

Mizuho Alternative Investments, LLC  
Part 2A of Form ADV  
The Firm Brochure

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*This brochure provides information about the qualifications and business practices of Mizuho Alternative Investments, LLC. If you have any questions about the contents of this brochure, please contact us at [mai.compliance@mizuhogroup.com](mailto:mai.compliance@mizuhogroup.com) or (212) 282-4739. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Mizuho Alternative Investments, LLC is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Mizuho Alternative Investments, LLC is registered with the United States Securities and Exchange Commission as an investment adviser. Registration does not imply a certain level of skill or training.*

## **Item 2. Material Changes**

This brochure contains information about Mizuho Alternative Investments, LLC (“MAI” or the “Adviser”), including material changes to the brochure since the previous annual update in March 2019 as follows:

- Item 4 *Advisory Business* was revised to update the assets under management of MAI.
- Mr. Tetsuji Toda was appointed Chief Executive Officer (“CEO”) following the departure of MAI’s previous CEO, Masanobu Yamaguchi, on April 1, 2019. This change was due to a routine transfer effected by MAI’s ultimate parent company – Mizuho Financial Group, Inc. It is a common practice of Japanese companies to transfer Japanese expatriate staff, such as MAI’s former CEO, from overseas offices and replace them with new expatriate staff from Japan. Biographical information for MAI’s new CEO has been added to the Brochure Supplement.
- Mr. Christopher F. Crawford, MAI’s Chief Operating Officer (“COO”), left MAI to pursue other opportunities in the investment management industry on May 3, 2019.

(May 10, 2019)

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#### **Item 4. Advisory Business**

MAI was founded in 2007 and was owned by Mizuho Bank, Ltd. (“MHBK”), a bank headquartered in Tokyo, Japan, and Mizuho Securities Company, Ltd. (“MSC”), a broker-dealer headquartered in Tokyo, Japan. Effective July 1, 2016, as a result of reorganization of Mizuho’s US based entities into a US bank holding company, MAI became wholly owned by Mizuho Americas LLC, a newly established US bank holding company (“BHC”) of the Mizuho Financial Group, Inc. (“Mizuho Group”), a publicly traded company listed on the Tokyo Stock Exchange and New York Stock Exchange (American Depository Receipts). BHC, as the sole shareholder of MAI, has the legal authority to exercise control over MAI’s operations. As of March 31, 2019, MAI had regulatory assets under management of approximately \$1.08 billion on a discretionary basis. In addition, as of December 31, 2018, MAI provided non-discretionary investment advisory, portfolio monitoring and consulting services and investment model licensing of approximately \$4.83 billion in assets to a number of clients for whom MAI does not have regulatory assets under management, including the CLO portfolio of MHBK, which was \$4.74 billion.

MAI serves as an investment adviser to clients as described further herein. MAI is dedicated to the development or sourcing and implementation of quantitative investment strategies and also provides advisory services with respect to collateralized debt obligations. Currently all of MAI’s discretionary advisory clients are pooled investment vehicles. Private investment funds (each, a “Private Fund”), generally established in the Cayman Islands as unit investment trusts, private investment partnerships or investment companies, retain MAI as an investment adviser or sub-adviser. In addition, MAI acts as sub-adviser to an investment fund that is registered under the Investment Company Act of 1940, as amended (the “Registered Fund” and together with the Private Funds, the “Funds”).

The Funds invest or participate in investments in exchange-traded financial and commodity futures contracts, options, exchange-traded funds (“ETFs”), over-the-counter (“OTC”) derivatives, and other securities and financial instruments, including government bonds and cash and cash equivalents. In providing the above-referenced services to each Fund, MAI formulates investment objective(s) and strategy(ies), directs and manages the investment and reinvestment of Fund assets, and reports investment performance information to each Fund. MAI provides investment advice to each Fund directly, but not to the investors of Funds individually. MAI manages the assets of each Fund in accordance with the terms of the governing documents that are applicable to each Fund. In addition, MAI provides non-discretionary investment advisory and/or portfolio monitoring services to MHBK with respect to a portfolio of assets maintained in a separate account by its parent company.

MAI also provides non-discretionary investment advisory, portfolio monitoring, consulting services, platform management services and investment model licensing for which it receives fees. With respect to private fund platforms for which MAI acts as a sub-adviser or sub-investment manager, MAI provides various additional platform-related operational services and provides support in the maintenance of the portfolios on the relevant platform. Such support services include, but are not limited to, assistance in the maintenance of such platform’s service provider relationships, order management system support, development and maintenance of bank risk premia database, investor relations support services, such as investor reporting, and certain other operational services. MAI also provides (i) research services; (ii) advisory services related to the construction and use of risk premia strategies in investment portfolios; and (iii) licenses to use its proprietary algorithms to third parties.

The offerings of units, shares or interests in the Private Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Private Funds are not registered under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”). MAI is registered as a commodity pool operator under the U.S. Commodity Exchange Act (“Commodity Exchange Act”) with respect to certain of the Private Funds it advises. However, MAI has submitted notice filings stating its

intent to operate these Private Funds pursuant to an exemption available under Regulation 4.7 adopted by the U.S. Commodity Futures Trading Commission (“CFTC”). MAI is also registered as a commodity trading advisor under the Commodity Exchange Act. Further, MAI has submitted a notice filing stating its intent to advise the Private Funds as though it were exempt from certain obligations pursuant to CFTC Regulation 4.7. Accordingly, MAI offers and sells interests or shares in the Private Funds exclusively to investors satisfying the applicable eligibility and suitability requirements of the Securities Act, Investment Company Act, Commodity Exchange Act and CFTC Regulations, either via private transactions within the United States or in offshore transactions.

Each Fund is a separate legal entity from MAI, BHC or any of their affiliates. Ownership interests in a Fund are not deposits or obligations of, or guaranteed or endorsed in any way by, MAI, BHC, MHBK (individually, or collectively with its affiliates and subsidiaries, as the context requires, “Mizuho”), any other Mizuho entity, or any other bank. None of MAI, BHC, MHBK or any other Mizuho entity, the U.S. Federal Deposit Insurance Company, the U.S. Federal Reserve Board or any other bank or governmental agency, directly or indirectly, guarantees, assumes or otherwise insures the obligations or performance of the client accounts or Funds or any other investment fund in which the Funds or any subsidiary of the Funds invests. Any losses in the Funds are borne solely by investors in such Funds and not by BHC, MHBK, MAI, or any other Mizuho entity, whose losses will be limited to losses attributable to their ownership interests in the Funds held by them in their capacity as an investor in the Funds or as a beneficiary of a restricted profits interest held by them. Prospective investors in a Fund should read the relevant offering documents before investing.

Certain of the Private Funds have issued multiple classes of units, shares or interests of which certain classes are subject to different investment terms, including those applicable to fees, transparency and liquidity. Details concerning applicable terms are set forth in the respective Private Funds’ governing documents and side letters.

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

#### Side Letters

MAI may enter into letter agreements (often referred to in the industry as “side letters”) with certain investors in the Private Funds which may grant terms which differ from those outlined in the Private Funds’ governing documents. These terms may include (i) different subscription notice periods or minimum investment amounts, (ii) the waiver or reduction of management fees and/or incentive fees or incentive profit allocations, (iii) differing redemption or withdrawal terms, in terms of either the required notice to be given or the amount that may be redeemed or withdrawn, (iv) commitments to permit future investments in the Private Fund by certain investors when the Private Fund is otherwise closed to new or additional investments, (v) waiver of confidentiality undertakings, (vi) consent to transfer of interests in the Private Funds, and (vii) undertakings designed to protect an investor from violating an applicable statute or administrative regulation. Private Funds and MAI have agreed and may in the future agree to provide certain investors with supplemental information, reports and due diligence that may not be made

available to all investors. The supplemental information or reports provided for in a side letter may affect the decision of the recipient to request a redemption or withdrawal from a Private Fund.

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

Compensation received by MAI from the Funds for discretionary investment advice is generally comprised of fees based on a percentage of assets under management (for all Funds) and performance-based amounts (for some Private Funds). MAI also provides non-discretionary investment advisory, portfolio monitoring and consulting services, platform management services and investment model licensing for which it receives asset-based or fixed fees.

In general, MAI's asset-based fee for discretionary investment advice ranges from 0.25% to 2.75% (per annum) of the aggregate fair market value of the net assets of a client. These fees have been and, in the future, may be negotiated with advisory clients or Private Fund investors on a case-by-case basis. Generally, asset-based fees for the Funds accrue based on the subscription/redemption timing (daily or monthly) and are billed monthly or quarterly in arrears as of the close of the calendar month or quarter during which MAI performs the services to which the fees relate. The asset-based fee shall be prorated for any billing period during which MAI does not serve as the investment adviser for the entire billing period. If fees are paid in advance, upon termination of the investment advisory services, any unearned portion of fees will be refunded to the Fund on a prorated basis. This does not apply to asset-based fees allocated to the individual investors of a Fund. In addition, the asset-based fee may be reduced periodically by an amount equal to placement or distribution fees, if any, paid by a Fund, with the amount owed to the placement agent being paid directly by the Private Fund. MAI, at its discretion, may waive all or a portion of the asset-based compensation amount.

Pursuant to an arrangement between Wilshire Associates Incorporated ("Wilshire") and MAI, which serves as a sub-advisor to certain portfolios of Wilshire Institutional Master Fund II, SPC (the "Platform"), Wilshire shares a certain percentage of the platform fee with MAI for certain portfolios of the Platform (the "Shareholder Servicing Fee"), in exchange for investor relations support services provided to Wilshire by MAI. The amount of Shareholder Servicing Fee depends on the amount of assets invested into the Portfolios with respect to which MAI provides shareholder services.

In general, performance-based compensation paid by the Private Funds ranges from 0% to 20% of net realized and unrealized profits in total for each year. Generally, this amount is payable as of the end of each Private Fund's fiscal year or quarter (as disclosed in governing documents of the relevant Private Fund). Such performance-based compensation is generally subject to net loss carry-forward provisions or "high water marks," as described in applicable governing documents. MAI, at its discretion, may waive all or a portion of the performance-based compensation amount. Performance-based fees may be calculated at the master or feeder fund level as well as at the intermediary/access investment vehicle level. Performance-based fees may create an incentive for MAI to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation. With a performance-based fee arrangement, MAI receives compensation based on a share of the capital gains or capital appreciation of the Private Funds or any portion of the funds of the investor. Since the performance allocation will be determined on both realized and unrealized gains, MAI may receive a performance allocation at the end of a performance-based compensation period reflecting gains that are not subsequently recognized by the Private Funds. Clients should read carefully the governing documents of the relevant Private Fund to understand the structure and applicable terms of the Performance-based fee applied to the client's investment.

The governing body for each Fund (whether trustee, general partner, managing member or board of directors) in coordination with MAI will value, or arrange to have valued, the securities and instruments

held by the Funds using readily available market quotations and other commonly used and recognized methods. Generally, the Funds will engage fund administrators to assist in determining asset valuations, including the calculation of the asset-based and performance-based fee amounts, if applicable.

Generally, asset-based and performance-based fees, if applicable, are deducted directly from the accounts of clients or paid to MAI by the investment manager/investment adviser of the relevant client out of such investment manager's/investment adviser's asset-based and performance-based fees collected from the relevant client.

Additionally, the governing documents of a Private Fund, service and licensing agreements and the investment sub-advisory agreement with a Registered Fund's investment manager generally provide that MAI will not be liable and will be indemnified for certain losses, damages or liabilities arising out of or in connection with the performance of its duties to the applicable client account.

Each Fund generally bears all expenses concerning the operation of the Fund, which may include, but may not be limited to, the following expenses incurred by, or allocable to each Fund, and which may vary from Fund to Fund:

- (i) organizational and offering expenses incurred in connection with establishing the Fund and its feeders (if any), and the offerings of shares, units or interests of the Fund;
- (ii) expenses incurred in connection with the investments made by the Fund (including research and/or trade ideas expenses and costs, travel related costs, all brokers' commissions, clearing and settlement charges, sales commissions, pricing and valuation fees, if any, research fees, interest and investment fees, transaction fees, bank charges, all borrowing charges on securities sold short, other investment costs and expenses related to closing, execution and transaction costs, collateral management fees or similar fees and any issue or transfer taxes or stamp duties chargeable in connection with the Fund's investments);
- (iii) all fees and expenses related to market data feeds;
- (iv) developing, acquiring or otherwise licensing, implementing or maintaining computer software and technological systems for the benefit of the Fund, its investors or its investments (including portfolio, data and order execution and management systems);
- (v) all custodial, trustee, transfer agent, recordkeeping and other administrative fees;
- (vi) expenses incurred in connection with the Fund's ongoing operations, including but not limited to all of the charges and expenses of legal advisers, accountants and auditors, all administrative expenses (inclusive of any fees charged by the administrator in connection with preparing and calculating interim or non-standard financial statements, net asset values and tax reports and related filings) and reporting expenses including, but not limited to, middle and back office expenses;
- (vii) risk management assessments and analysis of investments and investment portfolios held by the Funds;
- (viii) all taxes and corporate fees and levies payable to governments or agencies or regulatory bodies and the costs of preparing tax returns;
- (ix) all interest on borrowings, including borrowings from the prime brokers and custodians;
- (x) all communication expenses with respect to investor services and all expenses of meetings of shareholders/unit holders/ interest holders and of preparing, printing and distributing financial and other reports, proxy forms, prospectuses and similar documents;
- (xi) the fees associated with all regulatory filings and the costs of preparing such filings, reports or notices;
- (xii) accounting, tax and audit expenses of incurred by MAI or its affiliates in relation to the Fund, to the extent allocable to the Fund;

- (xiii) directors and master fund directors' expenses, the holding of any meeting of the Fund, including the Fund's investors, the Fund's advisory board, directors' meetings or conflicts review (as applicable);
- (xiv) expenses incurred in respect of research, statistical, market data, third-party experts and portfolio management services and software;
- (xv) expenses incurred in respect of obtaining and maintaining one or more insurance policies all of the costs of insurance for the benefit of the directors and officers of MAI and its affiliates;
- (xvi) certain extraordinary expenses, such as litigation expenses;
- (xvii) expenses related to an advisory committee and/or an independent client representative;
- (xviii) costs and expenses incurred with respect to market information systems and publications, research publications and materials;
- (xix) expenses related to distributions to investors;
- (xx) all litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business;
- (xxi) expenses incurred by such Fund's feeder/master funds and subsidiary entities, if any;
- (xxii) such Fund's indemnification obligations (including any fees, costs and expenses incurred in connection with indemnifying covered persons consistent with such Fund's governing documents, and advancing fees, costs and expenses incurred by any such covered persons in defense or settlement of any claim that may be subject to a right of indemnification under such Fund's governing documents); and
- (xxiii) all other organizational and operating expenses, including, without limitation, and external legal costs associated with the review of the Private Funds' trading facilities and account documentation.

Such fees, duties and charges will be borne by the Fund in respect of which they were incurred or, where an expense is not considered by MAI to be attributable to any one Fund, the expense will be allocated by MAI in such manner and on such basis as MAI in its discretion deems fair and equitable. In certain Funds some of the fees and expenses may be allocated to certain classes and not all investors at the reasonable discretion of MAI. For example, holders of non-USD classes will be allocated profits, income, losses, and expenses that are derived from or related to currency hedging transactions to hedge their exposure the exchange rate between the functional currency of the relevant Fund and the currency of the non-USD class.

In the case of any fees or expenses of a regular or recurring nature, such as audit fees, MAI may calculate such fees and expenses on an estimated figure for yearly or other periods in advance and accrue the same in equal proportions over any period, such fees being payable in accordance with the terms of the relevant agreement or arrangement.

To the extent the Fund is a feeder fund of a master/feeder fund structure, the fees outlined above could be generated by the master fund or such Fund and the Fund bears all of its fees and expenses as well as its share of the fees and expenses of the relevant master fund, which is generally allocated on a pro rata basis determined by the net asset value of all feeder funds in the relevant master fund or determined by total number of feeder funds or as otherwise determined by MAI in its discretion to be fair and equitable to all investors. Certain of the fees and expenses MAI may determine to allocate to only some and not all feeder funds in the master/feeder fund structure.

To the extent that an expense relates to a group of Funds (for example, funds structured as a (Cayman Islands) segregated portfolio company platform or umbrella series trust, or any other group of funds or accounts), such expense could be generated at the group level, or by individual Funds. Generally, each Fund bears all of its fees and expenses as well as its share of the fees and expenses generated at the group level, which will be allocated in accordance with MAI's Expense Allocation Policy, or as otherwise



determined by MAI in its discretion to be fair and equitable to all Fund investors. Certain of the fees and expenses MAI may determine to allocate to only some and not all Funds belonging to a group.

It should be noted that, in some situations, complex-wide pricing may result in larger Funds “subsidizing” smaller Funds, i.e., a smaller Fund benefiting from a larger Fund taking on a larger pro-rata portion of the expense. However, MAI believes that complex-wide pricing is a relatively common practice and is beneficial to the growth of the overall complex.

In addition, each Fund will generally pay all expenses reasonably incurred in the formation and organization of, and sales of shares or interests in, the Fund, including external legal and accounting expenses, printing costs, travel, and out-of-pocket expenses, if any. MAI may incur and pay in the name and on the behalf of a Fund any organization or operating expenses that it deems necessary or advisable. The Fund will reimburse MAI for advances MAI makes to pay for Fund expenses.

**Please see each Private Fund’s applicable confidential offering memorandum or the Registered Fund’s prospectus and statement of additional information for additional detail on expenses for the Fund in question. Additionally, see the “Brokerage Practices” section below for additional information regarding brokerage commissions and expenses. Investors in the Funds should review all fees charged by MAI and its affiliates, custodians and brokers, and others to fully understand the total amount of fees and expenses to be paid.**

Separate account clients would generally bear their own operating expenses, including, but not limited to, fees and expenses associated with their investment program, including any relevant fees, costs and expenses identified above herein with respect to the Funds, as applicable.

Except as may be otherwise negotiated in particular cases, investors are able to withdraw or redeem from a Fund pursuant to the terms of the Fund’s organizational documents. In general, the expenses, asset-based fee, and performance-based fee are charged to the investor through the date of termination. The investment advisory agreement with each Fund is terminable, without penalty, generally upon advance notice to either party. Termination periods, if applicable, are negotiable and are set forth in the respective governing documents.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

### ***A. Performance-Based Fees***

As stated above in Item 5. Fees and Compensation, MAI receives performance-based fees that are based on a share of capital gains on or capital appreciation of the assets calculated at the master fund level, feeder fund level or at the intermediary/access investment vehicle level. As discussed previously, the fact that MAI is compensated based on such profits may create an incentive for MAI to make investments on behalf of the Private Funds that are riskier or more speculative than would be the case in the absence of such compensation. In addition, the performance-based fee received by MAI is based primarily on realized and unrealized gains and losses. As a result, the performance-based fee earned could be based on unrealized gains that Private Funds may never realize. MAI currently also has Funds or clients that *do not* pay performance-based fees. MAI faces a conflict of interest by managing performance fee paying and non-performance fee paying accounts at the same time. Specifically, this may create an incentive for MAI to favor accounts for which it receives a performance-based fee. MAI may be incentivized to devote a disproportionate amount of time and resources to such account at the expense of other accounts that are charged only a management fee. MAI and its related persons intend to devote as much time as they deem necessary for the management of each account. MAI has adopted policies and procedures it believes are reasonably designed to allocate investment opportunities on a fair and equitable basis over time and in a

manner consistent with each account's investment objectives and related restrictions. To that end, MAI may bunch or aggregate orders for one Fund with orders for other Funds. In addition, MAI analyzes each trading program periodically to ensure that customers in the same trading program achieve similar allocation results over time.

*B. Side-by-Side Management of Different Types of Accounts*

MAI and its personnel may have differing investment or pecuniary interests in different accounts managed by MAI, and its personnel may have differing compensatory interests with respect to different accounts. MAI faces a potential conflict of interest when (i) the actions taken on behalf of one account may impact other similar or different accounts (e.g., where accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or investments, or have differing ability to engage in short sales and economically similar transactions) or (ii) MAI and its personnel have differing interests in such accounts (e.g., where MAI or its related persons are exposed to different potential for gain or loss through differential ownership interests or compensation structures) because MAI may have an incentive to favor certain accounts over others that may be less profitable. Such conflicts may present particular concern when, for example, MAI places, or allocates, investments that MAI believes could more likely result in favorable performance, engages in cross trades or executes potentially conflicting or competing investments. To mitigate these conflicts, MAI's policies and procedures seek to ensure that investment decisions are made in accordance with the fiduciary duties owed to such Funds and without consideration of MAI's (or such personnel's) pecuniary, investment or other financial interests. MAI has policies and procedures designed to allocate investment opportunities fairly among its clients. In addition, certain side-by-side managed accounts or portfolios may acquire both long and short positions (i.e., "long/short" strategies). As a result, managers who manage long/short products may have potential conflicts of interest in cases where they short an investment instrument in which they were also long for another client. The views and opinions of MAI, its portfolio managers and other employees and Chief Investment Officer may differ from one another. As a result, products managed by MAI may hold investment instruments or pursue strategies that reflect differing investment opinions or outlooks at the time of their acquisition or subsequent thereto. Please also see Item 12 regarding MAI's trade allocation and aggregation policies.

**Item 7. Types of Clients**

As stated previously, MAI currently provides discretionary investment advice to the Private Funds and the Registered Fund. With respect to the Funds, details concerning applicable investor suitability criteria, including investment minimums and whether such minimums are negotiable, are set forth in each respective Private Fund's offering documents and subscription application materials and in the Registered Fund's prospectus and statement of additional information. Each Private Fund investor is required to meet certain suitability qualifications, such as being a "qualified purchaser" as defined in the Investment Company Act or being a "non-U.S. person" as defined in Regulation S under the Securities Act. In addition, each U.S. investor in a U.S. Private Fund must also satisfy the suitability requirements under Rule 205-3 under the Investment Advisers Act of 1940, which prescribes certain requirements that must be satisfied in connection with MAI's receipt of performance-based compensation.

MAI also provides non-discretionary investment advisory, portfolio monitoring and consulting services, platform management services and investment model licensing for which it receives fees as described in more detail above in Item 4. Advisory Business.

In the future, MAI may also serve as investment adviser for certain separately managed accounts, such as accounts in the name of public and private pension funds, university endowments, banks, or collective

investment vehicles sponsored and/or managed by third-party investment firms. These separately managed accounts may have fee, redemption and other terms that vary materially from those of the Funds.

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

MAI employs two different teams of employees within MAI to provide investment advice relying on varying methods of analysis and sources of information, as described below.

##### **Quantitative Strategies Team**

MAI's Quantitative Strategies Team ("QST") is responsible for the development or sourcing and implementation of quantitative investment strategies. The QST consists of a single portfolio management and trading team dedicated to MAI's quantitative strategies. The QST primarily focuses on futures, options, ETFs, total return swaps and other over-the-counter (OTC) derivatives, but may include investments in various securities, government bonds, and cash and cash equivalents.

MAI advises Funds pursuing various investment programs, including quantitative alternative strategies, risk premia and customized solutions.

The investment objective of the Funds included in the quantitative alternative strategies program varies depending on each Fund's design and objectives. Generally, each Fund seeks to achieve its objective through a primarily quantitative investment and trading strategy investing in a portfolio consisting primarily of futures contracts and options contracts traded on exchanges worldwide, cash equities and derivatives (in particular total return swaps) and other OTC instruments. The QST utilizes proprietary and third-party investment strategies that are designed to identify market opportunities based on statistical or quantitative analysis of price and non-price data, such as historical market data, including price, volume and open interest, as well certain types of commercially-available fundamental data.

With respect to the risk premia strategies, MAI develops and manages portfolios, which, in addition to internally generated strategies, may be comprised of quantitative strategies developed by and sourced from major banks or implemented on a bank's platform as a joint work of MAI and any such bank. Risk premia strategies are quantitative, rules-based investment strategies that are premised on well-known investment styles and factors such as value, momentum, carry, etc. However, the scope and complexity of risk premia strategies is continuously expanding beyond basic premia, as academics and industry conduct research and accumulate knowledgebase. In collaboration with a third-party partner, MAI leverages its quantitative expertise to develop, source, due diligence and implement risk premia portfolios, either in a fund format or as custom portfolios that address specific portfolio needs. MAI seeks to implement factor-based portfolios in liquid and transparent fashion.

With respect to the majority of the strategies included in the customized solutions, MAI utilizes proprietary investment processes for customized solutions and advises Funds according to their investment objectives employing futures, cash equities and OTC products. The strategies that are a part of the program are systematic in nature, usually employ a passive investment style and attempt to capture the earning potential through maintaining stable exposures to select markets or factors.

The Funds and other client accounts may have different risk and return targets, volatility targets, portfolio constraints, and tax, accounting and regulatory limitations (among others) that may result in MAI buying and selling different instruments at different times or in different quantities than the trades executed for another Fund or client account. This may result in material differences in portfolios, performance, volatility, exposure and various other measurements among the Funds and client accounts.

There is no assurance that the strategies managed by the QST will provide an acceptable return to investors or not incur substantial losses. Past performance is not necessarily indicative of future results. The investment strategies employed by the QST for the Funds are speculative and involve a high degree of risk. There is no assurance that technical and risk management techniques utilized by the QST, as well as the investment decisions made by the QST, will not expose the Funds to risk of significant losses. In addition, the analytical techniques used by the QST cannot provide any assurance that Funds will not be exposed to the risk of significant trading losses if the underlying patterns of market behavior studied by the QST, and which provide the basis for its statistical models, change in ways not anticipated by the QST. In addition, if any strategic investor were to redeem all of its investment, it could cause a material adverse effect on the Funds, investors, and clients.

Where MAI has engaged a sub-adviser, the QST will be dependent upon the judgment and ability of the sub-adviser, and in particular, the sub-adviser's investment process. Subjective decisions made by the sub-adviser with respect to the sub-adviser's investment process and/or trade signals may cause the Funds to incur losses or to miss profit opportunities on which they would have otherwise capitalized. In addition, the relationship between MAI and the sub-adviser may be terminated by the sub-adviser for any reason. Such termination could adversely impact the nature and/or transparency of the investment information and/or trade signals provided by the sub-adviser to the QST, which could in turn adversely impact the Funds.

With respect to quantitative statistical models developed by a third-party and used by the QST, the QST will be dependent on the design of such models. Generally, quantitative statistical models rely on patterns, relationships and overall dependence structures inferred from historical prices and other financial or non-financial data, or may rely on theories or hypotheses from economics, finance or other sciences, in evaluating prospective investment and trading opportunities. While the QST endeavors to undertake an in-depth review and testing of any third-party model the QST intends to use, system implementation errors in models (as described further herein) are often extremely difficult to detect and are generally entirely outside of the control of MAI. These system implementation errors may result in material losses to the Funds before being discovered and may not in fact be discovered during the MAI's ordinary, day-to-day operations, but may require extreme adverse events before manifesting themselves. In addition, the risks associated with quantitative investment and trading strategies described further herein equally apply to any third-party quantitative investment model.

The investment processes used by the QST are dependent in part upon various computer and telecommunications technologies. The successful deployment of the investment processes, the implementation and operation of the investment processes, and various other critical activities of MAI could be severely compromised by telecommunications failures, power loss, software-related "system crashes," fire or water damage, or various other events or circumstances. MAI does not provide a foolproof protection against all such events. Any event that interrupts MAI's computer and/or telecommunications operations, however, could result in, among other things, the inability to establish, modify, liquidate, or monitor a client's investment portfolio, and, for those and other reasons, could have a material adverse effect on the operating results, financial condition, activities, and prospects of the relevant investment portfolio.

The instruments the QST trades are inherently leveraged and MAI may borrow money, engage in repurchase transactions or invest in securities on margin. Leverage exaggerates the effects of market movements, which may result in the Funds and clients experiencing greater losses or gains than would be experienced by an unlevered portfolio following a similar strategy. Decisions made by the QST in connection with its trading methodology for certain Funds are based chiefly on statistical analysis generated by its trading program technology. The profitability of systematic investment and trading

depends upon the accurate forecasting of price movements over applicable time horizons. No assurance can be given of the accuracy of the forecasts used or made by the QST. The QST invests primarily in futures, options, ETFs and swaps. Futures and options prices are highly volatile, and are influenced by many external economic, governmental, and world events. The low margin deposits normally required in derivatives trading permits an extremely high degree of leverage which can result in a substantial gain or loss to the Funds and clients from a relatively small price movement. In addition, frequent trading and portfolio turnover may increase brokerage and other transaction costs and reduce investment performance.

Investors in a Fund advised by the QST should consider an investment in such Fund as involving a high degree of financial risk and should therefore carefully consider all risk factors set forth in the relevant Fund's offering and/or operational documents. Each prospective investor should carefully review offering and/or operational documents, as applicable, before deciding to make an investment in a Fund.

### Structured Credit Investment Team

The Structured Credit Investment Team (the "SCIT") provides non-discretionary advisory services, as well as portfolio monitoring and related services, to MHBK, its indirect parent company, concerning a portfolio consisting of collateralized loan obligations ("CLOs") (which are securities backed by high-yield loan instruments). MAI is tasked with the following responsibilities:

- (a) Quantitative evaluation of CLO managers;
- (b) Creation of monthly performance reports for each CLO investment;
- (c) Portfolio level analysis of the CLO investments including an analysis of the underlying assets on an aggregated basis;
- (d) Real-time monitoring of external ratings with respect to each investment;
- (e) Perform an annual due diligence review of each CLO manager;
- (f) Serve as liaison between Mizuho and the CLO managers; and
- (g) Provide market color and data on a periodic and an ad hoc basis.

All analyses of CLO managers and surveillance reports of existing investments are made in accordance with the standards established by MHBK in consultation with MAI. Overall supervision of the SCIT is the responsibility of the Chief Executive Officer ("CEO").

In order to fulfill its responsibilities, SCIT members meet with the CLO managers on or regular basis. SCIT will maintain a log of its meetings noting the topics and matters discussed during such meetings. SCIT team should be aware at all times of MAI's status as a "Public Shop" and during such meetings shall comply with MAI's Ethical Wall Policy and Procedures. No material, non-public information ("MNPI") should be discussed during such meetings; however, if, in the course of any conversation, MNPI is inadvertently revealed to a SCIT member, such member shall notify MAI's CCO of such disclosure in writing as soon as reasonably practicable.

### Fund Division

MAI also acts as investment adviser to two Private Funds that provide "seed" capital for various investment strategies created by MAI (the "Seeding Funds"), typically in the form of investing capital in other Funds, and are currently included into the Fund Division. The Seeding Funds are also included into the customized solutions programs of the QST and the Chief Investment Officer (the "CIO") serves as the portfolio manager of the Seeding Funds. However, the Fund Division is responsible for ensuring that investments made by the Seeding Funds comply with the investment objectives and restrictions of the Seeding Funds and the overall supervision of the Seeding Funds is the responsibility of the CEO.

### Summary of Material Risks

**The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds. 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. Clients or prospective investors should refer to the relevant Fund's offering documents for full disclosure of the potential risks of an investment in any particular Fund, including a full description of each of its respective risk factors. In addition, as the Funds' respective strategies may develop and evolve over time, an investment in a particular Fund may be subject to additional and different risk factors than those set forth below. In the disclosure of risk factors set forth below, any reference to "the Fund" should be understood as a reference to any or all investment funds or client accounts for which MAI provides (directly or indirectly) investment and trading advice.**

### Reliance on Quantitative Models and Systems

The Adviser uses quantitative statistical models that may rely on patterns, relationships and overall dependence structures inferred from historical prices and other financial or non-financial data, or may rely on theories or hypotheses from economics, finance or other sciences, in evaluating prospective investment and trading opportunities. However, most quantitative models cannot fully match the complexity of the financial and commodity markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact the performance of the Fund. Further, as market dynamics shift over time, a previously highly successful model may become outdated – perhaps without the Adviser recognizing that fact before substantial losses are incurred by the Fund. There is no guarantee that the Adviser's models will be effective in identifying profitable investment and trading opportunities or that they will apply to all market conditions.

Additional risks associated with quantitative strategies and investment and trading systems are described below:

Quantitative Investment and Trading Strategy. The Adviser seeks to identify price patterns and market trends in financial and commodity markets and attempts to exploit those patterns. Decisions made by the Adviser in connection with its investment and trading methodology are based chiefly on trading signals generated by quantitative mathematical models, which were developed through the analysis of certain trading rules applied against historical market data ("backtesting"), including price, volume, and open interest, and also certain types of commercially-available fundamental data. The profitability of systematic investment and trading depends upon the accurate forecasting of price movements over applicable time horizons. Even if all the assumptions underlying any given model were met exactly, a model can only make a prediction, not afford certainty. There can be no assurance that the future performance of the Fund will match the model's prediction. Further, most statistical procedures cannot fully match the complexity of the financial and commodity markets and as such, results of their application are uncertain. No assurance can be given of the accuracy of the forecasts used or made by the Adviser on behalf of the Fund.

The Adviser's quantitative models typically operate by generating signals that represent recommendations to buy or sell one or more instruments to obtain a portfolio of specific long and/or short positions. Whether and how these signals are translated into actual trades and portfolio positions may be a matter of investment and trading discretion, and the Fund relies on the Adviser to make these determinations in its judgment, relying on its employees. The Adviser may determine not to implement a specific recommendation due to, for example, adverse market conditions (whether due to an absence of liquidity or due to market volatility) or the timing of the recommendation (such as a recommendation being made

on a holiday or outside of normal market hours). Similarly, the answers to the questions of how frequently to run a model to generate recommendations and what time of day to run a model are discretionary determinations made by the Adviser in an exercise of its investment and trading judgment and may differ from actions that are or would have been taken by other advisors in similar situations. It is not possible for the Fund's actual portfolio to mirror the "ideal" or "model" portfolio reflected in the Adviser's systems at all times or at any given time, as a result of, among other things, the nature of the models themselves or the frictions inherent in actual trading. No assurance can be given that the Adviser will have made what appears after the fact to have been the correct decision in any given situation.

Reliance on Technology; System Implementation Errors. The investment and trading strategy utilized by the Adviser is fundamentally dependent on technology, including hardware, vendor and proprietary software, and telecommunications systems. In providing discretionary investment advice to the Fund, the Adviser uses an investment and trading system instantiated in proprietary systems and software. There is typically an absence of formal design documents or specifications when building proprietary software. The proprietary software code thus typically serves as the final, definitive documentation and specification for how the software should perform. The Adviser's quantitative models have not been reviewed by third-party information technology consultants or vendors or subjected to other forms of third-party quality assurance (QA). Therefore, these models may and likely do contain economic data or securities price data errors, mathematical or statistical errors, or computer system implementation errors or other errors, omissions, imperfections and malfunctions that could produce results inconsistent with the intent of the personnel of the Adviser who designed the models or with the Adviser's understanding of how the models should behave (collectively, "system implementation errors"). These system implementation errors may result in material losses to the Fund before being discovered and may not in fact be discovered during the Adviser's ordinary, day-to-day operations, but may require extreme adverse events before manifesting themselves. Despite the Adviser's reasonable best efforts, these system implementation errors may result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, the failure to properly allocate trades, the failure to properly gather and organize available data, the failure to take certain hedging or risk reducing actions, or the taking of actions which increase certain risks, all of which may have materially negative effects on the Fund and its returns.

System implementation errors are often extremely difficult to detect, and, in the case of proprietary software, the difficulty of detecting system implementation errors may be exacerbated by the lack of design documents or specifications. System implementation errors in third-party systems and software are generally entirely outside of the control of the Adviser. Regardless of how difficult their detection appears in retrospect, some system implementation errors will go undetected for long periods of time and some will never be detected. The degradation or impact caused by these system implementation errors can compound over time. Finally, the Adviser may detect certain system implementation errors that it chooses, in its sole discretion, not to address or fix. The Adviser may also discover system implementation errors in third-party software that it chooses, in its sole discretion, not to address or fix. While the Adviser will not perform a materiality analysis on the vast majority of discovered system implementation errors, the Adviser believes that the testing and monitoring performed on its software will enable the Adviser to identify and address those system implementation errors that a prudent person acting in accordance with the applicable standard of care and managing a process-driven, systematic and computerized investment and trading program would identify and address by correcting the system implementation errors or limiting the use of the software, generally or in a particular application. Investors in the Fund should assume that system implementation errors and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic trading advisor such as the Adviser. Accordingly, the Adviser does not expect to disclose discovered system implementation errors to investors in the Fund.

Reliance on Data; Data Errors. The investment and trading strategies employed by the Adviser are highly reliant on the gathering, cleaning, culling and analysis of large amounts of data from third-party and other external sources. It is not possible or practicable, however, to factor all relevant, available data into economic forecasts or trading decisions. The Adviser will use its discretion to determine what data to gather with respect to any investment strategy and what subset of that data the research models take into account to produce forecasts that may have an impact on ultimate trading decisions. In addition, due to the automated nature of this data gathering and the fact that much of this data comes from third-party sources, it is inevitable that not all desired or relevant data will be available to, or processed by, the Adviser at all times. In these cases, the Adviser may continue to generate forecasts and make trading decisions based on the data available to it.

In addition, the Adviser may determine that certain available data, while potentially useful in generating model forecasts or making trading decisions, is not cost effective to gather due to either the technology costs or third-party vendor costs and, in these cases, the Adviser will not utilize the subject data. Investors in the Fund should be aware that, for all of the foregoing reasons and more, there is no guarantee that any specific data or type of data will be utilized in generating model forecasts or making trading decisions on behalf of the Fund, nor is there any guarantee that the data actually utilized in generating forecasts or making trading decisions on behalf of the Funds will be the most accurate data available or even free of errors. Investors in the Fund should assume that the foregoing limitation and risks associated with gathering, cleaning, culling and analysis of large amounts of data from third-party and other external sources are an inherent part of investing with a process-driven, systematic advisor such as the Adviser.

A specific form of “system implementation error” (in the sense described above) applies to the Adviser’s accessing and use of data, especially data obtained from third-party sources (including commercial data vendors). The data reflected in the Adviser’s systems at any given time could be erroneous or less than the best available data for a variety of reasons. Data reflecting events that have not yet occurred will not be reflected in the Adviser’s systems, and neither will data on past events that have not yet been disseminated by the data provider. There may also be data that arguably could or should have been included in the Adviser’s systems but where the Adviser has made a judgmental determination that the difficulties or costs associated with accessing the data cannot be justified by the possible benefits of having access to this data or the system or model was not originally designed to process a more detailed or robust data set. The use of a narrower data set may result in models being less sensitive or their output less accurate. There may also be incidents where data fails to load or the Adviser’s systems fail to retrieve or capture the data, for example, because of changes in the vendor’s or the Adviser’s system configurations due to upgrades, enhancements, maintenance or errors. Investors in the Fund should assume that these data errors, like other system implementation errors, and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic trading advisor such as the Adviser. Accordingly, the Adviser does not expect to disclose discovered data errors to investors in the Fund.

Risk Evaluation Models. The Adviser may develop proprietary risk evaluation models which seek to estimate risk based on numerous factors, including observed historical volatilities and correlations. These models may be also used to evaluate the long-term approximate annual targeted volatility of the investment portfolio of the Fund. These models may, for a variety of reasons, fail to accurately predict risk levels, volatilities of, and correlations among, strategies and investments, including because of scarcity of historical data with respect to certain strategies and investments, erroneous underlying assumptions, and estimates for certain data, or other defects in inputs and the models, or because future events may not necessarily follow historical norms. In and of themselves, these risk evaluation models do not manage or reduce risk and, at most, provide certain assistance to the Adviser when determining a course of action.



Electronic Trading. The Adviser trades on electronic trading and order routing systems, which differ from traditional open outcry trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchanges offering the system or listing the instrument. Characteristics of electronic trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, trade error policies, and trading limitations or requirements. There are also differences regarding qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risks with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times and security. In the case of internet-based systems, there may be additional risks related to service providers and the receipt and monitoring of electronic mail. Trading through an electronic trading or order routing system is also subject to risks associated with system or component failure, which may adversely impact the trading activities of the Fund.

Competition and Correlation. Quantitative investment and trading strategies are not new. There are likely to be an increasing number of market participants who rely on models that may be similar to those used by the Adviser, which may result in a substantial number of market participants taking the same action with respect to a position and some of these market participants may be substantially larger than the Fund. Any increase in the use of quantitative systems as a proportion of the overall volume of the futures markets as a whole or for particular futures contracts could result in traders attempting to initiate or liquidate substantial positions in a market at or about the same time or otherwise alter historical trading patterns, obscure developing price trends or affect the execution of trades to the detriment of the Fund. Should one or more of these other market participants begin to divest themselves of one or more positions, a “correlation crisis” or “flash crash” independent of any fundamentals and similar to the crises that occurred in August 2007 and on May 6, 2010, could occur, thereby causing the Fund to suffer material losses.

### Risk Premia Investments

Risk premia is usually understood to be the expected excess return on an investment earned for bearing specific risks. The risk premia strategy construction rules attempt to systematically capture the return in a risk-controlled fashion. Typical asset classes covered include equities, fixed income, FX, credit, volatility and commodities. Styles or themes may range from simple to complex and may include styles such as carry, momentum, or value. Risk premia could be used by investors in many different ways, either to accomplish a specific objective in their portfolio or as possible standalone components of a portfolio.

MAI provides internally developed risk premia strategies as well as invests in strategies developed by third parties, primarily large banks that offer wide variety of risk premia strategies. In collaboration with a third-party advisor, MAI leverages its quantitative expertise to source, due diligence and deploy strategies. However, in its assessment of third-party risk premia strategies, MAI relies on the information, including the description of the strategy and its returns, provided by the relevant strategy sponsor, which is a third party, independent from MAI. MAI does not have the ability to independently verify the accuracy of the information. Furthermore, as many of the risk premia strategies are recently developed, returns for the majority of the strategies are often back-tested returns, rather than actual returns. Back-tested results have many inherent limitations. The results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Back-tested data in general is also subject to the fact that it is designed with the benefit of hindsight. In fact, there are frequently sharp differences between back-tested results and actual results. The success of a risk premia strategy depends on quality of the underlying models as well as the effectiveness of the implementation of the strategy. It may be hard to identify strategies that have robust systems and effective implementation. While quantitative techniques are used, and believed to be essential to evaluating these strategies, MAI does not

use systematic models to select individual risk premium index strategies or to construct portfolios. Instead, MAI exercises discretionary judgment in selecting risk premium strategies that it believes would help its clients achieve their investment objectives. There can be no assurance that in selecting risk premium strategies the Adviser will be able to predict the future risks and returns of these instruments, and MAI's clients may suffer materials losses as a result.

### Risk Premium Index Swaps

Generally, the exposure to risk premium strategies developed by third parties is obtained by MAI through a total return swap referencing the risk premium index (the "Risk Premium TRS"). Certain of the Funds enter into Risk Premium TRS transactions and have material exposure to these types of transactions. A Risk Premium TRS is an over-the-counter (OTC) derivative where the reference asset is a risk premium index published by the swap dealer, a related entity or a third-party retained by the swap dealer. By their nature, Risk Premium TRSs will generate losses, even material losses, if the risk exposures assumed in fact materialize in real world financial market and economic events.

The swap dealers that publish risk premium indices and that seek to enter into swaps on these indices are doing so on an arm's-length basis with end users like the Funds. Swap counterparties are not agents of the customer on the other side of the transaction, and swap dealers do not owe their customers fiduciary duties. There is no guarantee that the indices that the swaps reference will perform in accordance with the historical simulations conducted when the indices were being constructed or with the intentions of the publisher. There may be a wide variety of economic data or securities price data errors, mathematical or statistical errors, or computer coding errors or other errors, omissions, imperfections and malfunctions that could produce results inconsistent with the intent of the personnel who designed or calculates the index or with the publisher's understanding of how the index should behave. The swap dealers have not undertaken to disclose these or similar problems, now or in the future, and the Funds must rely entirely upon the due diligence conducted by the Adviser with respect to the selected risk premium indices to understand the risks undertaken.

When selecting a Risk Premium TRS for the Funds, the Adviser is guided by quantitative analysis but is ultimately making a discretionary portfolio construction decision about which Risk Premium TRSs should help the Funds achieve its objectives. The Adviser may select a swap, among other possible reasons, because it believes it to be the most cost effective way of assuming an exposure in a particular investment theme or style. The Adviser may also believe the swap would offset exposure elsewhere in the Funds and serves as a diversification or hedging tool. There can be no assurance that in selecting Risk Premium TRSs the Adviser will be able to predict the future risks and returns of these instruments, and MAI's clients may suffer materials losses as a result. Risk Premium TRSs are also subject to the standard risks applicable to derivative instruments and swaps in general. Please see the relevant risk factors further herein.

Additional risk associated with risk premium strategies investment is the fact that the index sponsor for the relevant risk premium strategy in certain circumstances may (a) defer publication of the index value and any other information relating to the index value, (b) make determinations and/or adjustments to the risk premium index, including, but not limited to, replacing components of the relevant risk premium index or the terms of the risk premium index, (c) permanently cease to calculate and make available the risk premium index. Any such adjustment or termination of the relevant index may negatively affect the performance of the relevant Risk Premium TRS and the Funds. The Funds may temporary or permanently lose the investment exposure necessary to implement the investment strategy of the Funds. The Adviser may not be able to locate a substitute Risk Premium TRS to give the relevant Funds a desired investment exposure or will have to use an index it considers less desirable.

## Futures Trading

Certain of the Funds managed by MAI invest primarily in exchange-traded futures contracts (“futures”). Futures prices are highly volatile, and are influenced by many external economic, governmental, and world events. The low margin deposits normally required in futures trading permits an extremely high degree of leverage which can result in a substantial gain or loss to the Funds from a relatively small price movement. Additional risks associated with futures trading are described below:

Price Volatility. Futures contracts have a high degree of price variability and are subject to periodic rapid and substantial changes. Price movements for futures contracts may be influenced by, among other things, changing supply and demand relationships, government, trade, fiscal and economic events and changes in interest rates. Governments from time to time intervene, directly and through regulation, in certain markets, often with the intent to influence prices directly. Consequently, substantial losses could occur.

Futures Markets are Leveraged and Speculative. The markets in which the Funds trade are speculative, highly leveraged and involve a high degree of risk. Volatility increases risk, particularly when trading with leverage. Trading on a leveraged basis, as the Funds do, even in stable markets involves risk; doing so in volatile markets necessarily involves a substantial risk of sudden, significant losses. Due to leverage, even a small movement in price could cause large losses for the Funds. Market volatility and leverage mean that the Funds could incur substantial losses, potentially impairing its equity base and ability to achieve its long-term profit objectives, even if favorable market conditions subsequently develop.

Illiquidity of Markets. Futures positions cannot always be liquidated at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as when governments may take or be subject to political actions which disrupt the markets in their currency or major exports, can also affect the liquidity of the futures markets, thereby making it difficult to liquidate a position. Periods of illiquidity have occurred from time to time in the past. These periods of illiquidity and the events that trigger them are difficult to predict and there can be no assurance that the Adviser will be able to do so. There can be no assurance that market illiquidity will not cause losses for the Funds.

Possible Effects of Speculative Position Limits. Most United States exchanges limit fluctuations in most futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a particular futures contract has increased or decreased to the limit point, positions in the futures contract neither can be taken nor liquidated unless traders are willing to effect trades at or within the limit, which would be unlikely if underlying market prices moved beyond the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. In addition, even if futures prices have not moved the daily limit, the Adviser may not be able to execute trades at favorable prices if little trading in the contracts it wishes to trade is taking place. It is also possible that an exchange or the CFTC may suspend trading, order the immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation purposes only.

The CFTC and certain exchanges have established speculative position limits on the maximum net long or short futures and options positions which any person or group of persons acting in concert may hold or control in particular futures contracts. The CFTC has adopted a rule requiring each U.S. domestic exchange to set speculative position limits, subject to CFTC approval, for all futures contracts and options traded on such exchange which are not already subject to speculative position limits established by the CFTC or such exchange. The CFTC has jurisdiction to establish speculative position limits with respect

to all futures contracts and options traded on exchanges located in the United States, and any exchange may impose additional limits on positions on that exchange. Some non-U.S. exchanges also have position limits in effect and, with respect to forward or swap contracts, OTC counterparties may limit the size or duration of positions available to clients as a consequence of credit considerations.

In addition, pursuant to the Dodd-Frank Act, the CFTC has sought to implement regulations for federal speculative position limits in 25 core physical commodity contracts and their economically equivalent futures, options and swaps as well as aggregation rules and exemptions therefrom. In December 2016, the aggregation rules and exemptions were adopted by the CFTC. The aggregation rules, and the proposed speculative position limit rules, if adopted, could adversely affect MAI's and/or its clients' ability to maintain positions in certain futures contracts and related options. All trading accounts owned or managed by the Adviser and its principals will be combined for speculative position limit purposes. With respect to trading in futures subject to such limits, the Adviser may reduce the size of the positions which would otherwise be taken in such futures and not trade certain futures in order to avoid exceeding such limits. Such modification, if required, could adversely affect the operations and profitability of the Funds. There can be no guarantee that additional position-related limits will not be established by the CFTC, and other regulator or exchange for the markets where the Series Trusts trade.

No Intrinsic Value of Positions. Futures trading is a risk transfer activity. For every gain there is an equal and offsetting loss rather than an opportunity to participate over time in general economic growth. Unlike most alternative investments, an investment in the Funds do not involve acquiring any asset with intrinsic value. Overall stock and bond prices could rise or fall significantly, and the economy as a whole prosper or falter, without regard to whether the Funds trade profitably or unprofitably.

Trading on Non-U.S. Exchanges. In the event the Funds need to post margin for a trading contract denominated in currencies other than U.S. dollars, and with respect to any gains in such contract, unless the Funds hedge themselves against fluctuations in exchange rates, the Funds will be subject to the risk of adverse exchange-rate movements between the U.S. dollar and the functional currencies of these contracts. If the Funds do not hedge against fluctuations in the exchange rate, the Funds could incur substantial losses from the Funds' trading on foreign exchanges due to adverse exchange rate movements, which losses might not have occurred had the Funds limited its trading to U.S. markets.

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

In addition, some non-U.S. exchanges, in contrast to U.S. exchanges, are "principal markets" in which performance with respect to a contract is the responsibility only of the member with which the trader has entered into a contract and not of the exchange or clearinghouse, if any. In the case of trading on these non-U.S. exchanges, the Funds will be subject to counterparty risk, including, among others, counterparty

credit risk and the risk that the counterparty will not perform. It is also possible that the Funds will not have the same access to certain trades as do various other participants in non-U.S. markets. Due to the absence of a clearinghouse system on many non-U.S. markets, these markets are significantly more susceptible to disruptions, which may include prolonged suspensions of trading and involuntary settlement of positions at artificial prices, than on U.S. exchanges. Transactions on markets located outside of the United States, including markets formally linked to a U.S. market, may be subject to regulations which offer different or diminished protection to the Funds and its investors. Further, U.S. regulatory authorities may be unable to compel the enforcement of the rules of regulatory authorities or markets in non-U.S. jurisdictions where transactions for the Funds may be effected.

Daily Price Fluctuation Limits. Futures positions may become 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 these 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. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses, or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange, the CFTC or other similar non-U.S. regulatory body or agency could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in the contract.

Failure of Non-Correlation Will Eliminate Benefits of Diversification. Historically, the futures and foreign exchange markets generally have been non-correlated to the performance of other asset classes such as stocks and bonds. Non-correlation means that there is no statistically valid relationship between the past performance of futures and forward contracts on the one hand and stocks or bonds on the other hand. Non-correlation should not be confused with negative correlation, where the positive performance of one asset class results in negative performance of the other (and vice versa). Because of this non-correlation, the Funds could be profitable during unfavorable periods for the stock market, or vice versa. The futures markets are fundamentally different from the securities markets in that for every gain in futures trading, there is an equal and offsetting loss. If the Funds do not perform in a manner non-correlated with the general financial markets or does not perform successfully, any diversification benefits will be lost and an investment in the Funds may not generate gains to offset losses from other investments.

## EFRP

MAI on behalf of a number of its clients engages in so-called exchange of futures for physicals (“EFP”) and may engage in exchange of futures for swaps (“EFS”) or exchange of futures for risk/over-the-counter derivatives (“EFR,” together with EFPs and EFS, “EFRP”) transactions. EFRP transactions possess three essential elements: (1) an integrally related physical/swap/derivatives transaction and futures transaction whose price and other terms are privately negotiated by the parties rather than on the exchange floor; (2) a transfer of ownership of the physical commodity or swap or instrument upon performance of the terms of the physical contract, swap contract or derivatives contract, with delivery to take place within a reasonable period of time in accordance with prevailing market practice; and (3) separate parties—that is, the accounts involved in the transaction must have different beneficial ownership. The critical element of each EFRP is that the futures transaction must be completed in conjunction with an actual purchase or sale in the related cash market.

Because EFRPs are an exception from the general rule requiring competitive execution of futures contracts on the exchange floor, proper documentation of both the physical/swap/derivatives and futures components is critically important so as to avoid the CFTC or exchange recharacterizing the transaction

as an illegal off-exchange futures contract. In contrast to other types of futures transactions, it is permissible for the parties to an EFRP to agree to the terms of the transaction prior to execution of the off-exchange transaction; provided both parties comply with the applicable rules and regulations. In addition to the compliance risk and the fact that such transactions are more likely to be examined by the CFTC or the relevant exchange, EFRP transactions are subject to substantially the same risks as the relevant investment instruments subject to the exchange.

### Cash Management

Due to the nature of the Private Funds' investments, the Private Funds generally hold a significant cash position, which in some instances could be substantially all of the relevant Private Fund's assets. MAI generally holds cash or invests the free cash of its advisory clients for which it has investment discretion in a variety of money market instruments, such as short-term United States and Japanese government obligations (as applicable) or regulated money market funds (such as the U.S. registered investment companies and European UCITS). There are a number of negative factors and risks associated with holding a large position in cash and cash equivalent instruments as the assets are not actively exposed to the investment strategy of the Private Funds and could become subject to inflation, negative interest rates (including the deposit rates with custodians) and negative yields, among other risks. Many central banks, including the Bank of Japan, adopted negative interest rates in the past. Negative Interest rates mean that the Private Funds, instead of receiving money on deposits, must pay regularly to keep their money with the bank or the custodian. Holding large cash or cash-equivalent positions that are subject to inflation and/or negative interest or yields will subtract from the performance of the Private Funds and may result with the Private Funds' losses.

### Derivative Instruments

Derivative instruments, or "derivatives," include instruments and contracts which are derived from and are valued in relation to one or more underlying securities, financial benchmarks or indices. Derivatives typically allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark or index at a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of other risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Additional risks associated with derivatives trading include the risks described below:

Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Funds from achieving the intended hedging effect or expose the Funds to the risk of loss.

Liquidity. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Funds may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Funds may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Funds to the potential of greater losses.

Leverage. Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Funds and could cause the Funds' net asset value to be subject to wider fluctuations than would be the case if the Funds did not use the leverage feature in derivative instruments.

Over-the-Counter Trading/Counterparty Risk. Derivative instruments that may be purchased or sold by the Funds may include instruments not traded on an exchange. The risk of non-performance by the obligor on an instrument may be greater than, and the ease with which the Funds can dispose of or enter into closing transactions with respect to an instrument may be less than, that associated with an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “ask” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges also are not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with these transactions. The Funds may only close out “over-the-counter” transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for the Funds to enforce its contractual rights may lead the Funds to decide not to pursue its claims against the counterparty.

In addition, the Funds may, in the future, take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. Special risks may apply in the future that cannot be determined at this time. The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of these financial instruments may have a material adverse effect on the Funds.

#### Risks From Hedging Activities

The Adviser may, from time to time, attempt to hedge risks. There is a substantial risk, however, that hedging techniques may not be effective in limiting losses. If the Adviser analyzes market conditions incorrectly, the Adviser’s hedging techniques could result in a loss, regardless of whether the intent was to reduce risk. These hedging techniques may also increase the volatility of the Funds, as they may involve a small investment of cash relative to the magnitude of the risk assumed, or result in a loss if the counterparty to the transaction does not perform as promised.

The success of the hedging strategy of the Funds will be dependent upon Adviser’s ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the positions in the portfolios being hedged. Since the characteristics of many financial instruments change as market conditions change over time, the success of the Funds’ hedging strategy will also be subject to Adviser’s ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, these transactions may result in a poorer overall performance for the Funds than if they had not engaged in hedging transactions. For a variety of reasons (for example, cost or the probability of the occurrence of a risk), the Funds may not hedge against particular risks or may not establish a perfect correlation between hedging instruments and the portfolio holdings being hedged. An imperfect correlation may prevent the Funds from achieving the intended hedge, and the failure to hedge or an imperfect hedge may expose the Funds to the risk of loss.

#### Exchange-Traded Funds

The Funds may invest in exchange-traded fund (“ETFs”). ETFs represent shares of ownership in either funds or trusts that hold portfolios of stocks, bonds or other instruments, which are generally designed to correspond to the price and yield performance of an underlying index or sub-index. ETFs typically trade on a securities exchange and their shares may, at times, trade at a premium or discount to their net asset values. The values of ETFs are subject to change as the values of their respective component securities or

commodities fluctuate according to market volatility. National securities exchanges (for example, NYSE Amex Equities) list ETF shares for trading, which allows investors to buy and sell individual ETF shares at market prices throughout the day. Unlike open-ended investment companies or “mutual funds,” ETF shares purchased in the secondary market generally are not redeemable directly from the ETF (except by designated dealers) and must be sold in market transactions when liquidated.

A primary risk factor relating to ETFs is that the general level of securities prices may rise or decline, thus affecting the value of an ETF. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of their expenses and other factors. The Funds will incur brokerage costs when purchasing and selling shares of ETFs. As a shareholder of an ETF, the Funds would bear, along with other shareholders, its pro rata portion of the ETF’s expenses, including advisory fees. These expenses would be in addition to the advisory fees and other expenses that the Funds bear directly in connection with its own operations.

#### No Material Limitation on Instruments or Markets

The Adviser expects to pursue investment opportunities on behalf of the Funds on a global basis and will have complete flexibility to determine the instruments bought and sold, the markets traded, and the techniques used as part of its investment and trading strategies. The investment opportunities available to the Funds may vary considerably over time, and the Adviser believes it has expertise in analyzing newly created instruments and new markets. Therefore, the full range of instruments, contracts and markets in which the Funds will take positions over time cannot be specified exhaustively. The Adviser expects to develop new types of investment and trading strategies and, as a result, the full set of strategies employed by the Funds cannot be specified. As a result, material profits or losses may result from instruments, markets and strategies which are not described in this Offering Memorandum. The risk of loss from these undisclosed matters could prove substantial.

#### Risk of Leverage

The Funds may borrow on a secured or unsecured basis for any purpose, including increasing investment capacity, covering operating expenses, making redemption payments, or clearing transactions. There are no limits on the amount of borrowing, gearing or leverage that the Funds may use. The interest expense and other costs incurred in connection with the borrowing may exceed the income earned and capital appreciation on the positions carried with borrowed funds. Gains realized with borrowed funds may cause the Funds’ net asset value to increase at a faster rate than would be the case without borrowings. Leverage is a two-edged sword, however, and the presence of leverage could result in each Fund’s net asset value decreasing faster than if there had been no borrowings. In addition, unanticipated increases in applicable margin requirements could adversely affect the liquidity of the Funds and, therefore, adversely affect each Fund’s performance.

Additionally, the Funds are leveraged as a result of their transactions in swaps, futures, forwards and options and other inherently leveraged securities and financial instruments. A low margin deposit is required in futures trading and the low cost of carrying cash positions permits a degree of leverage. Because only a relatively small margin deposit or similar outlay is generally required in relation to the contract value of these instruments, a small market movement may result in a disproportionately large change in the Funds’ equity in the instrument. As a result, it is possible that the Funds could lose the entire amount of margin on deposit in a relatively short period of time if the market moves adversely. In these instances, the Funds may be required to make substantial additional margin deposits on short notice to maintain its position (a “margin call”). If the Funds do not provide additional margin within the



required time period, the Funds' position may be liquidated at a loss with the Funds being liable for any resulting deficit. Even if a trade ultimately proves profitable, the Funds may have to accept payment in cash in lieu of a return of the actual assets deposited, and the deposit will not be protected to the same extent as would a cash deposit held in trust in a segregated client bank account.

### Counterparty Credit Risk

Clearing Brokers and Custodians. Transactions entered into by the Funds may be executed on various U.S. and non-U.S. exchanges, and may be cleared and settled through various clearing houses, custodians, depositories and clearing brokers throughout the world. Although the Funds will attempt to execute, clear and settle the transactions through entities the Adviser believes to be sound, there can be no assurance that a failure by any such entity will not lead to a loss to the Funds.

There are risks involved in dealing with the custodians or brokers who settle the Funds' trades, particularly with respect to non-U.S. investments. In particular, securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Funds or segregated from the general assets of the custodian or broker. In situations where the Funds are required to post margin or other collateral with counterparty, the counterparty may fail to segregate the collateral or may commingle the collateral with the counterparty's own assets. As a result, in the event of the counterparty's bankruptcy or insolvency, the Funds' collateral may be subject to the conflicting claims of the counterparty's creditors, and the Funds may be exposed to the risk of a court treating the Funds as a general unsecured creditor of the counterparty, rather than as the owner of the collateral. With respect to the Funds' clearing brokers, the Funds may rank as one of the clearing broker's unsecured creditors in relation to any assets that the clearing broker borrows, lends, pledges or hypothecates or that are subject to the clearing broker's lien or security interest, and, in the event of the insolvency of the clearing broker, the Funds may not be able to recover equivalent assets in full.

The bankruptcy law applicable to all U.S. futures commission merchants ("FCMs") requires that, in the event of the bankruptcy of an FCM, all property of customers held by the FCM (either directly, or indirectly through any intermediate brokers, banks or other counterparties used by the FCM), including certain property specifically traceable to a customer, will be returned, transferred or distributed to the FCM's customers only to the extent of each customer's pro rata share of all property available for distribution to customers. If any FCM holding any of the Funds' assets were to become bankrupt, it is possible that the Funds, even if its assets were properly segregated, would be unable to recover any, or to recover only a portion, of its assets held by the FCM. Furthermore, in the event of an insolvency of an FCM or other (direct or indirect) counterparty which is not regulated by the CFTC or if an FCM fails to properly segregate customer funds, the CFTC's segregation protections may not be available to the Funds. Because all property available for distribution to customers and all creditor claims have to be determined and validated if an FCM were to become bankrupt, it may take a long time, perhaps several years, before all property available for distribution by the FCM will be returned, transferred or distributed to the FCM's clients. Other custodians and counterparties may have similar types of risks. Assets held outside the U.S. may be subject to different or diminished protection in the event of a counterparty failure located in the jurisdiction.

Non-U.S. counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. For example, a counterparty may have few or no restrictions on its ability to rehypothecate collateral and other Funds assets held by the counterparty. To the extent that a counterparty has rehypothecated any assets of the Funds, the Funds may be unable to recover such assets in a bankruptcy or insolvency proceeding and may only have an unsecured claim against the counterparty for the value of these assets.

Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Funds and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Funds, which could be material.

Over-the-Counter and Principal Markets. To the extent that the Funds invest in options, uncleared swaps, derivative or synthetic instruments, forward contracts, or other over-the-counter (OTC) transactions, the Funds may be exposed to a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from these protections and expose the parties to the risk of counterparty default.

Certain markets in which Funds may effect transactions are “over-the-counter” or “interdealer” markets, and may also include unregulated private markets. The participants in these markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated their transactions with a single or small group of counterparties. Because many purchases, sales, financing arrangements, securities lending transactions, and derivative transactions in which the Funds may engage involve investment instruments that are not traded on an exchange but are instead traded between counterparties based on contractual relations, the Funds are subject to the risk that a counterparty will not perform its obligations under the related contracts. Although the Funds intend to enter into transactions only with counterparties which the Adviser believes to be creditworthy, will attempt to reduce its exposure through the use of two-way collateralized mark-to-market agreements and will pursue its remedies under any of these contracts, there can be no assurance that a counterparty will not default and that the Funds will not sustain a loss on a transaction as a result.

Because many transactions in which the Funds may engage are traded between counterparties based on contractual relations, the Funds are subject to the risk of failing to comply with these contracts or otherwise breaching their provisions. For example, these contracts may terminate upon the departure of a certain number of “key persons” of the Adviser, the fluctuation of the net asset value of the Funds beyond certain parameters, the termination of the Adviser or other events or circumstances. The Funds may sustain a loss on a transaction that terminates prematurely in accordance with the terms of the underlying contract.

### Swaps

The Funds may enter into swaps. Swaps can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swaps may increase or decrease the Funds’ exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, or inflation rates. Swaps can take many different forms and are known by a variety of names (such as “contracts for differences”). The Funds are not limited to any particular form of swap.

Swaps tend to shift the Funds’ investment exposure from one type of investment to another. For example, if the Funds agree to exchange payments in U.S. dollars for payments in a non-U.S. currency, the swap

would tend to decrease the Funds' exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swaps may increase or decrease the overall volatility of the Funds' portfolios. The most significant factor in the performance of swaps is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Funds. If a swap calls for payments by the Funds, the Funds must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swaps with the counterparty can be expected to decline, potentially resulting in losses for the Funds.

Swaps and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the creditworthiness of the counterparty, market risk, liquidity risk and operations risk. Swaps bear risks associated with the underlying or reference assets as well as those associated with derivative contracts generally.

The Dodd-Frank Act and other regulatory initiatives have substantially changed the market structure for swaps. A substantial portion of swaps must be submitted for clearing to regulated clearinghouses. Swap trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, and possibly other restrictions, such as position limits, as well as possible regulator mandated margin requirements. The regulators also have broad discretion to impose margin requirements on non-cleared swaps. Swap dealers will also be required to post margin to the clearinghouses through which they clear their customers' trades instead of using this margin in their own operations, as they currently are allowed to do. This will further increase the dealers' costs, which costs are expected to be passed through to other market participants in the form of higher fees and less favorable dealer marks.

A substantial portion of swap transactions, which were formerly executed on a bi-lateral basis in the OTC markets, must now be executed through a regulated securities or futures exchange or through a swap execution facility (SEF). These requirements may make it more difficult and costly for investment funds, including the Funds, to enter into highly tailored or customized transactions. They may also render certain strategies, in which the Funds might otherwise have engaged, impossible or so costly that they will no longer be economical to implement.

### Options

MAI on behalf of a number of its clients purchases and sells (write) listed and OTC options on futures, ETFs, major global market indices, individual equity securities and other instruments on national and international securities exchanges to exploit any opportunities caused by volatility in these markets.

Option prices are based on, among other things, certain implied levels of volatility of the underlying index or equity security. If volatility in the underlying index or equity security declines after a Fund has purchased an option, such Fund will incur losses. Those losses may exceed the premium paid for the option due to the possibility of losses on related hedge positions. In addition, option prices tend to decay over time and decrease or increase with decreases or increases in volatility. Unless increases in the value of options held by a Fund due to increased volatility offset the decay in the time value of the options, the Fund will incur losses.

The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security, plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security

below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. The writer of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire investment in the call option.

In the case of stock index options, successful use by a Fund of options on stock indices will be subject to MAI's ability to correctly predict movements in the direction of the stock market generally or with respect to particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Options may be cash settled, settled by physical delivery or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, a Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

#### Credit Default Swaps

The Funds may purchase and sell credit derivatives contracts—primarily credit default swaps—both for investment and trading and hedging purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Funds may also sell credit default swaps on a basket of reference entities representing an index of issuers or a “bespoke” basket as part of a synthetic collateralized debt obligation transaction. In circumstances in which the Funds do not own the debt securities that are deliverable under a credit default swap, the strategies are exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether a “credit event” triggering the seller’s payment obligation had occurred. In either of these cases, the Funds would be unable to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Funds incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it was holding debt securities issued by the reference entity. However, the Funds will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver to the Funds following a credit event and will likely choose the obligations with the lowest market value to maximize the payment obligations of the Funds. In addition, credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value these swap positions when established or when subsequently traded or unwound under actual market conditions.

As a result of recent initiatives implemented by derivatives market participants, including the International Swaps and Derivatives Association, Inc., designed to implement uniform settlement terms into standard credit default swap documentation, as well as refine the practices for the transparent conduct of the credit default swap market generally, certain of the preceding risks, including, without limitation, liquidity risk concerning the lack of availability of deliverable securities, may be mitigated for certain categories of credit default swap transactions covered by these initiatives. However, despite the derivatives market initiatives to uniformly address the risks associated with the credit default swap market, there can be no guarantee of the success of these initiatives or the ability to mitigate the risks with respect to covered credit default swaps. In any event, the Funds may enter into certain credit default swap transactions that may not be covered by these initiatives. The regulation of credit default swaps is evolving, and significant changes in such regulation have been enacted or proposed and may adversely affect the Funds.

### CDO Investments

CDOs are subject to credit, liquidity and interest rate risks. The value of the CDO securities owned by an investor generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio of assets of the related CDO, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry, and changes in prevailing interest rates. Consequently, holders of CDO securities must rely solely on distributions on the CDO collateral or proceeds thereof for payment in respect thereof. If distributions on the CDO collateral are insufficient to make payments on the CDO securities, no other assets will be available for payment of the deficiency and following realization of the CDO securities, the obligations of such issuer to pay such deficiency generally will be extinguished.

CDO collateral may consist of high-yield debt securities, loans, asset-backed securities and other instruments, which often are rated below investment grade (or of equivalent credit quality). High-yield debt securities generally are unsecured (and loans may be unsecured) and may be subordinated to certain other obligations of the issuer thereof. The lower ratings of high-yield securities and below investment grade loans reflect a greater possibility that materially adverse changes in the financial condition of an issuer or in general economic conditions or both may impair the ability of the related issuer or obligor to make payments of principal or interest.

Issuers of CDO securities may acquire interests in loans and other debt obligations by way of sale, assignment, or participation. Purchasers of loans are predominantly commercial banks, investment funds, mutual funds, and investment banks. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

In purchasing participations, an issuer of CDO securities will usually have a contractual relationship only with the selling institution, and not the borrower. In the event of the insolvency of the selling institution, under the laws of the U.S. and the states thereof, the CDO may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the loan. Consequently, the CDO may be subject to the credit risk of the selling institution as well as of the borrower.

### Risk Control Framework

The Adviser has implemented risk management procedures to help monitor and manage the overall risk of the portfolio of the Funds. No risk management is fail-safe, and no assurance can be given that the Adviser's risk control procedures will be successful or work as anticipated.

### Operational Risks and Information Technology Systems

The Funds depend on the Adviser to develop and implement appropriate systems and operational procedures for the Funds' activities as well as information technology systems of the Funds' and Adviser's service providers, including securities and futures exchanges, market counterparties, broker-dealers, custodians and other service providers. The Funds rely extensively on computer programs and systems (and may rely on new systems and technology in the future) for various purposes including, without limitation, to trade, clear and settle transactions, to evaluate certain financial instruments, to monitor its portfolio and net capital, to generate risk management and other reports that are critical to oversight of the Funds' activities and to conduct other operational functions. The procedures developed by the Adviser may not account for every actual or potential disruption of the Funds' operations. The Funds' investment and trading program is dynamic and complex. As a result, certain operational risks are intrinsic to the Funds' operations, especially given the volume, diversity and complexity of transactions that the Funds are expected to enter into on a daily basis. The Funds' business may be highly dependent on its ability to process, on a daily basis, a large number of transactions across numerous and diverse markets.

The Funds also rely heavily on financial, accounting and other data processing systems developed by the Funds' and Adviser's service providers. While the Adviser generally conducts a review of service providers engaged by the Adviser or the Funds prior to retaining such service providers pursuant to the Adviser's policies, the Adviser may not be in a position to verify the risks or reliability of such service providers' programs or systems and Adviser's review may fail to identify material issues and concerns related to the service provider in question.

Defects, failures or interruptions of the systems used by the Adviser, the Funds or relevant service providers, including damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events, software-related "system crashes," computer "worms" and viruses, fire or water damage, or various other events or circumstances could have a material adverse effect on the Funds, including a failure or delay in trade execution or confirmation, inaccuracies in reporting, and inability to monitor the investment portfolio.

The ability of Adviser's or relevant service providers' systems to accommodate an increasing volume, diversity and complexity of transactions could also constrain the Adviser's ability to properly manage the Funds' portfolios. Systemic failures in the systems employed by the Adviser, the administrators, clearing brokers and/or counterparties, exchanges and similar clearance and settlement facilities, and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the ability of the Funds to monitor its investment portfolio and risks. These and other similar disruptions in the Funds' operations may cause the Funds to suffer, among other things, financial loss, disruption of its businesses, liability to third parties, regulatory intervention or reputational damage. Although the Adviser has a business continuity plan in the event of an emergency or significant business disruption, there can be no assurance that such plan will operate as planned nor can there be any assurance that the business continuity plans of the Funds' administrator, counterparties, clearing brokers,

and other parties will operate as planned in the event of an actual disruption. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's and/or the Funds' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Adviser's and the Funds' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

### Cybersecurity Risk

As part of its business, MAI processes, stores and transmits large amounts of electronic information, including information relating to the transactions of its Funds. Similarly, MAI and Fund service providers, including, but not limited to, fund administrators, may process, store and transmit such information. Some information is stored on the cloud by certain vetted cloud-based service providers. With the increased use of and the dependence on computer systems and technologies to perform business and operational functions, portfolios (such as the Funds) and their service providers (including MAI) may be prone to operational and information security risks resulting from cyber-attacks and/or technological malfunctions. In general, cyber-attacks are deliberate, but unintentional events may have similar effects. Cyber-attacks include, among others, stealing or corrupting data maintained online or digitally, preventing legitimate users from accessing information or services on a website, releasing confidential information without authorization, and causing operational disruption. Successful cyber-attacks against, or security breakdowns of, the Funds, the Adviser or a custodian, or other affiliated or third-party service provider may adversely affect the Funds and/or the investors in the Funds. For instance, cyber-attacks may interfere with the processing of transactions, affect each of the Funds' ability to calculate its net asset value, cause the release of private investor information or confidential Fund information, impede trading, cause reputational damage, and subject the Funds to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and additional compliance costs. Cyber-attacks may render records of Funds assets and transactions, ownership of the interest in the Funds, and other data integral to the functioning of the Funds inaccessible or inaccurate or incomplete. The Funds may also incur substantial costs for cybersecurity risk management in order to prevent cyber incidents in the future. The Funds and investors could be negatively impacted as a result. While the Adviser has established business continuity plans, an incident response plan and systems designed to minimize the risk of cyber-attacks through the use of technology, processes and controls, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified given the evolving nature of this threat. The Funds rely on third-party service providers for many of their day-to-day operations, and, although cybersecurity systems and procedures are an essential element of third-party due diligence performed by MAI, will be subject to the risk that the protections and protocols implemented by those service providers will be ineffective to protect the Funds from cyber-attack. Similar types of cybersecurity risks also are present for issuers of securities in which the Funds invest, which could result in material adverse consequences for such issuers, and may cause the Funds' investment in such securities to lose value.

### Government Intervention; Market Disruptions; Dodd-Frank Wall Street Reform and Consumer Protection Act

The global financial markets have in the last decade gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental and regulatory interventions. Such intervention has in certain cases been implemented 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, regulators across the world have begun to implement regulatory reforms in various jurisdictions, but such efforts have not been completely coordinated, resulting in some

inconsistent regulations, confusion and uncertainty which has been detrimental to the efficient functioning of the markets and may be detrimental to previously successful investment strategies.

In the United States, the Wall Street Transparency and Accountability Act, which forms a part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) became law in July 2010. The Dodd-Frank Act and the rules and regulations promulgated thereunder seek to regulate swaps markets, including market participants (such as swap dealers and major swaps participants), ownership levels and leverage and to impose clearing, trading and reporting requirements. The Dodd-Frank Act could result in certain investment strategies in which the Funds engage or may have otherwise engaged becoming non-viable or non-economic to implement. The Dodd-Frank Act and regulations adopted pursuant to the Dodd-Frank Act could have a material adverse impact on the profit potential of the Funds.

We expect the financial services industry to continue to be affected by significant uncertainty over the scope and content of regulatory reform in 2019 and beyond. The uncertainty about the US regulatory agenda of the Trump administration, which includes proposals to repeal or significantly reduce a number of elements of the Dodd-Frank Act, may result in significant changes in the regulatory direction and policies applicable to us.

#### Volcker Rule

As noted above, the Dodd-Frank Act also places restrictions and limitations on certain financial institutions that sponsor or provide investment advisory services to hedge funds and other private funds, such as certain of the Funds (“covered funds”), i.e., the so-called “Volcker Rule.” These include restrictions on transactions between a covered fund and affiliates of the financial institution and limitations on the size of the aggregate investment that may be maintained in a covered fund by the financial institution and its affiliates. As written, the Volcker Rule provides that, absent regulatory permission or an applicable exemption, the aggregate investment of a financial institution subject to the rule (a “banking entity”) in a covered fund cannot exceed 3% of the total ownership interests in the fund after the first year of the fund’s operation. To the extent that the current investment level of the financial institution in certain legacy covered funds exceeds the level permissible under the Volcker Rule, the law provides a time period for the institution to come into compliance, either through divestiture or otherwise.

The Volcker Rule’s prohibition on “covered transactions,” as defined in Section 23A of the Federal Reserve Act, will restrict the activities of certain covered funds. Under the Volcker Rule, a banking entity that serves, directly or indirectly, as the investment manager, investment adviser, commodity trading advisor, or sponsor to a covered fund, and any of the banking entity’s affiliates, is prohibited from engaging in certain transactions with that fund and any covered fund controlled by such a fund, including lending to or trading in certain derivative and other instruments with the fund. This provision has been referred to as “Super 23A,” because it applies to all entities in a banking organization (rather than just FDIC-insured banks) and does not recognize certain standard exemptions available under Section 23A (e.g., loans fully secured by U.S. Treasuries).

A covered banking entity that serves, directly or indirectly, as the investment manager, investment adviser, commodity trading advisor, or sponsor to a covered fund, is also subject to Section 23B of the Federal Reserve Act, with respect to certain transactions with the covered fund, which requires that such transactions be: (a) on terms and under circumstances, including credit standards, that are substantially the same, or at least as favorable to the member bank (or, for Volcker Rule purposes, the banking entity) as those prevailing at the time for comparable transactions with or involving non-affiliates, or (b) in the absence of comparable transactions, on terms and under circumstances, including credit standards, that in good faith would be offered to, or would apply to, non-affiliates. Any permitted transactions under the



final rules implementing the Volcker Rule would be subject to Section 23B of the Federal Reserve Act, as if the counterparty covered fund were an affiliate of the covered banking entity (so-called “Super 23B”).

All activities and investments within Mizuho Group (together with all subsidiaries, for purposes of this section, “Mizuho”) are required to comply with the Volcker Rule. That means, by way of example, that Mizuho’s investments and other deemed ownership interests in covered funds held under the Volcker Rule’s asset management exemption must be reduced to no more than three percent (3%) of the ownership interests in the fund by the end of a permitted seeding period, and aggregate investments in all covered funds held by Mizuho must not exceed the maximum amount permitted by the final rules, which amount cannot be more than three percent (3%) of the Tier 1 capital of the relevant Mizuho affiliate. Alternatively, Mizuho may be permitted to own in excess of three percent (3%) of the ownership interests in a covered fund if such activity occurs, or is made to occur, “solely outside of the United States” as set forth in the Volcker Rule. No directors or employees of Mizuho, including those not directly engaged in providing investment advisory or other services to a covered fund sponsored or owned by Mizuho under the asset management exemption, may hold any ownership interest in the covered fund. Certain “covered transactions” between such a covered fund and Mizuho are also prohibited. Further, the trading and other investment opportunities of such a covered fund may be limited in order to comply with the Volcker Rule’s restriction on material conflicts of interest. There may be other provisions of the Volcker Rule that apply to Mizuho or its related covered funds, and other exemptions from the provisions noted above. MAI is monitoring the Volcker Rule’s regulatory and market compliance developments and future changes or clarifications to the Volcker Rule could restrict Mizuho from continuing to perform certain services for covered funds as currently contemplated.

The legislation described above, as well as any related legislation in the future, may increase a covered fund’s or the Adviser’s exposure to potential liabilities and to legal, compliance and other related costs. The additional expense of complying with these regulations with respect to a fund could result in lower returns on the fund’s investments and may adversely affect the fund’s ability to obtain the leverage it might otherwise obtain or to make certain types of investments. These regulations may also require the fund to disclose the identity of its investors to one or more regulatory agencies. We cannot address or anticipate every possible current or future regulation that may affect the Adviser, a covered fund or their respective businesses. The Adviser may, in its sole discretion, cause a covered fund to be subject to such regulations if it believes that an investment or business activity is in its interest, even if such regulations may have a detrimental effect on one or more investors. Prospective investors are encouraged to consult their own advisors regarding an investment in a Fund.

It is also anticipated that, in the normal course of business, the Adviser’s officers will have contact with governmental authorities, and be subjected to responding to questionnaires, examinations and interviews. For example, this is typical in connection with the examination of a registered investment adviser, or registered commodity trading advisor or commodity pool operator. A Mizuho related covered fund may also be subject to regulatory inquiries.

We expect the financial services industry to continue to be affected by significant uncertainty over the scope and content of regulatory reform in 2019 and beyond. The uncertainty about the US regulatory agenda of the Trump administration, which includes proposals to repeal or significantly reduce a number of elements of the Dodd-Frank Act, may result in significant changes in the regulatory direction and policies applicable to us.

#### Brexit – Changes to the European Union and the Functioning and Applicability of the Treaty on European Union

On June 23, 2016, the United Kingdom held a referendum and voted to withdraw as a member of the EU and a party to the Treaty on European Union and its successor treaties. Formally to initiate the withdrawal process, the United Kingdom notified the European Council of its intention to withdraw from

the European Union on 29 March 2017, triggering a two-year “divorce” period under Article 50 of the Treaty on European Union (“Article 50”) during which the United Kingdom and the EU have attempted to negotiate a withdrawal agreement governing the United Kingdom’s withdrawal from and its future relationship with the EU. An extension to the “divorce” period has been agreed between the EU and the United Kingdom, the terms of which means that it is currently unclear on which date the United Kingdom will leave the EU.

It is also unclear whether a withdrawal agreement will be finalized during the remaining “divorce” period and, if not, whether all members of the EU will agree to extend the “divorce” period further. Additionally, political parties in several other member states of the EU have proposed that a similar referendum be held on their country’s membership in the EU. It is unclear whether any other member states of the EU will hold such referendums.

Areas where the uncertainty created by the United Kingdom’s vote to withdraw from the EU is relevant includes, but is not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within European countries, the regulation of the provision of financial services within and to persons in Europe and trade policy within European countries and internationally. The volatility and uncertainty caused by the referendum may adversely affect the value of the Funds’ investments managed by MAI and the ability to achieve the investment objective of the Funds.

#### Trump and U.S. Congress Regulatory Agenda.

President Trump and other members of the Republican Party have to date implemented significantly reformed federal tax policies and begun the process of reversing some aspects of the Dodd-Frank Act and other recent regulation of the financial industry. As a result of these reforms and proposals for further reform, banks could, e.g., dramatically increase their lending practices and accept additional types of collateral, borrowers could reduce their demand for debt financing, certain investment advisers could de-register with the SEC and portfolio companies that are net importers or hold significant assets outside of the United States could be subject to increased tax liability. In addition, the Democratic Party assumed leadership of the House of Representatives in January 2019 and made clear its intentions to propose sweeping changes to federal tax policies and other financial regulations from its side. The effect of any such regulatory or tax changes on the Funds, MAI and the markets in which they trade and invest is still uncertain.

#### Notification of Certain Events

The Adviser will notify the investors in due course of (i) the commencement of any legal proceedings before any court, government body, agency, official or arbitrator, or (ii) the commencement of any investigations with respect to, or being threatened in writing to be charged with, or being given written notice of, any violation of law, rule, regulation, judgment, injunction, order, or degree applicable to it, in each case if the Adviser reasonably determines such proceeding or investigation would be materially adverse to the Adviser if ultimately adversely determined against it by the relevant court or tribunal and that such adverse outcome is more likely than not to be realized. In no event will the Adviser be obligated to disclose to the investors any routine, preliminary or investigative inquiry or investigation made by a regulatory or self-regulatory organization, court, government body, agency or official as part of an inspection, examination, “sweep,” review, due diligence, or similar matter.

### Conflicts of Interest

Various conflicts of interest arise in connection with the operation of the Funds. The Adviser has a responsibility to the Funds to exercise good faith and fairness in all dealings affecting the Funds and will endeavor to resolve all conflicts fairly and equitably. By acquiring an interest in the Funds, each investor will be deemed to have acknowledged the existence of each of the foregoing and following potential conflicts of interest and to have waived any claim with respect to any liability from the existence of any such conflict of interest.

MAI seek to devote sufficient resources to pursue each client's objective of maximizing the expected returns on its portfolio, subject to general constraints on portfolio risk, exposure to extreme adverse events, concentration, liquidity and other qualitative and quantitative considerations. However, MAI, its affiliates and managers, members, officers, directors, agents, and employees may act as an investment manager, investment adviser, sponsor, manager, general partner or managing member for other clients, funds, accounts and collective investment vehicles ("Other Accounts") and give advice, and take action, with respect to any of those Other Accounts (including, without limitation, MHBK and its affiliates) that may differ from the advice given, or the timing or nature of action taken, with respect any particular client. Where there is a limited supply of an investment opportunity, MAI will use commercially reasonable efforts to allocate or rotate investment opportunities in a manner deemed equitable, but MAI cannot assure, and assumes no responsibility for, equality among all accounts and clients. In addition, MAI and its affiliates may advise Other Accounts that trade in identical or similar underlying investments, or similar strategies, and that are generally classified as the same type of fund product, even though such activities may result in competition among clients and/or may take substantial time and resources of MAI or its affiliates away from any particular client.

### Affiliated Futures and Securities Brokers

The Adviser, through its affiliation with the Mizuho Group, is also affiliated with Mizuho Securities Co., Ltd. and Mizuho Securities USA Inc. (together, "Mizuho Securities"), who are members of the Mizuho Financial Group. When selecting futures or securities brokers, as the case may be, to execute trades for the Funds, the Adviser will make its selection based on the criteria set forth below in Item 12 "*Brokerage Practices*." Some trades may be placed with Mizuho Securities, who may receive a commission from the other side of the transaction and Mizuho Securities will have a conflicting division of loyalties and responsibilities between the Funds and the other party. The Funds may also purchase U.S. Treasury securities and commercial paper through Mizuho Securities. The Funds have a right to know the details of these transactions, including commissions earned by Mizuho Securities.

The Adviser may, on behalf of the Funds, enter into transactions, in compliance with the U.S. Advisers Act of 1940, in which Mizuho Securities serves as the counterparty or principal or as broker for the Funds or another party to the transaction. The Adviser will only enter into such transactions on terms believed by the Adviser, in good faith, to be arm's-length. The Adviser is unable to predict the volume of these transactions to be conducted with Mizuho Securities. In performing services for the Funds, Mizuho Securities will be entitled to exercise its rights in these capacities without regard to any potential impact therefrom on the interests of the Funds subject to any agreements between the Funds, or the Adviser and Mizuho Securities in connection herewith.

Mizuho Securities also may, on behalf of the Funds, effect transactions where Mizuho Securities is also acting as a broker on the other side of the same transaction. Mizuho Securities may receive commissions from such agency cross-transactions and has a potential conflict of interest regarding the Funds and the other parties to those transactions. Moreover, the Funds may execute the purchase and sale of securities through Mizuho Securities as agent and may pay commissions to Mizuho Securities, who may retain any

commissions, remuneration or other profits which may be made in such transactions. Sales of securities for the account of the Funds may be bunched or aggregated with orders for other accounts of Mizuho Securities, including other investment vehicles. It is frequently not possible to receive the same price or execution on the entire volume of securities sold, and the various prices may be averaged, which may be disadvantageous to the Funds.

Also, Mizuho Securities Co., Ltd. services as a placement agent to several of the portfolios of the Wilshire Platform sub-advised by MAI. Please see for details Item 14. Client Referrals and Other Compensation.

#### Affiliated Investment Adviser

MAI is working jointly on a Cayman Islands-based private fund platform (the “AMO Platform”) with its Mizuho Group affiliate, Asset Management One (“AMO”), a Japan-based investment adviser. AMO is acting as the investment adviser and MAI is acting as a sub-advisor on the AMO Platform and as a provider of certain platform management services to all AMO Platform Funds. Various potential conflicts of interest arise in connection with the operation of the AMO Platform, including, but not limited to, the following:

- There may be a risk that MAI and AMO, being affiliates within the Mizuho Group, a major banking and financial group, would agree on fee rates and other arrangements that are not within market standards or otherwise disadvantageous to investors. To the extent a new class or a fund is launched without an “anchor investor”, MAI will review fee rates and other arrangements between MAI and AMO on a regular basis to ensure that they are close to market for similar fee arrangements between investment advisers and sub-advisers that are not affiliated.
- There may be conflicts related to investor clients of MAI and AMO that are also clients of other Mizuho Group entities. There is a risk these conflicts could result in, for example, conflicting advice, diverging levels of service provided to investor clients between different Mizuho Group entities, diverging levels of service provided to Mizuho Group investor-clients as opposed to non-Mizuho Group investor-clients, etc. These potential conflicts are disclosed in the relevant Fund’s offering documents distributed to investors. MAI will use commercially reasonable efforts to treat each of its investor clients on an equal basis and provide an equal level of service to each of them.
- There may be conflicts related to investors in Fund share classes that are closed to other investors or subject to side letters containing different or more beneficial investment terms compared to those granted to other investors not entitled to invest in the same share class or not subject to the same side letter. These potential conflicts are disclosed in the relevant Fund’s offering documents distributed to investors and, as needed, through additional disclosures. Please also refer to the disclosure entitled “Side Letters” under Item 4 above.

#### Affiliated Party Transactions and Employees Shared with BHC and BHC Group Companies

Some MAI employees or persons otherwise working with MAI on a regular basis are so-called “Dual Hat Employees”, i.e. persons who perform shared services and/or provides products and services to clients on behalf of MAI or one or more of BHC and/or BHC group companies or otherwise authorized to act on behalf of MAI, BHC or any BHC group company on the one hand and an affiliate thereof on the other hand).

In accordance with MAI’s Affiliated Party Transactions Policy, in no event shall a Dual Hat Employee approve an affiliate transaction, which means a transaction entered into between or among MAI or other

BHC group companies and one or more of its affiliates for more than one entity, unless (i) MAI's Management Committee and, in certain cases, the BHC Board of Directors otherwise approves and (ii) the approval by such Dual Hat Employee or authorized person is not prohibited by applicable law or regulation.

In the event a Dual Hat Employee is required to perform roles or assume responsibilities for more than one of MAI, BHC and/or their affiliates, to the extent necessary, he or she must designate one or more persons who are not Dual Hat Employees to perform such roles and responsibilities to the extent necessary to avoid a potential conflict of interest or implement such other methods approved by MAI's Management Committee or the BHC Board of Directors, as the case may be.

#### Dual Functions of Certain MAI Employees

Certain employees of MAI perform certain portfolio management functions as part of the QST and certain investor related functions as part of the product development team. For example, such dual function employees are responsible for investment activities related to the portfolios as well as business development activities such as portfolio structuring and communications with current and prospective investors. MAI will include such employees on the portfolio management team responsible for the investment management of the Portfolio. The fact that such employees are performing dual functions in two distinct business areas may result in additional conflicts of interest.

#### Relationship with the Mizuho Financial Group

The Adviser is a member of the Mizuho Group, which through its various affiliates and subsidiaries, engages in diverse financial and banking activities, including commercial and investment banking, securities sales and trading, trust and custodian services, and asset management. In its various business units, both on behalf of sales and trading customers and advisory clients and on behalf of its own proprietary accounts, the Mizuho Group may give advice, and take action, with respect to any of their customers, clients and proprietary accounts that may differ from or be identical to the advice given, or the timing or nature of action taken, by the Adviser with respect to the Funds. From time to time, these independent decision makers may come into possession of material, non-public information concerning a position to which the Funds have exposure or which it is considering to be exposed. The Adviser has adopted and implemented what it believes to be reasonable policies and procedures to prevent the Adviser and its employees from coming into possession of material, non-public information known to these independent decision makers. If these policies and procedures were deemed to be unreasonable, the possession of this information might limit the ability of the Adviser to recommend that the Funds buy or sell securities or instruments that are the subject of this information.

The Adviser provides reporting to the BHC and Mizuho Group about its investment and portfolio risks through a variety of channels, to the management of the Mizuho Group and the BHC who is responsible for the Adviser's business and operations, and to various business units who have invested in the Funds or other collective investment vehicles advised by the Adviser, both on behalf of sales and trading customers and advisory clients and on behalf of its own proprietary accounts. A majority of the investors in the Funds or other collective investment vehicles advised by the Adviser may themselves be sales and trading customers, advisory clients or proprietary accounts of the Mizuho Group. The existence of these relationships may give rise to various conflicts of interest, for example, by incentivizing the Adviser to provide more detailed disclosure to members of the Mizuho Group than it provides to other investors or providing any such disclosure more frequently or in a more timely manner. There can be no guarantee that the Mizuho Group will limit the use of any information that is provided to evaluating a new or continuing investment or allocation, whether on behalf of itself or a customer or client, and may use the information for purposes unrelated to the Funds and their investment activities.

### Core Investor

Funds may have a limited number of investors at any time, and several (if not all) of these investors may be affiliated or advised by the same investment adviser and may contribute all or a substantial percentage of the Funds' capital. Accordingly, it may be more likely that one or more of these affiliated or commonly advised investors request to redeem from the Funds at the same time, including for reasons entirely unrelated to the investment performance of the Funds, such as, for example, in order to comply with the regulations applicable to such core investor, including the compliance with the Volcker Rule applicable to any seed capital provided by Mizuho Financial Group. Any such redemption could pertain to a significant portion of the Funds' capital. Such redemptions could materially and adversely affect the relevant Funds or any remaining investors. MAI does not have a duty to inform or advise any investor in the relevant Funds to make a similar redemption or take a similar action. Each Fund investor is responsible for making its own decision as to the timing and amount of any redemption from any of the Funds.

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

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

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

#### Commodity Pool Operator and Commodity Trading Advisor

MAI is registered with the Commodity Futures Trading Commission ("CFTC") as a commodity pool operator ("CPO") and a commodity trading advisor ("CTA") and generally functions as both the CPO and CTA for the Private Funds, which are exempt from registration with the CFTC as "commodity pools."

#### Affiliated Firms

MAI is affiliated with four investment advisers via common ownership: 1) Asset Management One U.S.A., Inc., which is registered as an investment adviser with the SEC (SEC File No. 801-54930); 2) Asset Management One Co., Ltd., which is registered as an investment adviser with the SEC (SEC File No. 801-55047); 3) Mizuho Global Alternative Investments, Ltd., which also operates in Japan; and 4) Mizuho-DL Financial Technology Co., Ltd., which also operates in Japan. MAI is also affiliated with a U.S. broker-dealer via common ownership: Mizuho Securities USA Inc. (SEC File No. 8-37710).

In addition, as discussed previously, MAI is affiliated and was formerly owned by MHBK, a bank headquartered in Tokyo, Japan, and MSC, a broker-dealer headquartered in Tokyo, Japan. MHBK serves major corporations, financial institutions and their group companies, public sector entities, and overseas corporations including subsidiaries of Japanese corporations. MHBK's business activities include accepting deposits, lending, investment banking, and custodial services, among others. MSC's business activities include sales, trading, settlement, and foreign exchange services, among others. MHBK and MSC are wholly owned by Mizuho Financial Group Inc., a publicly traded company listed on the Tokyo Stock Exchange and New York Stock Exchange (American Depository Receipts).

MAI has entered into various servicing agreements with MHBK whereby MHBK provides MAI with IT system, disaster recovery, human resources and administrative support.

MAI utilizes the services of Mizuho Bank (USA) ("MHBKUSA") (formerly Mizuho Trust & Banking Co. (USA)), which merged with MHBKUSA effective December 31, 2017), which is a part of the

Mizuho Financial Group, as a custodian and fund administrator for certain Private Funds it advises. Due to MAI's relationship with MHBKUSA, a conflict of interest may exist. However, MAI believes that fees paid to MHBKUSA are in line with fees that would be charged by custodians and fund administrators who are not affiliated with MAI.

#### Strategic and Fee Sharing Relationships

Pursuant to an arrangement between Wilshire Associates Incorporated ("Wilshire") and MAI, which serves as a sub-advisor to certain portfolios of Wilshire Institutional Master Fund II, SPC (the "Platform"), Wilshire shares a certain percentage of the platform fee with MAI for certain portfolios of the Platform (the "Shareholder Servicing Fee"), in exchange for investor relations support services provided to Wilshire by MAI (the "MAI Services"). Because the amount of Shareholder Servicing Fee depends on the amount of assets invested into the Portfolios with respect to which MAI provides shareholder services, MAI will benefit from any asset growth in such Portfolios. Therefore, MAI and any placement agent of the Platform affiliated with MAI have a conflict of interest because they may be incented to recommend investments into or otherwise participate in marketing of the Platform as opposed to other funds that they manage or distribute. In addition, with respect to certain MAI's projects and clients, MAI retained Wilshire to provide risk premia advisory support services and pays Wilshire a support services fee out of its fees received in connection with such project or client and, with respect to certain Wilshire's projects and clients, Wilshire retained MAI to provide risk premia advisory support services and pays MAI a support services fee out of its fees received in connection with such project or client. The nature of the relationship between MAI and Wilshire and the applicable arrangement between them was disclosure to the relevant clients. With respect to certain other clients of Wilshire, Wilshire may use the risk premia database, which is jointly developed with MAI, and will pay MAI a database fee out of Wilshire's fees received by Wilshire in connection with such clients.

#### Other Activities

As noted in Item 8 above, MAI's QST develops algorithms for quantitative investment strategies. In addition to managing Funds using its internally developed algorithms, MAI may license or otherwise grant the right to use such algorithms to third parties. MAI currently has one such licensing arrangement with a third party. The third parties may use algorithms to create indices and then distribute to third parties index-linked products, including swaps, based on the created indices. The Funds may invest into such index-linked products, in which event MAI will waive its licensing fee with respect to the investment into such index-linked product held by the relevant Fund. However, MAI will still have non-monetary benefits with respect to any such investment into the relevant index-linked products as a result of the increased amount of subscriptions to the index-linked products in general.

MAI also provides portfolio monitoring and consulting services, platform management services and investment model licensing as described in more detail in Items 4 and 5 above.

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

#### 1. Code of Ethics

In accordance with the requirements of Rule 206(4)-7 under the Investment Advisers Act of 1940 ("Advisers Act"), MAI has adopted comprehensive written compliance policies and procedures (the "Compliance Program") to mitigate various conflicts of interest and other factors creating compliance risk exposure for MAI, include the Code of Ethics and the Code of Conduct. To avoid any potential conflicts of interest involving personal trades, the misuse of material, non-public information MAI has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act and Rule 17j-1 under the Investment

Company Act, which includes personal trade pre-clearance, reporting and review policies and procedures, and anti-insider trading policies and procedures. The Code of Conduct is modeled after Mizuho Bank's Code of Conduct and addresses MAI's expectations about its employees' business ethics. Specific topics include gifts and entertainment, outside business activities, and social media. MAI may provide employees with exceptions or waivers from the Code of Ethics and the Code of Conduct from time to time.

MAI's Code of Ethics and Code of Conduct requires, among other things, that employees:

- Act with integrity, dignity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, third-party service providers, and fellow employees;
- Place the integrity of the investment profession, the interests of clients, and the interests of MAI above one's own personal interests;
- Adhere to the fundamental principle that one should not take inappropriate advantage of one's position;
- Avoid any actual or potential material conflict of interest prior to consulting with senior management;
- Disclose all material conflicts of interest to clients;
- Conduct all personal securities transactions and report securities holdings, including transactions in and holdings of crypto-currencies, in a manner consistent with the Code of Ethics;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner, such as will reflect favorably on the employee and the profession;
- Promote the integrity of and uphold the rules governing the capital markets;
- Maintain and improve professional competence and strive to maintain and improve that of other investment professionals;
- Keep clients' and MAI's information confidential; and
- Comply with all applicable provisions of the federal securities laws.
- Make use of social media in a manner consistent with the Code of Conduct

A copy of MAI's Code of Ethics is available to any client, investor, prospective client, or prospective investor upon request.

## 2. Participation or Interest in Client Transactions

MAI may participate or have an interest in client transactions as described below. MAI makes all investment management decisions in its clients' best interests.

### *A. Principal Capacity Trades*

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliate, buys from, or sells any security to, an advisory client. For example, a principal transaction would occur if MAI bought securities for its own inventory from an MAI advisory client or sold securities from its inventory to an MAI advisory client. If MAI, its affiliates or its respective principals owned a substantial equity interest in an account managed by the adviser, a transaction involving that account and another client could be characterized as a principal transaction. For example, if MAI, its affiliates or principals have a substantial equity interest in an affiliated Fund, the transfer of securities from such Fund's account to MAI could be deemed a principal transaction. A



principal transaction presents conflicts of interest which may include the adviser or affiliate earning a fee or earning (or losing) money as a result of the transaction.

MAI and its related persons do not generally engage in principal transactions with MAI's clients. Subject to applicable rules and regulations, if MAI were to engage in such affiliated principal transactions, MAI would disclose the transaction to the client and obtain the client's consent in accordance with Section 206-3 of the Advisers Act. With respect to affiliated funds, MAI may engage in such transactions as described in each such Fund's offering documents. In such instances, MAI will comply with applicable law, as well as any requirements imposed by the funds themselves. The potential conflicts of interest are disclosed in the Funds' offering documents.

An "agency cross transaction" is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. MAI does not intend to cause clients to engage in agency cross transactions.

#### *B. Cross Transactions*

Cross trades involve the transfer, sale or purchase of assets from one client to another client without the use of a broker-dealer. For equities, MAI may engage in cross trading where permissible, if it determines that such action and the conditions for the transaction would be favorable to both clients and the terms of the transaction are fair to both parties. The vast majority of trades made for client accounts will be executed through the open market or with reference to an independently established market price. Neither MAI nor its affiliates will receive transaction-based compensation from the trade. In certain situations, specific consent for each such transaction may be required from both parties to the transaction. Where a Registered Fund is involved, the transaction will be executed in accordance with the provisions of Rule 17a-7 under the Investment Company Act and any applicable policies and procedures approved by the Registered Fund's Board of Trustees.

#### *C. Affiliated Brokers*

MAI is affiliated with Mizuho Securities USA Inc. MAI generally does not execute client trades using affiliated brokers. However, MAI acting as an agent of Crystal Japan Fund executes FX spot trades with MHBKUSA acting as an agent of Mizuho Bank Ltd. Any such transaction is completed only for currency cash management purposes (and not for investment exposure purposes), at the market price and subject to the commission rates MAI believes to be competitive.

#### *D. Financial Interests in Securities or Investment Products*

From time to time, employees of MAI and its related persons who are registered representatives or associated persons of a registered investment adviser and broker-dealer, CPO and CTA, may recommend to MAI's clients that they buy or sell securities in which MAI or a related person has a financial interest. Such financial interest could include, but is not limited to, having a business relationship (whether client, broker, vendor or investment consultant) or serving as investment adviser, general partner, managing member or director for a particular investment product. Furthermore, MAI may invest Funds' assets into securities or other assets of companies with which MAI or its affiliates has a business relationship, whether client, broker, vendor or investment consultant. In such instances the purchase or sale of a security either recommended or directed by MAI may have an impact on the price of such security, which may indirectly benefit (or act to the detriment of) its affiliates.

*E. Employee Investment in MAI Products*

Employees of MAI or its affiliates may be investors in Funds managed by MAI or an affiliate, although a Fund's offering documents may contain restrictions in this respect. Any such investments are made in conformity with the Code of Ethics and the Code of Conduct that includes procedures governing the use of confidential information and personal investing. MAI may reduce or waive fees for employees.

*F. Buying and Selling Securities That Are Recommended to Clients*

MAI may recommend to clients investments in which MAI, its affiliates or employees are also invested. Key personnel of MAI may be invested directly in the Funds. MAI provides investment advisory services to various clients which may differ from the advice given, or the timing and nature or action taken, with respect to any one account. MAI, its affiliates and employees (to the extent not prohibited by the Code of Ethics), and clients of MAI or its affiliates may have, acquire, increase, decrease, or dispose of securities or interests at or about the same time that MAI is purchasing or selling securities or interests for a client which are or may be deemed to be inconsistent with the actions taken by such persons. All such investments are made in conformity with the Code of Ethics and MAI's aggregation and allocation procedures (see Item 12.).

3. Personal Trading

MAI's personnel are permitted to trade for their own accounts, and from time to time may buy or sell securities that MAI trades for the Funds, including purchases or sales occurring at or about the same time as trades for a Fund. MAI's Code of Ethics requires employees to: 1) pre-clear certain personal securities transactions; 2) report personal securities transactions on at least a quarterly basis; and 3) provide MAI with a detailed summary of certain holdings and securities accounts (both upon commencement of employment and annually thereafter) in which such employees have a direct or indirect beneficial interest. MAI's Code of Ethics also currently prohibits personal trading in CFTC-regulated investment instruments, including, but not limited to, futures and options on futures.

4. Other Conflicts of Interest

*A. Principal Investment*

MAI is the investment adviser or sub-adviser to the Funds and, as such, receives management and incentive fees from the Funds. Because certain of MAI's clients are Funds of which MAI or an affiliate is the managing member, investment adviser, and/or significant owner, MAI may be considered to participate indirectly in the transactions effected for such Funds. The foregoing relationships, fees and any other actual or potential conflicts of interest are disclosed in the offering documents and governing documents for each Fund. The size of the investment held by MAI or a related entity may vary substantially among the Funds, and this may create an incentive for MAI to favor one Fund over another, depending on the relative size of the investment or the management and incentive fees received from the Fund.

*B. Material Non Public Information/Insider Trading*

It is MAI's policy to make investment and trading decisions solely on the basis of public information. MAI has implemented policies and procedures, including certain information barriers with various entities within Mizuho Financial Group (the "MNPI Procedures"), that are reasonably designed to prevent the misuse by MAI and its personnel of material information regarding issuers of securities that has not

been publicly disseminated (“material non-public information”). The MNPI Procedures are designed to be in accordance with the requirements of the Advisers Act and other federal securities laws. In general, under the MNPI Procedures and applicable law, if MAI or any of MAI’s personnel come into possession of material, non-public information related to a publicly-traded security or the issuer of such security neither MAI nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information is no longer deemed to be material non-public information.

### *C. Gifts/Gratuities/Entertainment*

In general, Employees may not solicit or accept gifts or other gratuities or anything of value from individuals or firms seeking to conduct business with MAI or one of its advisory clients. Investment opportunities presented by such persons may be considered gifts if the opportunity contains off-market terms that are not available to other similarly situated third-party investors, as determined by the CCO.

Employees may attend business meals, sporting events, social events, hospitality events, charitable events, leisure activities and other entertainment events at the expense of individuals or firms seeking to conduct business with MAI or one of its advisory clients, during the course of a meeting or other occasion the purpose of which is to hold bona fide business discussions, so long as the expenses would be paid for by MAI as a reasonable business expense, if not paid for by another party, and both the host and the MAI’s employee are present. The reasonableness of a business entertainment event will be judged based on, among other things, whether it is so lavish or extensive in nature than an employee would likely feel compelled to act in a manner inconsistent with the interests of MAI or its advisory clients (such as directing order flow without due regard to best execution or other transaction pricing considerations). Prior to attending a business entertainment event, MAI’s employee must obtain approval from his or her supervisor. Employees must also report to the CCO the receipt of all business gifts and business entertainment by submitting a completed report form. If prior approval is required, employees must obtain such approval before attending the event and cannot wait until after attending the event to obtain approval. However, it is understood that there are situations where it is not possible or is impractical to obtain prior approval, such as when a giver or host offers to pay for a lunch that was not previously planned and refusing to accept the proffered meal would give offense. In these situations, a report should be made promptly after the event.

MAI and its Employees must report and receive advance approval for all gifts given to any advisory client, investor, prospective client, prospective investor, or any individual or entity with which MAI does or is seeking to do business. Giving gifts that may be deemed excessive is prohibited, as is giving gifts and/or entertainment unless deemed necessary for business purposes.

MAI forbids payments of any kind by it, its employees or any agent or other intermediary to any government official, official of a self-regulatory organization or other similar person or entity, within the United States or abroad, for the purpose of obtaining or retaining business, or for the purpose of influencing favorable consideration of any application for a business activity or other matter. The Code of Conduct applies to all types of payments, even to minor government officials and industry regulators, regardless of whether the payment would be considered legal under the circumstances, and encourages employees to avoid even the appearance of impropriety in their dealings with industry and government regulators and officials. Furthermore, other public, as well as private, institutions may have their own internal rules regarding the acceptance of gifts or entertainment by their personnel and other representatives. MAI employees are reminded to be aware that institutions with whom they deal may have certain additional restrictions.

#### *D. Political Contributions*

Due to the potential for conflicts of interest, all employees are required to seek preapproval before making any political contribution or volunteering for a campaign.

#### *E. Outside Business Activities*

Certain types of outside affiliations or other activities may pose a conflict of interest or regulatory concern to MAI. Therefore, MAI prohibits certain activities, and requires employees to disclose and pre-clear outside activities to MAI in writing so that responsible personnel may assess the compatibility of the outside affiliation or activity with their role at MAI. “Outside business activities” include relationships in which an MAI employee serves as an employee, director, officer, partner or trustee of a public or private organization or company other than MAI (paid or unpaid), including joint ventures, portfolio investment companies, non-profit, charitable, civic or educational organizations. Those relationships may or may not be related to employment with MAI.

MAI employees may serve as an executor, trustee, guardian or conservator, with prior approval from the CCO, irrespective of whether such service is personal in nature. Brokerage accounts under control of the employee as a result of their service as an executor, trustee, guardian or conservator must be disclosed in accordance with MAI’s Code of Ethics, even if the relationship is personal. MAI generally permits employees to engage in philanthropic, charitable or other similar pursuits without compensation or remuneration. In general, employees are not required to obtain pre-approval prior to accepting uncompensated positions, unless the position is one where the employee would have responsibility for making, reviewing or disposing of one or more financial investments made by the organization or supervising internal or external personnel engaged in investment activities. In these latter cases, the position should be viewed as an outside business activity.

#### *F. Outsourcing/Service Providers*

MAI conducts appropriate due diligence on any outside vendor that provides products or services to MAI and enters into an appropriate contract in accordance with MAI’s Review of Third Party Service Providers Policy, as well the third-party risk management framework established at BHC level. MAI’s relationships with outside vendors are managed so that appropriate controls and oversight are in place to protect MAI’s interests, including safeguarding of private and confidential information regarding the Firm’s clients and employees.

## **Item 12. Brokerage Practices**

### **Selection of Brokers**

MAI will consider the full range and quality of a broker's services in selecting a broker or other counterparty to meet best execution obligations. The determinative factor is whether the transaction represents the best overall qualitative execution for client accounts. As a starting point, the primary considerations are quantitative in nature such as the trade price and imputed markup/markdown. These things being equal or fairly equal among brokers, the following qualitative factors, among others, are considered when performing MAI's periodic and systematic, as well as contemporaneous, evaluation of its brokerage arrangements and the execution quality of client trades by the brokers: (1) relative order flow sent to the brokers and other counterparties; (2) gross compensation paid to each broker and other counterparty; (3) liquidity of the securities and other financial instruments traded and current market conditions; (4) intermediary compensation (dealer spreads); (5) ability to maintain the confidentiality of trading intentions; (6) custody services provided; (7) ability to place trades in difficult market environments; (8) frequency and correction of trading errors and fairness in resolving disputes; (9) quality and value of the research services provided; (10) ability to access a variety of market venues; (11) execution facilitation services provided; (12) expertise as it relates to specific securities and other financial instruments; (13) timeliness and accuracy of trade executions, confirmations, and settlements; (14) allocation of limited investment opportunities; (15) willingness to commit capital; and/or (16) financial condition and business reputation. Although MAI generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions and equivalents than would be the case for more routine services. In certain instances MAI may execute over-the-counter securities transactions on an agency basis, which may result in the Funds or other clients incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market maker's mark-up or mark-down.

MAI does not intend to seek lower brokerage commissions to the extent that doing so would detract from receiving valuable brokerage and research services. The commissions or equivalents charged by any one broker-dealer may be greater than the amount another firm would charge for executing the same transactions if MAI determines in good faith that the amount of such commissions is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. Selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable. These brokerage and research services are used to service all accounts advised by MAI.

### **"Soft Dollar" Commission Arrangements**

MAI is authorized to use "soft dollars" to pay for brokerage and research services, although it does not currently have any formal soft dollar arrangements and did not acquire any products or services with "soft dollars" within the last fiscal year. Generally speaking, "soft dollar" arrangements are understood to be ones where products or services other than the execution of securities transactions are obtained by an investment adviser from a broker-dealer in exchange for the direction of client brokerage transactions to the broker-dealer. "Soft dollars" would be that portion of the brokerage commission that exceeds the lowest rate available from other broker-dealers for basic execution services. Payment of this excess amount is frequently referred to as "paying up." Using client brokerage commissions (or markups or markdowns) to obtain research or other products or services would result in a benefit to MAI, because MAI would not have to produce or pay for the research, products or services acquired with brokerage commissions. In such a case, MAI will have an incentive to select a broker-dealer based on its interest in

receiving research or other products and services, rather than on its clients' interests in receiving the most favorable execution.

Although MAI has not entered into any formal "soft dollar" arrangements to date, it may do so in the future. When applicable, the Adviser intends to comply with the "safe harbor" provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, which permits the use of soft dollars from commissions to obtain "brokerage and research" services that provide lawful and appropriate assistance to the investment adviser in the performance of its investment decision-making responsibilities. Under Section 28(e), research obtained with soft dollars generated by one client may be used by the investment adviser to service accounts other than the account responsible for generating the soft dollars.

#### Proprietary Research and Brokerage Services

MAI executes futures and securities transactions with multiple executing brokers, many of whom provide MAI with access to proprietary research and brokerage services (*e.g.*, standard investment, securities and economic research and credit reports, and securities price and market data), which may be used to service certain accounts at MAI. To the best of MAI's knowledge, these services are generally made available to all institutional investors doing business with these broker-dealers. These bundled services are made available to MAI on an unsolicited basis and without regard to the rates of commissions charged or paid by MAI's clients or the volume of business MAI directs to these broker-dealers. Since these products and services are merely made available by broker-dealers as part of a bundled business package to MAI, who may or may not use them, it is MAI's understanding that broker-dealers do not set discrete prices for these products and services. Accordingly, MAI does not separately compensate these broker-dealers for the provision of these services and does not believe that it "pays-up" for the broker-dealers' services, due to the difficulty associated with the broker-dealers not breaking out the costs for the services in question.

#### Capital Introduction

The broker-dealers that have entered into prime brokerage and/or futures clearing arrangements with MAI will occasionally provide MAI "capital introduction" services as part of the overall prime brokerage and/or futures clearing service offering. Capital introduction is a service provided by prime brokers/futures clearing merchants ("FCMs") and is designed to "introduce" private fund managers to potential investors, typically through individual meetings or in a conference format. These bundled services are made available to MAI on an unsolicited basis and without regard to the rates of commissions charged or paid by MAI's clients or the volume of business MAI directs to these broker-dealers.

Although capital introduction is customarily offered as a "free" service, various conflicts of interest are presented by such arrangements. While MAI does not compensate these broker-dealers based on capital introductions, MAI may be incentivized to use the services of a specific prime broker/FCM due to the prime broker's/FCM's ability to raise capital for MAI-advised Funds. In addition, MAI benefits from arrangements where investors are referred to MAI because its asset-based fees are generally based upon a percentage of assets managed and its performance-based fees are generally based upon a percentage of net profits on such assets. Thus, the more assets MAI has under management, the higher its asset-based fee income and, potentially, its performance-based fee income. In addition, there may be a conflict between the prime brokers'/FCMs' desire to increase their revenues by raising capital through their prime brokerage and/or futures clearing services and the interests of investors. The prime broker/FCM and/or its affiliates generally receive fees/commissions as a result of MAI's decision to utilize its services as follows: custodian of client accounts managed by MAI; securities and futures transactions executed on behalf of MAI's clients; and lending funds and/or securities to MAI-advised Funds as part of MAI's investment strategy, *i.e.* margin/short sale and/or securities lending programs. While the relationship may present the appearance of a conflict of interest, the availability of the foregoing products and services to

MAI is not contingent upon MAI committing to the prime brokers/FCMs any specific amount of business (assets in custody or trading commissions). In the last fiscal year, MAI's recommendation to select or maintain prime brokers/FCMs for client accounts was not based primarily on the prime brokers'/FCMs' provision of these capital introduction services and this was at most an incidental consideration.

#### Allocation of Trading Opportunities; Aggregation of Client Orders

MAI will act as investment adviser to a number of client accounts, including client accounts pursuing similar or varied investment strategies. MAI will allocate trading opportunities among its clients in a manner that is fair and equitable. However, MAI may give advice, and take action, with respect to any of those client accounts that may differ from or be identical to the advice given, or the timing or nature of action taken, with respect to other client accounts.

In some instances, MAI bunches or aggregates an order for a client account with orders for other accounts. For example, clients whose accounts are being traded pursuant to the same trading strategy will normally have orders placed for their accounts at or about the same time. However, in some cases, MAI elects not to bunch or aggregate an order for a client account with orders for other accounts. The effect of such bunching, aggregation or lack thereof may operate to the disadvantage of the client. For example, transactions for a client that are not bunched for execution with transactions in the same securities for other clients may result in higher commissions, greater spreads, less favorable net prices, and inferior overall execution than would be the case if MAI were to have bunched or aggregated the order prior to execution. Transactions resulting from aggregate orders are generally allocated using a "Synthetic Average Price" allocation method, where MAI utilizes a program within the order management system to seek to systematically allocate filled trades to each participating client on a consistent and fair basis. The Synthetic Average Price process sorts i) fills, by quantity at each price level, and ii) participating Clients, by desired target allocation, both from high to low. Individual fills are then allocated incrementally using this consistent sort order as a guideline. The expected result is that each participating account should receive an allocation with a synthetic average price that is reasonably close to what a true calculated average price would be for each aggregated order. MAI believes that the Synthetic Average Price allocation method offers a consistent, non-preferential method for allocating trades. A detailed description of the "Synthetic Average Price" allocation method used by MAI is set out in MAI's Portfolio Management and Trading Policy.

The Registered Fund may impose restrictions prohibiting the use of specified brokers, which may cause MAI to execute certain orders for the Registered Fund separately than orders for the same instrument executed for other client accounts that pursue a similar strategy. Restrictions imposed by the Registered Fund may operate to the disadvantage of the Registered Fund in terms of less favorable execution prices and higher transaction costs.

#### Standard of Care; Trade Errors

Under the terms of the constituent documents for the Funds and/or the investment advisory agreements between each Fund and MAI, neither MAI nor its officers and employees will be liable in damages or otherwise to the Fund or to any investor in the Fund for any act or omission in connection with MAI providing investment advice to the Fund, except for any liability that results from a breach of the applicable standard of care with respect to the Fund (typically, gross negligence, willful misconduct or fraud). As a result, MAI will only be liable for trade errors where MAI acted in breach of the applicable standard of care with respect to the Fund (such as gross negligence, willful misconduct or fraud). Examples of common trade errors include errors in the investment decision-making process (e.g., a transaction was effected in violation of the Fund's investment guidelines) or in the trade process (e.g., a buy order was entered instead of a sell order, or the wrong security was purchased or sold, or a security

was purchased or sold in an amount or at a price other than the correct amount or price). The system implementation errors are not included in the definition of trade errors (please see Item 8 - *Reliance on Technology; System Implementation Errors* above). In addition, MAI is not liable for any act or omission of any broker or dealer selected by MAI with reasonable care. Although a broker-dealer may choose to assume responsibility for a trade error loss caused by MAI, MAI may not obtain the broker-dealer's agreement to do so in exchange for MAI's "soft dollar" credits from the broker-dealer, or for MAI's promise to direct future commissions to the broker-dealer. To the extent MAI is required to reimburse the relevant Fund, MAI does not reimburse "opportunity costs" or other soft costs, only direct losses from a trade error, such as commissions, mark-ups and market price movements. Opportunity costs include the profits that would have been made, or losses avoided, on a position if the position had been initiated or closed out where this in fact did not happen (for example, in situations where MAI's system generates or fails to generate a model recommendation that is not, in fact, translated into a trade). If the client is owed a reimbursement, it will be paid promptly and without interest. The standard of care and undertakings in the handling of trade errors will differ among client accounts, however, which may result in a trade error impacting one client account differently than another client account.

#### Execution Management System Charges

A third-party execution management system retained by MAI to provide the relevant services to MAI, in addition to the fees charged to MAI, also, as a standard practice, independently from MAI, charges a fee to the execution brokers used by MAI for trading in client accounts. The charge is for services the execution management system provides to brokers, including maintaining the connectivity between such service provider and each relevant execution broker. The fee charged to execution brokers, in part, is based on MAI usage of the execution management service systems and connectivity and determined by the service provider based on their internal pricing determination for its clients' connectivity. MAI believes that such charges may affect the execution fees charged by the brokers to MAI clients.

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

Ongoing portfolio management is the responsibility of the Chief Investment Officer ("CIO") of the QST and the Senior Vice President ("SVP") of the SCIT, subject to the oversight of MAI's CEO. Both the CIO of the QST and the CEO attend a monthly Investment Strategy Committee meeting for the QST. In the case of the SCIT, formal meetings between the SVP and the CEO occur on an as-needed basis.

The CIO of the QST determines specific strategies for client accounts managed by the QST, performs portfolio analysis, monitors overall risk, and reviews allocations. The traders execute trades, while analysts perform qualitative and quantitative research and propose new investment ideas to the CIO. Market fluctuations, proposed changes in investment strategy, or economic developments may be factors which could trigger a review by the CIO.

With respect to the Funds for which MAI serves as investment adviser, investors receive regular written reports (such as monthly letters and quarterly account statements) as specified in each Fund's constituent documents (such as the offering memorandum or limited partnership agreement for Private Funds or the Registered Fund's prospectus and statement of additional information).

Each investor in a Private Fund receives written audited financial statements for the Fund no later than 120 days after the Fund's fiscal year end (and normally within 90 days of the Fund's fiscal year end), including audited schedules of investments, balance sheets, income statements and cash flow statements. For Private Funds with U.S. resident partners, each investor receives a written statement of the investor's share of the Fund's taxable income or loss for the given year. MAI provides the adviser to the Registered



Fund and the members of the Board of Trustees of the Registered Fund the reports agreed between such parties and MAI.

In addition to the foregoing reports and statements, for Private Funds, MAI may also provide, in its discretion, individual investors or clients or groups of investors or clients with more frequent written disclosure, greater transparency or provide additional information not contained in the above mentioned reports and statements, either due to legal/regulatory constraints that must be followed by some of the Funds' investors and/or the specific needs of and requests made by certain investors.

In the past, regular reporting for managed accounts has been similar to the foregoing. However, in the future, MAI may provide customized reporting for managed accounts that may differ from the reporting provided to investors in the Funds.

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

MAI may, from time to time, compensate affiliated and unaffiliated persons for client referrals in accordance with Rule 206(4)-3 under the Advisers Act. The compensation to be paid will generally consist of a cash payment computed as a percentage of the assets under management referred, although other methods may be used. Currently, such an arrangement is in place with respect to one MAI employee.

Currently, Mizuho Securities Co., Ltd. services as a placement agent to several of the portfolios of the Wilshire Platform sub-advised by MAI. The Platform pays Mizuho Securities Co., Ltd. with respect to the relevant portfolios a placement fee as set forth in the governing documents of the relevant portfolios. Therefore, because employees of Mizuho Securities or its affiliates may be directly compensated based on a shareholder's decision to purchase and retain the shares in the portfolio, there exists a potential conflict of interest when any such employee advises a shareholder to subscribe for or redeem its shares of the relevant portfolio.

#### **Item 15. Custody**

Each advisory client's funds and securities are maintained in a separate account by a qualified custodian, which may be either a U.S. bank, broker-dealer or futures commission merchant or a foreign financial institution that customarily holds financial assets for its customers. With respect to certain of the Private Funds, MAI may be deemed to have constructive "custody" of its clients' assets in accordance with Rule 206(4)-2 under the Advisers Act by virtue of having the authority to obtain possession of client funds or assets, since it serves as managing member and/or is able to directly debit from such assets certain amounts for payment of advisory fees and other fees and expenses. This includes cases of inadvertent custody as set out in MAI's Custody and Safeguarding of Client Assets Policy. In addition, MAI utilizes the services of MHBKUSA, which is a part of the Mizuho Financial Group, as a custodian and fund administrator for one Private Fund it advises. With respect to the Registered Fund, MAI does not have possession of client funds or securities or the ability to directly deduct fees and, therefore, it is not deemed to have "custody" for the purposes of Rule 206(4)-2.

Where MAI is deemed to have "custody" for the purposes of Rule 206(4)-2, the Private Funds' investors generally will not receive quarterly statements directly from the Private Funds' custodians. Instead, the Private Funds are subject to an annual audit by an independent public account and the audited financial statements are distributed to each investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed no later than 120 days after a Private Fund's fiscal year end (normally within 90 days of a Private Fund's fiscal year end).

**Item 16. Investment Discretion**

MAI is authorized to make the following determinations in accordance with each Fund's investment objectives and restrictions without obtaining prior consent from the Fund or any of its investors: (1) which securities or instruments to buy or sell; (2) the total amount of securities or instruments to buy or sell; (3) clearing and executing brokers or dealers or over-the-counter trading counterparty for any transaction; and (4) the commission rates or commission equivalents charged for transactions. MAI may be authorized to make the aforementioned determinations for other clients as well in accordance with discretionary investment management agreements executed with each such client.

**Item 17. Voting Client Securities**

Due to the nature of the investment strategies pursued by MAI, the outcome of any particular proxy vote would have minimal (if any) impact on MAI's investment decision making. In addition, MAI has determined that the administrative costs and burdens associated with voting proxies in client accounts outweigh any advantages to clients obtained through the voting process. Therefore, it is MAI's policy not to vote proxies for client accounts. In lieu of MAI doing so, the management of the Funds and the beneficial owners of managed accounts may elect to receive proxy materials and vote proxies directly. MAI's proxy voting policy and procedures are memorialized in writing and are available for review. A copy of MAI's proxy voting policy and procedures will be provided to clients upon request.

In order to assure that securities and financial class action litigation claims are processed in a timely manner, MAI has retained a third-party service provider to process and file claims on behalf of MAI clients. MAI will submit portfolio holdings to the service provider's database on class action settlement information. Once class action documents are received by the service provider on behalf of MAI's clients, MAI will ensure that the clients either participate in, or opt out of, any class action settlement. MAI's operative assumption is that it may in the best interests of the clients to attempt to recover monies from a class action settlement, depending on the amount that can be reasonably expected to be recovered and taking into account any expected legal fees.

**Item 18. Financial Information**

MAI does not believe that its current financial condition is reasonably likely to impair its ability to meet its contractual commitments to its clients. MAI was not the subject of a bankruptcy petition at any time during the past ten years.