fee in connection with the completion of the transaction.

##### *Principal Transactions*

To the extent that Cross Trades may be viewed as principal transactions due to our, or our personnel's, ownership interest in a client or a client account (which is currently the case with our rebalancing Cross Trades, due to the high level of ownership by our personnel in one of the Funds), we will comply with the requirements of Section 206(3) of the Advisers Act. Section 206(3) requires that an investment adviser provide written disclosure and obtain client consent prior to the settlement of a principal transaction.



## ITEM 12 BROKERAGE PRACTICES

### A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions

As noted previously, we have full discretionary authority to manage the Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid, although our authority may be limited by each Fund's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to us and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other things, the following:

- the ability of the brokers and dealers to effect a transaction;
- the brokers' or dealers' facilities, reliability and financial responsibility; and
- the provision by the brokers of research, access to company management, access to deal flow, capital introduction, talent introduction, marketing assistance, and consulting with respect to technology, operations and equipment.

Accordingly, the prices and commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. We need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost or spread.

We maintain policies and procedures to review the quality of executions, including – as noted below – periodic reviews by our investment professionals.

#### *Research and Other Soft Dollar Benefits*

From time to time, we may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting client transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. We will effect such transactions, and receive such brokerage and research services, only to the extent that they fall 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). We believe it is important to our investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), we may use research products or services obtained with “soft dollars” generated by one or more clients to service one or more other clients, including clients that may not have paid for the soft dollar benefits. We will not seek to allocate soft dollar benefits to clients in proportion to the soft dollar credits the clients generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to us (i.e., a “mixed use” item), we will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of our allocation of the costs of such benefits and services between those that primarily benefit us and those that primarily benefit the clients.

When we use brokerage commissions (or markups or markdowns) generated by any clients to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for such products or services. While we are obligated to seek best execution for each client, the fact that we can obtain or receive such products or services may create an incentive for us to select or recommend a particular broker-dealer based on our interests, to the exclusion of another broker-dealer that offers business terms that are also favorable to one or more clients.

At least annually, we consider the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempt to allocate a portion of the brokerage business of the Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will we make binding commitments as to the level of brokerage commissions we will allocate to a broker-dealer, nor will we commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

#### *Brokerage for Client Referrals*

Neither we nor any related person receives client referrals from any broker-dealer or third party. However, subject to our duty to seek best execution, we may consider, among other things, capital introduction and marketing assistance with respect to clients and investors in the Funds in selecting or recommending broker-dealers for our clients.

#### *Directed Brokerage*

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

#### *Order Aggregation*

If we determine that the purchase or sale of a security is appropriate with regard to one client and any other client, we may, but are not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to

the extent permitted by applicable law. (At present, most of our trades are placed as aggregated trade orders that are then allocated among our Clients.) When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated pro rata based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by us. In the event of a partial fill, allocations may be modified on a basis that we deem to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty that we select. As a result, certain trades in the same security for one client (including a client in which we and our personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

**ITEM 13**  
**REVIEW OF ACCOUNTS**

**A. Frequency and Nature of Review of Client Accounts or Financial Plans**

We monitor each client's portfolio on a daily basis and may conduct more formal reviews from time to time. Such monitoring is conducted and such reviews would generally be conducted by our Chief Investment Officer and the analysts who report to him.

**B. Factors Prompting Review of Client Accounts Other than a Periodic Review**

A review of a client account may be triggered by any unusual activity or special circumstances.

**C. Content and Frequency of Account Reports to Clients**

We generally provide annual audited financial statements to our clients within 120 days of the applicable client's fiscal year end.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

**A. Economic Benefits for Providing Services to Clients**

We do not receive economic benefits from non-clients for providing investment advice and other advisory services.

**B. Compensation to Non-Supervised Persons for Client Referrals**

Neither we nor any of our related persons directly or indirectly compensate any person who is not a supervised person, including placement agents, for client referrals.

## **ITEM 15**

### **CUSTODY**

Because we have the authority to obtain client funds or securities from a client account, we are subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”); however, we are not required to comply (or we are deemed to have complied) with certain requirements of the Custody Rule with respect to the Funds because we comply with the provisions of the so-called “Pooled Vehicle Annual Audit Exception” and therefore we will (1) arrange for each Fund to undergo a financial statements audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board and (2) distribute the audited financial statements to all investors within 120 days of the end of that Fund’s fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

We serve as the management company with discretionary trading authority for each Fund. We, or one of our affiliates, have entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which we (or any applicable affiliate) has been granted discretionary trading authority. Our investment decisions and advice with respect to each client are subject to each client's investment objectives and guidelines, as set forth in its offering documents.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In compliance with Advisers Act Rule 206(4)-6, we have adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “Proxies”) in a prudent and diligent manner that will serve the applicable client’s best interests and is in line with each client’s investment objectives.

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

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

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

Conflicts of interest may arise between the interests of the clients on the one hand and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures. Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.



**ITEM 18**  
**FINANCIAL INFORMATION**

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