

Voleon Capital Management LP

**Form ADV - Part 2A
Firm Brochure**

March 29, 2019

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Item 1 – Cover Page

This brochure provides information about the qualifications and business practices of Voleon Capital Management LP. If you have any questions about the contents of this brochure, please contact us by phone at (510) 704-9870 or by email at compliance@voleon.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Voleon Capital Management LP is a registered investment adviser. Registration of an investment adviser with the SEC or any state securities authority does not imply any level of skill or training.

Additional information about Voleon Capital Management LP also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This brochure, dated March 29, 2019, is an annual update. The material changes since our last annual updated brochure, dated March 30, 2018, include:

- Item 4: updated Regulatory Assets under Management as of December 31, 2018;
- Item 8: updated disclosures about the firm’s investment strategies, the types of instruments the firm recommends, and certain additional risk factors;
- Item 15: the firm now votes proxies, according to a proxy voting policy, for securities held directly by its clients.

No other changes deemed material are reflected in this brochure, but investors are encouraged to review this updated brochure in its entirety.

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Item 4 – Advisory Business

Structure; Ownership

Voleon Capital Management LP is an investment advisory firm that has been in business since 2008, and its principal place of business is located in Berkeley, California. Voleon Capital Management LP may be referred to in this brochure as “**Voleon**,” the “**Investment Adviser**,” “**we**,” or the “**firm**.”

Voleon Capital Management LP is a Delaware limited partnership, and its general partner is Voleon Capital Management LLC. The firm was founded by Michael Kharitonov, PhD, our Chief Executive Officer, and Jon McAuliffe, PhD, our Chief Investment Officer. Mr. Kharitonov is a limited partner in Voleon and is a member of the company that serves as Voleon’s general partner; his aggregate ownership interest in Voleon exceeds 25% of the total capital of Voleon.

Types of Advisory Services

Voleon serves as investment adviser and provides discretionary investment supervisory services to two master-feeder fund structures. Specifically, Voleon serves as investment adviser to the following funds:

1. Voleon Investors Fund LP, Delaware limited partnership (the “**Investors Onshore Fund**”);
2. Voleon International Investors, Ltd., a Cayman Islands exempted company (the “**Investors Offshore Fund**”);
3. Voleon Master Fund Ltd., a Cayman Islands exempted company (the “**Investors Master Fund**,” and collectively with the Investors Onshore Fund and the Investors Offshore Fund, the “**Investors Funds**”), which serves as the master fund into which the Investors Onshore Fund and the Investors Offshore Fund invest substantially all of their assets through a “master feeder” structure;
4. Voleon Institutional Strategies Fund LP, a Delaware limited partnership (the “**Institutional Onshore Fund**”);
5. Voleon Institutional Strategies International, Ltd., a Cayman Islands exempted company (the “**Institutional Offshore Fund**”); and
6. Voleon Institutional Master Fund, Ltd., a Cayman Islands exempted company (the “**Institutional Master Fund**,” and collectively with the Institutional Onshore Fund and the Institutional Offshore Fund, the “**Institutional Funds**”), which serves as the master

fund into which the Institutional Onshore Fund and the Institutional Offshore Fund invest substantially all of their assets through a “master feeder” structure.

The Investors Funds and Institutional Funds are each referred to as a “**Fund**” and collectively as the “**Funds**.” The Investors Onshore Fund and Institutional Onshore Fund are collectively referred to as the “**Onshore Funds**.” The Investors Offshore Fund and Institutional Offshore Fund are collectively referred to the “**Offshore Funds**.” The Onshore Funds and Offshore Funds are collectively referred to as the “**Feeder Funds**.” The Investors Master Fund and Institutional Master Fund are collectively referred to as the “**Master Funds**.”

As used in this brochure, the term “**client**” generally refers to each Feeder Fund and each Master Fund. The investors in the Funds (the “**Investors**”) have no opportunity to select or evaluate any investments or strategies for the Funds. Voleon selects all investments and strategies for the Funds.

Our services are provided to each of the Investors Fund entities pursuant to the terms of an investment advisory and management agreement (the “**Investors Management Agreement**”) among the Investors Master Fund, Voleon, and Voleon Funds LP (the “**Investors Manager**”), which acts as the General Partner of the Investors Onshore Fund and as the Manager of the Investors Offshore Fund and the Investors Master Fund.

Our services are provided to each of the Institutional Fund entities pursuant to the terms of a separate investment advisory and management agreement (the “**Institutional Management Agreement**”) among the Institutional Master Fund, Voleon, Voleon Institutional Partners LP (the “**Institutional Master Fund Manager**”), which acts as the Master Fund Manager of the Institutional Master Fund, and Voleon Institutional Managers LP (the “**Institutional Feeder Fund Manager**”), which acts as the General Partner of the Institutional Onshore Fund and as the Manager of the Institutional Offshore Fund. The Investors Management Agreement and the Institutional Management Agreement are herein collectively referred to as the “**Management Agreements**.”

The Investors Manager, the Institutional Master Fund Manager, and the Institutional Feeder Fund Manager are collectively referred to as the “**Managers**.”

Voleon and its affiliates are also referred to by the trade name “**The Voleon Group**.” The Funds do not offer their interests to the public. Fund interests are offered only in private placements to qualified investors. The terms applicable to investors in the Funds are detailed in the Feeder Funds’ confidential offering documents, which are provided to prospective investors. Capitalized terms used but not defined in this brochure shall have the meaning ascribed to them in the confidential offering documents.

We seek, on behalf of our clients, to profit from the identification and exploitation of anomalies in asset valuation in order to generate appreciation in the value of our clients’ accounts. The investment strategies we employ on behalf of the Funds are described in greater detail below at

Item 8 and in the Feeder Funds' confidential offering documents. We do not tailor such strategies to the needs of individual investors in the Funds.

The Feeder Funds invest substantially all of their assets in the Master Funds. Through this structure, we seek to execute the strategies discussed above, on behalf of the Feeder Funds, through the activities and investments of the Master Funds. While the Feeder Funds may also make and hold investments directly, rather than through the Master Funds, the Feeder Funds to date have invested substantially all of their assets in the Master Funds and currently anticipate that they will continue to invest substantially all of their assets in the Master Funds.

See Item 8 of this brochure for a more detailed discussion of Voleon's investment strategies.

Assets Under Management

As of December 31, 2018, Voleon manages approximately \$3,804,164,351 of client assets (calculated as Regulatory Assets Under Management), all of which are managed on a discretionary basis.

Item 5 – Fees and Compensation

Management Fee

We are entitled to an asset-based management fee from the Master Funds. Because the Funds are set up in a master-feeder structure, we do not receive a separate asset-based management fee from the Feeder Funds.

The Master Funds pay Voleon such management fee on a monthly basis in advance, based on a percentage of the net asset value of the Feeder Funds as of the first day of each calendar month. The management fee is paid in advance on the first business day of each calendar month and will be prorated with respect to contributions made to the Master Funds on a date other than the first day of the calendar month. Investors in the Feeder Funds bear their proportionate share of the management fee paid by the Master Funds.

The Master Funds have the ability to terminate the services of Voleon pursuant to the terms of each management agreement. The details of how the fees are calculated for the Master Funds can be found in the confidential offering documents of the Feeder Funds, which are provided to investors.

Our fees are indicative of our typical fee structure. However, we may enter into agreements with one or more Feeder Fund investors providing for the waiver or modification of the management fee without notice to the other Feeder Fund investors.

The fees payable by a Master Fund are deducted from the assets of the Master Fund and are paid directly to us.

Expenses

The Feeder Funds, and any feeder funds established in the future will, in general, bear the costs and expenses of each Master Fund pro rata to their respective investments in each Master Fund, provided, that the Master Fund may allocate to a particular Feeder Fund any costs and expenses that are attributable only to that Feeder Fund, as determined in the sole discretion of the Managers. Such costs and expenses will include, without limitation, the Management Fee, as described above, a Performance Fee and/or Performance Allocation (which are discussed in Item 6 of this brochure), and the respective expenses of each Feeder Fund.

To the extent permitted by law, the Feeder Funds and the Master Funds each pay all of their own operating expenses or reimburse those expenses that are paid on their behalf. Under the terms of each Management Agreement, Voleon is entitled to reimbursement from the Master Funds for all out-of-pocket expenses relating to the Master Funds or Feeder Funds properly and reasonably incurred by Voleon in the course of its duties.

Certain expenses relating to the Funds are subject to an Expense Cap (as defined below) and other expenses are not. Expenses which are not subject to the Expense Cap are operating expenses of the Master Funds and the Feeder Funds which include, without limitation: (i) external legal, bookkeeping, accounting, administration, auditing, tax preparation and insurance costs, including D&O and E&O liability insurance for the directors of the Master Funds and the Feeder Funds; (ii) expenses and other costs incurred in the distribution of periodic and annual reports and statements to Investors; (iii) expenses associated with the continued offering of the shares or interests, as applicable, which include but are not limited to expenses enumerated in clause (i), as well as printing and expenses relating to Blue Sky filings and out-of-pocket expenses incurred in relation to preparing the Funds to comply with the regulations of various countries, such as Switzerland, for the offering and sale of the Funds in such countries; (iv) income taxes, withholding taxes, transfer taxes, and other governmental taxes, charges, duties and related costs directly incurred or imposed on the Master Funds or Feeder Funds; (v) investment-related expenses, including, without limitation, all transaction charges, exchange fees, financing expenses, brokerage commissions, interest expenses, administration fees, valuation and registration fees, fees of any brokers, Valuation Agent, clearing, custody and execution costs; (vi) fees and expenses payable to the third-party Administrator; (vii) bank service fees; (viii) the costs of maintaining the Master Funds' and the Feeder Funds' exempted company status in the Cayman Islands, fees and expenses payable to the independent directors and officers of the Master Funds and the Feeder Funds, and such customary fees of the secretary for its secretarial services to the Master Funds and the Feeder Funds, as well as all reasonable out-of-pocket expenses of the directors, officers, and secretary incurred in the performance of their duties; (ix) fees and expenses incurred by the Master Funds or the Feeder Funds in complying with the Foreign Account Tax Compliance Act as well as any other Master Fund or Feeder Fund regulatory compliance filing (excluding Form PF); (x) any extraordinary expenses incurred by or on behalf of the Master Funds or the Feeder Funds (such as indemnification), if any; and (xi) any operating expenses of the Master Funds or the Feeder Funds to the extent not included below under the Expense Cap.

Capped Expenses. Expenses that are subject to the Expense Cap are licensing expenses paid by the Investment Adviser to Voleon Financial Strategies LP (the "**IP Company**"), which is an affiliate of the Investment Adviser (and reimbursed by the Master Funds), for the algorithms, software code, and systems needed to implement the investment objectives of the Master Funds that are attributable to trading and risk management, but not to the prediction models employed by the Investment Adviser to implement the Funds' investment strategy, which prediction model licensing fees are not charged to the Funds; other licensing expenses to external parties for computer hardware and software used for trading, back office software, and risk management (including expenses and licensing fees for purchased and leased hardware and software); data center/colocation facility expenses; networking expenses; electronic data expenses; data processing hardware and software costs; D&O and E&O liability insurance for certain executives employed by the Investment Adviser and the Managers; salaries of the limited staff of the Investment Adviser primarily involved with the trading operations of the Master Funds; and

other technology and risk management-related expenses related to the operation of the Master Funds. Expenses not listed in this paragraph are not subject to the Expense Cap.

Expenses that are subject to the Expense Cap are charged on each Valuation Date to the Feeder Funds on a pro rata basis; each Feeder Fund's share of these expenses are capped at an amount equal to 0.04% per month of the Net Asset Value on each Valuation Date (the "**Expense Cap**"). However, if on any Valuation Date, capped expenses are less than the Expense Cap, such amounts remaining under the Expense Cap will (a) be used to reimburse the Investment Adviser for capped expenses in excess of the Expense Cap that were not paid to the Investment Adviser on preceding Valuation Dates occurring in the same calendar year and, if there are still amounts remaining and the Valuation Date is not the last Valuation Date of the calendar year, (b) be carried forward to subsequent Valuation Dates in the same calendar year and be used to pay any eligible expenses subject to the Expense Cap and owed to the Investment Adviser in excess of the Expense Cap on such Valuation Dates. On the last Valuation Date of a calendar year, any remaining amounts carried forward and not used to pay Investment Adviser expenses will no longer be carried forward. Subject to the Expense Cap, any expenses incurred by the Investment Adviser on behalf of the respective Master Fund that are in excess of this cap (plus any carry forward amounts) will not be reimbursed to the Investment Adviser.

For the avoidance of doubt, the Investment Adviser is not entitled to reimbursement for its general overhead and operating expenses, such as office space, office facilities and office personnel, required for the performance of its services other than as specifically set forth above.

Administrator's Fees. The fees payable to the Administrator are based on the standard schedule of fees charged by the Administrator for similar services. These fees are detailed in the applicable administration agreement. The Administrator will also be entitled to be reimbursed by the relevant Fund for all out-of-pocket expenses relating to such Fund properly incurred by the Administrator in the course of its duties.

Custodians' Fees. The fees payable to the Funds' custodians, if any, will be based on the standard schedule of fees charged by such custodian for similar services. These fees will be detailed in the custodian agreements between each of the relevant Funds and each such custodian. The custodians will also be entitled to be reimbursed by the relevant Fund for all out-of-pocket expenses relating to the relevant Fund properly incurred by such custodian in the course of its duties.

Please refer to the fund documents for further details on the treatment of fees and expenses.

As we consider appropriate, we may invest a portion of the Master Funds' assets in one or more money market funds, short-term U.S. Government Treasuries, and other instruments to temporarily invest its cash. When any such investments are made, investors will be paying, in

addition to the compensation payable to us, their proportionate share of any management or other fees charged by the manager of such money market fund, mutual fund or exchange-traded fund.

See Item 12 of this brochure for additional information regarding Voleon's brokerage practices.

Item 6 – Performance-Based Fees/Allocations

Voleon is not entitled to any performance-based fees or performance-based fees/allocations from the Master Funds. However, certain of its affiliates are entitled to performance-based compensation as follows: (1) the Investors Manager is entitled to a quarterly performance-based fee from the Investors Master Fund, (2) the Institutional Master Fund Manager is entitled to a quarterly performance-based allocation from the Institutional Master Fund, and (3) the Institutional Feeder Fund Manager is entitled to a quarterly performance-based fee from the Institutional Feeder Fund. The details of how the performance fees/allocations are calculated can be found in the confidential offering documents of the Feeder Funds, which are provided to prospective investors. However, the Feeder Funds may enter into agreements with one or more investors providing for the waiver or modification of the performance fee/allocation applicable to such investor(s) without notice to the other investors in the applicable Feeder Fund.

Such performance-based fees/allocations create certain inherent conflicts of interest with respect to Voleon's management of assets. Specifically, our affiliates' entitlement to performance-based fees/allocations may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements. Additionally, since performance fees/allocations reward our affiliates for performance in client accounts that are subject to such fees/allocations, we may have an incentive to favor such accounts over those that have only fixed asset-based fees with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities. Currently, Voleon's advisory services are provided solely to the Funds, which invest through a master-feeder structure. Voleon may advise individual clients through managed accounts in the future, but it currently does not advise any such accounts.

As a registered investment adviser and a fiduciary, Voleon exercises due care to ensure that investment opportunities are allocated equitably among all clients. Voleon has implemented policies and procedures to address trade allocation decisions, order aggregation, and brokerage allocation decisions. These policies and procedures, which are discussed more fully in Item 12, seek to ensure fair and equitable treatment of all clients over time.

See Item 12 of this brochure for additional information regarding Voleon's trade aggregation and allocation procedures.

Item 7 – Types of Clients

We provide investment advice only to the Funds, which are private pooled investment vehicles. Investment advice provided to the Master Funds is subject to the direction and control of the Board of Directors of each Master Fund.

Investors in our Feeder Funds are generally required to make a minimum initial investment of \$1,000,000, and generally must maintain a minimum investment of at least \$50,000.

Onshore Feeder Funds

Investors in the Onshore Feeder Funds generally are persons who are U.S. Persons and who qualify as “accredited investors” as defined in Rule 501 under Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”), qualify as “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act, and meet other eligibility criteria established by the Managers.

Offshore Feeder Funds

Investors in the Offshore Feeder Fund generally are persons who are Non-U.S. Persons (as defined under Regulation S under the Securities Act) pursuant to the exemption offered by Regulation S, or are certain tax-exempt U.S. Persons pursuant to the exemption offered by Regulation D under the Securities Act, and meet other eligibility criteria established by the Managers.

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

Investment Strategies

The Master Funds' respective trading strategies are implemented through the trading activities conducted on their behalf by the firm, with the goal of generating positive risk-adjusted returns through quantitative trading strategies. We seek to generate returns that are not correlated or are only minimally correlated with the returns of various national and/or global equity and bond market indices, or with the returns of non-U.S. Dollar currencies relative to the U.S. Dollar.

While the Master Funds' past trading strategies have been based on a subset of quantitative strategies commonly referred to as "statistical arbitrage" trading strategies, we have, and at any time, may implement additional quantitative strategies beyond the subset of "statistical arbitrage" strategies.

We may use a range of quantitative tools to seek to identify profit opportunities, to construct portfolios in a cost-efficient manner, and to manage the overall risk of the Master Funds' portfolios. We may implement one or more strategies, including strategies based on our quantitative research. Our rigorously researched and implemented quantitative strategies seek to exploit mis-pricings that exist due to inherent inefficiencies in the flow and accuracy of information and other factors in the marketplace.

We may implement one or more quantitative-based strategies based on proprietary quantitative research employed by Voleon. As a result of this research, we may also implement quantitative-based trading strategies utilizing a variety of asset classes and financial instruments, such as equity securities and/or related equity derivative products (collectively, "**Equity Instruments**") and fixed income securities, fixed income derivatives, including credit default swaps, and other instruments selected by the Investment Adviser in its sole discretion (collectively, "**Fixed Income Instruments**").

By analyzing the behavior of asset prices and other available asset-related and security-related information as well as other information that we believe may have predictive value, and by testing relationships between these data sets in what it believes to be a statistically sound framework, we seek to make economically significant predictions about future asset price moves, absolute or relative to other similar assets or tradable indices, net of transaction costs. We may use a range of quantitative tools to seek to identify profit opportunities, to construct portfolios in a cost-efficient manner, and to manage the overall risk of the Master Funds' portfolios.

Based on our quantitative research, we employ trading models (the "**Trading Models**") that are implemented through our computerized trading system (the "**Trading System**"), which may comprise a combination of third-party and proprietary developed software components. The Trading System tracks multiple data sources and, using the Trading Models, regularly updates risk models and forecasts of asset price moves to determine target asset portfolios and trading programs with the aim of optimizing returns relative to risk. For Equity Instruments, the Trading

System incorporates order management and other trading related components. For Fixed Income Instruments, certain trading related components, including trade execution, are generally implemented by the trading staff.

While the principals and/or employees of the Investment Adviser develop set key parameters for the Trading Models, the Trading System generally executes trades on a non- intervention basis for Equity Instruments. With respect to such instruments, no person will typically review individual orders or programs of trades before they are carried out by the Trading System, except in unusual circumstances. The Trading System executes trades directly via electronic links to the Master Funds' brokers. However, some trades of Equity Instruments may be executed, and most trades of Fixed Income Instruments will be executed, by a principal or employee of the Investment Adviser. During trading hours, a principal or employee of the Investment Adviser may monitor instrumentation of aggregate characteristics of the Trading System, and from time to time, that person or another principal or employee may intervene, typically to halt, limit trading, or liquidate holdings in one or more securities should unusual circumstances arise (such as a company becoming the subject of merger speculation), or under adverse market conditions. There can be no assurance that such human intervention will be taken in all cases where it may be desirable, and any given human intervention action may not have the intended effect and could result in loss, or greater loss for the Master Funds than if human intervention had not occurred. In the future we, based on our judgment of which techniques are likely to be most effective for carrying out current and any future trading strategies, may further automate the Trading System and thus reduce the level of human oversight and/or intervention, or may increase the level of human oversight and/or intervention.

The Master Funds may invest directly or indirectly in publicly traded securities of companies domiciled in Western Europe and Eastern Europe (collectively, "**European Countries**"); companies domiciled in the Asia-Pacific region (collectively, "**Asia-Pacific Countries**"); and companies domiciled in other countries selected by the Investment Adviser in its sole discretion (such countries, together with European Countries and Asia-Pacific Countries, are collectively referred to as "**Non-U.S. Countries**"). The Master Funds may invest in common and preferred stocks, depositary receipts, exchange-traded funds ("**ETFs**"), and any other instrument selected by the Investment Adviser in its sole discretion.

We are not required to adhere to any restrictions with respect to diversification, such as number of holdings, holding periods, types of Investments held, geography of Investments, or any other factor. While we anticipate maintaining a diversified portfolio of countries, we are not required to do so. We may invest entirely in any one Non-U.S. Country or in the U.S. as we determine appropriate based on the Trading Models. The Trading Systems and Trading Models are designed to hold securities for varying lengths of time. Equity Instruments include equity derivatives (including but not necessarily limited to swaps), though the Master Funds may choose to trade in the underlying equities in the future, executed with their prime brokers and other brokers, although it may execute derivative contracts with other derivatives dealers. As a result, the Master Funds may not have beneficial ownership interests in the equity securities but a

contractual right to receive any increase in the value of the equity securities or an obligation to pay any decrease in the value of the equity securities or an obligation to pay any decrease in the value of the equity securities. Accordingly, the Master Funds' assets may consist mostly of cash and equity derivative contracts. Currently, the Master Funds utilize one or more derivative counterparties for its equity derivative trades. The Master Funds may also trade currency derivatives (including but not limited to swaps). Currency derivatives may be utilized for hedging purposes and for speculative trading purposes.

In the future, the Master Funds may expand their investment focus to include other types of Investments. In addition to the United States and Non-U.S. Countries, the Master Funds may expand trading to other non-U.S. and foreign markets, including, but not limited to, emerging markets. In addition, the Master Funds may engage in trading of foreign currencies, currency forwards, or other instruments or asset classes.

The Master Funds may also deploy a fixed-income trading strategy by investing in Fixed Income Instruments, and certain Master Funds currently deploy such strategy. The Investment Adviser may select Fixed Income Instruments from corporate issuers located in the United States and in Non-U.S. Countries. The Investment Adviser may also select Fixed Income Instruments regardless of whether they receive ratings from credit rating agencies. There are no requirements for the Master Funds to invest only in Fixed Income Instruments above a particular credit rating or to diversify its investments in Fixed Income Instruments by issuer, instrument type, credit rating, or any other criteria.

The Master Funds may also invest in credit derivative instruments, such as credit default swaps, and sovereign obligations, such as U.S. Treasury bills and notes, for speculative or risk management purposes.

The mix and relative proportions of investment strategies deployed by the Master Funds may vary over time as determined by the Investment Adviser in its sole discretion. Each Master Fund is not required to diversify among the investment strategies or within any particular investment strategy it deploys. In addition to investing in Equity Instruments and Fixed Income Instruments in both the United States and in Non-U.S. Countries, the Master Funds may engage in hedging activities and any other activities or strategy selected by the Investment Adviser in its sole discretion. The Master Funds may also invest in money market funds, short-term U.S. Government Treasury securities with a maturity of one year or less, and other instruments. Each Master Fund may trade any type of security, commodity, financial instrument (including derivatives), and any other real or personal property of any kind in any market and across global markets, and over time expects to expand the range of securities, instruments, asset classes, and markets in which it invests to accomplish its investment objectives. There can be no assurance as to which instruments or markets the Master Funds may trade, either over time or from time to time.

Equity Instruments, Fixed Income Instruments, securities, commodities, financial instruments

(including derivatives), and any other real or personal property of any kind are collectively referred to as “**Investments.**”

The Investment Adviser may or may not hedge its foreign currency exposure with respect to its Investments in Non-U.S. Countries. Any adverse currency movements against the U.S. Dollar with respect to any such foreign currency position will reduce returns to investors. The Investment Adviser may choose to hedge its foreign currency exposure in whole or in part in its sole discretion. *Adverse foreign currency movements may reduce the returns of the Master Funds significantly, even if the market value of the underlying foreign assets have increased.*

The trading strategies employed by Voleon are proprietary, confidential, and subject to change. The foregoing description is therefore intentionally general in nature and is not a complete description of the strategies summarized or of all of the strategies that may be utilized by Voleon over time or from time to time.

The Master Funds are not in any way limited in the strategies, Investments, asset classes, or markets they may trade or the manner in which they may implement trading strategies that, in the Investment Adviser’s opinion, may deliver attractive returns with acceptable risk and accomplish the Master Funds’ investment objectives. Similarly, the Investment Adviser is not otherwise limited in the construction of the Master Funds’ portfolios. The Investment Adviser will decide in its sole discretion the mix and relative proportion of strategies deployed in the Master Funds’ portfolios at any time, and there can be no assurance that the information and disclosure provided herein with respect to the Master Funds’ investment strategies, policies, limitations, and portfolio construction is current as of the date of this brochure. The Investment Adviser frequently reviews market conditions, reviews and revises its investment strategies and policies from time to time, and allocates the Master Funds’ assets to any strategies, markets, or instruments (including ones not disclosed herein) it identifies as being capable of delivering robust performance. The Investment Adviser may pursue and may allocate the Master Funds’ assets to other investment strategies not described herein on behalf of the Master Funds without providing advance notice thereof to investors.

The Master Funds may trade any strategy and any Investment in any market and across global markets, whether or not described herein. There can be no assurance as to which markets, strategies, or Investments the Master Funds may trade from time to time.

General Investment and Trading Risks

General Market and Regulatory Developments. The global financial markets have in the past gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Such intervention was in certain cases 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, these interventions have typically been unclear in scope and application, resulting in

confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets, as well as previously successful investment strategies.

These events and their cumulative effect have led to concerns that regulatory and legislative bodies may impose new and burdensome regulations on hedge funds and their managers. Indeed, recent developments in the U.S. financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty for the hedge fund industry.

Additionally, geopolitical events, the continued threat of terrorism both within the United States and abroad, the ongoing military and other actions and heightened security measures in response to these threats, international tensions between the United States and other nations, and instability in the credit and sub-prime markets may cause disruptions to commerce, reduced economic activity, and continued volatility in markets throughout the world. Such systemic risks may have an adverse impact on the assets in the Master Funds' portfolios in the event that such risks result in a decline in the securities markets and economic activity. Voleon cannot predict the extent and timing of any decreased commercial and economic activity resulting from the above factors, or how any such decrease might affect the value of securities and other assets held by the Master Funds. These factors could also result in incidents or circumstances that could disrupt the normal operations of Voleon and its affiliates, the brokers, and the Administrator, or any of the Trading Counterparties utilized by the Master Funds, which could also have negative effects on the investment performance of the Master Funds.

The Master Funds may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets, many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Master Funds from its Trading Counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Master Funds. Market disruptions may cause dramatic losses for the Master Funds, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

Risks of Investing Globally

Issuers are generally subject to different accounting, auditing, and financial reporting standards in different countries throughout the world. The volume of trading, the volatility of prices, and the liquidity of issuers may vary in the markets of different countries. Hours of business, customs, and access to these markets by outside investors may also vary. In addition, the level of government supervision and regulation of securities exchanges, securities dealers, and listed and unlisted companies is different throughout the world. In addition, there may be a lack of adequate legal recourse for the redress of disputes, and in some countries, the pursuit of such disputes may be subject to a highly prejudiced legal system. Additional risks may include lack of transparency in financial markets, inefficient execution of transactions, reduced ability to sell securities short, and high transaction costs.

Different markets also have different clearance and settlement procedures. Delays in settlement could result in temporary periods when a portion of the assets of the Master Funds are uninvested and no return is earned thereon. The inability of the Master Funds to make intended security purchases due to settlement problems could cause the Master Funds to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to the Master Funds due to subsequent changes in value of the portfolio security or, if the Master Funds have entered into a contract to sell a security, could result in possible liability to the purchaser.

In certain markets, there may be limited availability of historical data to support the research and development of effective trading strategies. Real-time data may also be unavailable or unreliable, thereby introducing trading delays and errors that could impair returns. There may be limited or no availability of borrowable securities to enable short-selling, reducing the range of trading opportunities and making it harder to develop hedged portfolios; “short squeezes” may also be more likely in such circumstances, which raises the risk of sudden large losses on any short positions held. Execution quality may be lower in certain markets; bid-ask spreads may be wide, and it may be difficult to execute at posted market prices.

With respect to certain countries, there is a possibility of expropriation or confiscatory taxation; imposition of withholding taxes on dividends or interest payments, capital gains, or other income; limitations on the removal of funds or other assets of the Master Funds, potentially imposed after the Master Funds have made an investment in a given country and without sufficient notice to allow withdrawal or redemption under the pre-existing terms; managed or manipulated exchange-rates, volatility of exchange rates, the cost of currency hedging if employed, direct currency conversion costs, and other issues affecting currency conversion; political, economic or social instability or diplomatic developments that could affect investments in those countries; or government policies that may restrict the Master Funds’ investment opportunities. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. The values and relative yields of investments in the securities markets of different countries, and their associated risks, may change independently of each other.

These risks may be greater in emerging markets. The Master Funds may trade in emerging markets in the future.

Foreign Investment

The Master Funds will make investments in issuers organized or based in Non-U.S. Countries. These investments may be subject to a variety of risks and other special considerations not affecting investments in domestic issuers. Many foreign investment markets are not as developed or efficient as those in the United States. Investments in some foreign issuers are less liquid and more volatile than investments in comparable U.S. issuers. Similarly, volume and liquidity in many foreign markets are less than in the United States and, at times, volatility of price can be

greater than in the United States. The issuers may be subject to less stringent financial reporting and informational disclosure standards, practices, and requirements than those applicable to U.S. issuers. Since transactions in foreign investments often are denominated in currencies of foreign countries, the Master Funds may incur currency exchange costs when effecting these transactions and the value of these investments as measured in U.S. dollars may be affected favorably or unfavorably by subsequent changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short periods of time. The Master Funds will be permitted, but will not be required, to engage in currency hedging transactions (using forward, futures, or options contracts) to protect against adverse changes in currency rates, and it is possible that such hedging transactions could be unsuccessful.

Foreign Exchanges

The Master Funds may trade on exchanges located outside the United States, where the protections provided by U.S. regulations do not apply. In the case of trading on foreign exchanges, the Master Funds will be subject to the risk of the inability of or refusal by their Trading Counterparties to perform with respect to their contracts with the Master Funds. The Master Funds also may not have the same access to certain trades as do various other participants in foreign markets.

European Investment Risk

Because the Master Funds' investment strategies include trading in European Countries, the Master Funds' performance will be impacted by the political, social, and economic environment within Europe. Most European Countries are members of the Economic and Monetary Union of the European Union (the "EU"), which faces major issues involving its membership, structure, procedures, and policies. The EU also requires compliance with restrictions on inflation rates, deficits, interest rates, debt levels, and fiscal and monetary controls, each of which may significantly affect EU member countries, as well as other European countries. Decreasing imports or exports, changes in governmental regulations on trade, changes in the exchange rate of the Euro, and recessions in EU economies may have a significant adverse effect on the economies of EU members and their trading partners, including non-member European countries. It is possible that the timing and substance of these EU directives and regulations may not address the needs of all EU member countries. There is also continued concern over member state-level support for the Euro, which could lead to certain countries leaving the EU, the implementation of currency controls, or potentially the dissolution of the Euro. The dissolution of the Euro could have significant negative effects on European financial markets. Additionally, Eastern European markets remain relatively undeveloped and may be particularly sensitive to political and economic developments. The Master Funds' foreign investments may be adversely affected by political and social instability, changes in economic or taxation policies, difficulty in enforcing obligations, decreased liquidity, or increased volatility.

The European financial markets have in the past experienced volatility and adverse trends due to

concerns about economic downturns or rising government debt levels in several European countries, including Greece, Ireland, Italy, Portugal, and Spain. These events have adversely affected the exchange rate of the Euro and may continue to significantly affect every country in Europe, including countries that do not use the Euro. The Master Funds' performance will be affected by political, social, and economic conditions in Europe, such as growth of the economic output (the gross national product), the rate of inflation, the rate at which capital is reinvested into European economies, the success of governmental actions to reduce budget deficits, the resource self-sufficiency of European countries, and interest and monetary exchange rates between European countries. European financial markets may experience volatility due to concerns about high government debt levels, credit rating downgrades, rising unemployment, the future of the Euro as a common currency, possible restructuring of government debt, and other government measures responding to those concerns, and fiscal and monetary controls imposed on EU member countries. In addition, if one or more countries were to abandon the use of the Euro as a currency, the value of investments tied to those countries or the Euro could decline significantly and unpredictably.

In June 2016, citizens of the United Kingdom approved a referendum to leave the EU, creating economic and political uncertainty. Significant uncertainty exists regarding the timing of the United Kingdom's anticipated withdrawal from the EU and the effects such withdrawal may have on the United Kingdom, other EU countries, and the global economy, which could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth. The resulting developments from this United Kingdom referendum may adversely impact the Master Funds' performance.

Risks Relating to China Trading

China Trading Considerations. In general, the Master Funds intend to trade in China through equity swaps, but they may also trade through any other instruments selected by the Investment Adviser. The underlying equity securities are typically A-shares issued by companies incorporated in China which are denominated and traded in Chinese yuan ("CNY") on the Shanghai and Shenzhen Stock Exchanges. Under current regulations in the People's Republic of China (the "PRC"), foreign investors may invest in domestic PRC securities through certain restricted market-access programs. The A-share market is made available to certain foreign investors, including those foreign investors that have been approved as Renminbi Qualified Foreign Institutional Investors ("RQFII") or as Qualified Foreign Institutional Investors ("QFII"). A RQFII or QFII license may be obtained by submitting an application and receiving a license from the China Securities Regulatory Commission. QFII and RQFII investors have also been granted a specific aggregate dollar amount investment quota by China's State Administration of Foreign Exchange ("SAFE") to invest foreign freely convertible currencies (in the case of a QFII) and CNY (in the case of an RQFII) in the PRC for the purpose of investing in the PRC's domestic securities markets. The Master Funds may engage Derivative Counterparties with licenses in these programs to access the A-shares selected by the Trading Models. The Derivative Counterparties may invest in A-shares and other permitted China securities listed on

the Shanghai and Shenzhen Stock Exchanges up to the specified quota amount and provide synthetic exposure to the Master Funds. Investment companies, such as the Master Funds, are not currently within the types of entities that are eligible for a RQFII or QFII license, so the Master Funds will not have direct access to the A-share market.

The Master Funds also intend to invest in equity swaps for which the underlying equity securities are known as in A-shares listed and traded on the Shanghai Stock Exchange and Shenzhen Stock Exchange through the Shanghai–Hong Kong and Shenzhen–Hong Kong Stock Connect programs (collectively, “**Stock Connect**”). Stock Connect is a securities trading and clearing program between either the Shanghai Stock Exchange or the Shenzhen Stock Exchange and any of the Stock Exchanges of Hong Kong Limited, China Securities Depository, or Clearing Corporation Limited and Hong Kong Securities Clearing Company Limited. Stock Connect is designed to permit institutional stock market access between China and Hong Kong by allowing investors to trade and settle shares on each market via their local exchanges. Trading through Stock Connect is subject to daily quotas that limit the maximum daily net purchases on any particular day. Accordingly, the Master Funds’ indirect investments in A-shares available through Stock Connect will be limited by the quota allocated to its Derivative Counterparties or allocated via Stock Connect, and by the daily quotas that limit total purchases and/or sales through Stock Connect. The efficiency and speed at which the Master Funds’ Trading Systems are able to access the A-shares market is likely to be slower than those of other countries due to these stringent regulatory restrictions imposed by the PRC. The Investment Adviser anticipates that more human intervention will be needed for trades executed in the PRC due to these regulatory restrictions on foreign access.

Risks described below are also applicable to the Master Funds’ Counterparties that transact directly in A-shares.

China Investing Risk. The Master Funds are subject to certain risks applicable to investing in A-shares in the PRC that are unique to the PRC. China may be subject to considerable degrees of economic, political, and social instability. China is an emerging market and demonstrates significantly higher volatility from time to time in comparison to developed markets. Over the last few decades, the Chinese government has undertaken reform of economic and market practices and has expanded the sphere of private ownership of property in China. In addition, the Chinese economy is export-driven and highly reliant on trade. Adverse changes to the economic conditions of its primary trading partners, such as the United States, Japan, and South Korea, could adversely impact the Chinese economy.

Chinese markets generally continue to experience inefficiency, volatility, and pricing anomalies resulting from governmental influence, a lack of publicly available information, and/or political and social instability. Internal social unrest or confrontations with other neighboring countries, including military conflicts in response to such events, may also disrupt economic development in China and result in a greater risk of currency fluctuations, currency non-convertibility, interest rate fluctuations, and higher rates of inflation. China has experienced security concerns, such as

terrorism and strained international relations. Incidents involving China's or the region's security may cause uncertainty in Chinese markets and may adversely affect the Chinese economy and the Master Funds' investments. Export growth continues to be a major driver of China's rapid economic growth. Reduction in spending on Chinese products and services, institution of tariffs or other trade barriers, or a downturn in any of the economies of China's key trading partners may have an adverse impact on the Chinese economy. While policy implications remain uncertain, new regulations or trade barriers could lead to a decrease in trade activity between China and the U.S., which could have an adverse impact on the Chinese economy.

China Securities Risk. Investing in securities of Chinese companies, including investments that provide exposure to A-shares, involves certain risks and considerations not typically associated with investing in securities of U.S. or Western European issuers, including, among others: (i) the small size of the market for Chinese securities and low trading volume, resulting in a lack of liquidity and in price volatility; (ii) currency devaluations and other currency exchange rate fluctuations or blockages; (iii) the nature and extent of intervention by the PRC government in the Chinese securities markets, whether such intervention will continue, and the impact of such intervention or its discontinuation; (iv) the risk of nationalization or expropriation of assets; (v) the risk that the PRC government may decide not to continue to support economic reform programs; (vi) the limitation on the use of brokers; (vii) higher rates of inflation; (viii) greater political, economic, and social uncertainty; (ix) market volatility caused by potential regional or territorial conflicts or natural disasters; and (x) the risk of increased trade tariffs, embargoes, and other trade limitations. These factors can directly affect A-shares. The economy of China differs, often unfavorably, from the U.S. economy in such respects as structure, general development, government involvement, wealth distribution, rate of inflation, growth rate, interest rates, and allocation of resources and capital reinvestment. The PRC central government has historically exercised substantial control over virtually every sector of the Chinese economy through administrative regulation and/or state ownership and actions of the PRC central and local government authorities continue to have a substantial effect on economic conditions in China.

In addition, the PRC government has from time to time taken actions that influence the prices at which certain goods may be sold; encouraged companies to invest or concentrate in particular industries; induced mergers between companies in certain industries; induced private companies to publicly offer their securities to increase or continue the rate of economic growth; and controlled the rate of inflation or otherwise regulated economic expansion. It may do so in the future as well, potentially having a significant adverse effect on economic conditions in China. The Chinese securities markets are emerging markets with limited operating history characterized by relatively low trading volume, resulting in substantially less liquidity and greater price volatility. Liquidity risks may be more pronounced for the A-share market than for Chinese securities markets in general because the A-share market is subject to greater government restrictions and control, including trading suspensions. Price fluctuations of A-shares have been limited to either 5% or 10% per trading day. In addition, there is less regulation and monitoring of Chinese securities markets and the activities of investors, brokers, and other

participants than in the United States. Accounting, auditing, and financial reporting standards in China are different from U.S. standards and, therefore, disclosure of certain material information may not be made. There is also less information available than would be the case if Investments were restricted to securities of U.S. or Western European issuers. There is also generally less governmental regulation of the securities industry in China, and less enforcement of regulatory provisions, than in the United States. Additionally, it may be more difficult to obtain a judgment in a court outside of the United States.

China Currency and Expropriation Risk. The PRC government strictly and heavily regulates the payment of foreign currency denominated obligations and sets monetary policy. Chinese law requires that all domestic transactions must be settled in CNY, places significant restrictions on the remittance of foreign currencies, and strictly regulates currency exchange from CNY. Emerging markets such as China can experience high rates of inflation, deflation, and currency devaluation. The value of the CNY may be subject to a high degree of fluctuation due to, among other factors, changes in interest rates, the effects of monetary policies issued by the PRC, the United States, foreign governments, central banks, or supranational entities, the imposition of currency controls, or other national or global political or economic developments. The Master Funds' exposure to the CNY and changes in value of the CNY versus the U.S. Dollar may result in reduced returns of the Master Funds and result in volatility. The CNY is currently not a freely convertible currency. The PRC government places strict regulations on CNY and sets the value of CNY to levels dependent on the value of the U.S. Dollar, but the PRC government has been under pressure to manage the currency in a less restrictive fashion so that it is less correlated to the U.S. Dollar. The PRC government's imposition of restrictions on the repatriation of CNY out of China may limit the depth of the offshore CNY market and may reduce the liquidity of Chinese investments.

Repatriations by RQFIIs, such as the Master Funds' Derivative Counterparties, are currently permitted daily and are not subject to repatriation restrictions or prior regulatory approval. However, there is no assurance that Chinese rules and regulations will not change or that repatriation restrictions will not be imposed in the future. Further, such changes to the Chinese rules and regulations may be applied retroactively. Any restrictions on repatriation of the Master Funds' Investments in China may have an adverse effect on the Master Funds' returns or their ability to meet redemption requests.

Special Risk Considerations Relating to the RQFII. A reduction in or elimination of the RQFII quota available to licensed participants to trade in A-shares may adversely affect the willingness of Derivative Counterparties to engage in swaps on A-shares with the Master Funds. These risks are compounded by the fact that at present there are only a limited number of firms and counterparties that have QFII or RQFII status or are otherwise able to obtain the A-shares quota. In addition, the RQFII quota may be reduced or revoked by Chinese regulators if, among other things, the RQFII fails to observe SAFE and other applicable Chinese regulations, which could also lead to other adverse consequences, including the requirement that the Master Funds dispose of their A-shares holdings. There can be no guarantee that the Master Funds will be able to invest

in appropriate futures contracts, swaps, and other derivative instruments, and the PRC government may at times restrict the ability of firms regulated in the PRC to make such instruments available.

Risks of Investing Through Stock Connect. The Master Funds anticipate trading derivatives of A-shares through Stock Connect. Trading through Stock Connect is subject to a number of restrictions that may affect the Master Funds' investments and returns. For example, trading through Stock Connect is subject to daily quotas that limit the maximum daily net purchases on any particular day, which may restrict or preclude the Master Funds' ability to invest in Stock Connect A-shares. In addition, investments made through Stock Connect are subject to trading, clearance, and settlement procedures that are relatively untested in the PRC, which could pose new and unknown risks to the Master Funds. Moreover, Stock Connect A-shares generally may not be sold, purchased, or otherwise transferred other than through Stock Connect in accordance with applicable rules. A primary feature of Stock Connect is the application of the home market's laws and rules applicable to investors in A-shares. Therefore, the Master Funds' investments in Stock Connect A-shares are generally subject to PRC securities regulations and listing rules, among other restrictions. Finally, while overseas investors currently are exempted from paying capital gains or business taxes on income and gains from investments in Stock Connect A-shares, these PRC tax rules could be changed, which could result in unexpected tax liabilities for the Master Funds. The Stock Connect program is a relatively new program. Further developments are likely and there can be no assurance as to the program's continued existence or whether future developments regarding the program may restrict or adversely affect the Master Funds' investments or returns. In addition, the application and interpretation of the laws and regulations of Hong Kong and the PRC, and the rules, policies, or guidelines published or applied by relevant regulators and exchanges in respect of the Stock Connect program are uncertain, and may have a detrimental effect on the Master Funds' investments and returns.

A-shares Tax Risk. Uncertainties in PRC tax rules governing taxation of income and gains from investments in A-shares could result in unexpected tax liabilities for the Master Funds. China generally imposes withholding tax at a rate of 10% on dividends and interest derived by nonresident enterprises (including QFIIs and RQFIIs) from issuers resident in China. China also imposes withholding tax at a rate of 10% on capital gains derived by nonresident enterprises from investments in an issuer resident in China, subject to an exemption or reduction pursuant to domestic law or a double taxation agreement or arrangement.

The Master Funds may also be liable to its Derivative Counterparties for any tax that is imposed on such Derivative Counterparty by the PRC. The current PRC tax laws and regulations and interpretations thereof may be revised or amended in the future, including with respect to the possible liability of the Master Funds for obligations of its Derivative Counterparties. The withholding taxes on dividends, interest, and capital gains may in principle be subject to a reduced rate under an applicable tax treaty, but the application of such treaties in the case of a RQFII acting for foreign investors such as the Master Funds are also uncertain. Finally, it is also unclear whether a RQFII would also be eligible for PRC Business Tax ("BT") exemption, which

has been granted to QFIIIs with respect to gains derived prior to May 1, 2016. In practice, the BT has not been collected. However, the imposition of such taxes could have a material adverse effect on the Master Funds' returns. Since May 1, 2016, RQFIIIs are exempt from PRC Value-Added Tax, which replaced the BT with respect to gains realized from the disposal of securities, including A-shares.

The PRC rules for taxation of RQFIIIs (and QFIIIs) are evolving and tax regulations issued by the PRC State Administration of Taxation and/or PRC Ministry of Finance to clarify the subject matter may apply retrospectively, even if such rules are adverse to the Master Funds. China has implemented a number of tax reforms in recent years, and may amend or revise its existing tax laws and/or procedures in the future, possibly with retroactive effect. Changes in applicable Chinese tax law could reduce the after-tax profits of the Master Funds, directly or indirectly, including by reducing the after-tax profits of companies in China in which the Master Funds invest. Uncertainties in Chinese tax rules could result in unexpected tax liabilities for the Master Funds.

If the PRC begins applying tax rules regarding the taxation of income from A-shares investments to RQFIIIs and/or begins collecting capital gains taxes on such investments, the Master Funds could be subject to withholding tax liability in excess of the amount reserved (if any). The impact of any such tax liability on the Funds' return may be material. The Master Funds will be liable to their Derivative Counterparties for any Chinese tax that is imposed on the Derivative Counterparty with respect to the Funds' investments.

In addition, to the extent the Master Funds invest in swaps and other derivative instruments, such investments may be less tax-efficient from a U.S. tax perspective than direct investment in A-shares and may be subject to special U.S. federal income tax rules that could adversely affect the Funds. The Master Funds may also be required to periodically adjust their positions in those instruments to comply with certain regulatory requirements which may further cause these investments to be less efficient than a direct investment in A-shares.

Emerging Markets Risk. Certain Non-U.S. Countries are considered emerging markets. Emerging markets (also referred to as developing markets) are generally subject to greater market volatility, political, social, and economic instability, uncertain trading markets, and more governmental limitations on foreign investment than more developed markets. In addition, companies operating in emerging markets may be subject to lower trading volume and greater price fluctuations than companies in more developed markets. Securities law and the enforcement of systems of taxation in many emerging market countries may change quickly and unpredictably. In addition, investments in emerging markets securities may also be subject to additional transaction costs, delays in settlement procedures, and lack of timely information. Emerging market investments also involve the risk of the possible seizure, nationalization, or expropriation of the issuer or foreign deposits (in which the Master Funds could lose their entire investments in a certain market) and the possible adoption of foreign governmental restrictions such as exchange controls.

Concentration Risk

The Investment Adviser may choose to invest a substantial amount of its assets in a single country or a limited number of countries. While the Investment Adviser anticipates maintaining a diversified portfolio of countries in which it invests, it is not required to do so. At any time, the Master Funds' portfolios may be broadly diversified or may be concentrated in one country or a limited group of countries. As a result, each Master Funds performance may be subject to greater volatility than a more geographically diversified fund. If the Master Funds concentrate their investments in this manner, they assume the risk that economic, political, and social conditions in those countries will have a significant impact on investment performance. The Investment Adviser will have sole discretion to pursue a concentrated investment strategy or a diversified trading strategy. There are no limits on the Investment Adviser's investment discretion in this regard. If the Investment Adviser chooses to focus on a particular geographic region or country or Equity Instruments or Fixed Income Instruments therein, the Master Funds will have increased exposure to currency, political, regulatory, and other risks. To the extent the Master Funds invest a significant portion of their assets in a particular geographic region or country, economic, political, social, and environmental conditions in that region or country will have a greater effect on performance than they would in a more geographically diversified fund and the Master Funds' performance may be more volatile than the performance of a more geographically diversified fund. This potentially limited diversity could expose the Master Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

Because the Master Funds may invest at least a significant portion of their assets in a specific region, the Master Funds are subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social, or economic disruptions in the region, even in countries in which the Master Funds are not invested, may adversely affect the value of securities values held by the Master Funds. In addition, the Master Funds may face other types of concentration risk. For example, they may invest a substantial portion of their assets in particular types of instruments, such as Equity Instruments or Fixed Income Instruments, or it may have substantial counterparty exposure to a single counterparty or a small group of counterparties. The Investment Adviser will make such decisions in its sole discretion. The Master Funds would be subject to greater risk if adverse events occurred in areas in which the Master Funds are concentrated.

Foreign Currency Risk

Non-U.S. Country securities will be denominated in foreign currencies. The value of the Master Funds' investments, as measured in U.S. dollars, may be unfavorably affected by changes in foreign currency exchange rates. Changes in foreign currency exchange rates will affect the value of the Master Funds' securities and the returns to investors. Generally, when the value of the U.S. dollar rises in value relative to a foreign currency, an investment in that country loses value because that currency is worth fewer U.S. dollars. Devaluation of a currency by a country's

government or banking authority also will have a significant impact on the value of any investments denominated in that currency. Currency markets generally are not as regulated as securities markets.

Unless the Master Funds have hedged their foreign currency risk, foreign securities risk also involves the risk of negative foreign currency rate fluctuations, which may cause the value of securities denominated in such foreign currency (or other instruments through which the Master Funds have exposure to foreign currencies) to decline in value. Currency exchange rates may fluctuate significantly over short periods of time. Even if currency hedging strategies are utilized by the Master Funds, such hedging strategies are not always successful. The Investment Adviser may or may not hedge foreign currency risk and therefore the Master Funds may suffer losses on their foreign investments due to adverse currency moves even if the investments increase in value.

The Investment Adviser may or may not hedge any foreign currency exposure, and it may choose to do so fully or partially. Even if the Investment Adviser chooses to hedge foreign currency exposure, currency hedging strategies are not always successful. Changes in currency exchange rates may affect the value of the Master Funds' investments and the returns to investors. The Master Funds' returns may go down if the value of the local currency of the Non-U.S. Country markets in which the Master Funds invest depreciates against the U.S. dollar, even if the local currency value of securities in the Master Funds' holdings goes up. Furthermore, the Master Funds' use of forward currency contracts may eliminate some or all of the benefit of an increase in the value of a foreign currency versus the U.S. dollar. The value of the U.S. dollar measured against other currencies is influenced by a variety of factors. These factors include: interest rates, national debt levels and trade deficits, changes in balances of payments and trade, domestic and foreign interest and inflation rates, global or regional political, economic, or financial events, monetary policies of governments, actual or potential government intervention, global energy prices, political instability, government monetary policies, and the buying or selling of currency by a country's government.

Volatility Risks. The prices of some instruments traded by Voleon have been highly volatile during certain periods in the past (including notably the period of mid-2007 through 2009 and the fall of 2011), and such periods may recur. The price movements of these instruments are caused by many unpredictable factors, including but not limited to, market sentiment, inflation rates, interest rate movements and general economic and political conditions.

Volatility creates the specific risk, in the case of Voleon, that historical or theoretical pricing relationships will be disrupted, causing what would otherwise be a comparatively low-risk "relative value" position to incur major losses. Past returns of the Master Funds will not necessarily be indicative of their future performance.

Risks Associated with Trading Activities

The Master Funds also face the following risks associated with their trading activities and Investments.

- *Counterparty Risks.* The Master Funds will be a party to derivative contracts with third-party brokers, dealers under which such brokers or dealers will have unsecured obligations to pay amounts due to the Master Funds while the Master Funds secure their obligations to such parties with the assets of the Master Funds. Default by Derivative Counterparties under an unsecured derivative contract with the Master Funds will cause the Master Funds to become unsecured creditors in such Derivative Counterparty's insolvency proceedings and may cause the Master Funds to lose all or significantly all of their assets. The Master Funds may also enter into tri-partite agreements that allow collateral for swap transactions to be posted to independent custodians. The Master Funds may also be a party to securities lending agreements under which they lend specified types of securities to the relevant Counterparty, which Counterparty in turn is obligated to return the lent securities to the Master Funds on an agreed upon future date. The default of any such Counterparty on any such obligation could have a material adverse effect on the Master Funds in that any securities borrowed may not be timely returned. In such event, the Master Funds may be subject to the risk that any lent securities will increase in value before they are able to replace them using any cash collateral (or the proceeds of any securities collateral) they hold, or that any securities they hold subject to repurchase by the third-party will decline in value before the Master Funds are able to resell them. In addition, if, in the event of such a Counterparty default, the Master Funds are delayed or prevented from exercising their rights to dispose of any securities collateral, it will be subject to the additional risk of a possible decline in the value of such collateral during the period in which it seeks to assert these rights. Moreover, such Counterparty may have a lien on some or all of the assets of the Master Funds, and will be allowed to liquidate such assets in certain circumstances, which liquidation could be at losses. While Voleon will select Trading Counterparties that it believes are creditworthy, the Master Funds generally do not perform extensive credit analyses on their Trading Counterparties. Furthermore, any misconduct on behalf of the Trading Counterparties, including, without limitation, fraudulent activities, will increase the Master Funds' possible risk exposure.
- *Prime Brokers.* The Master Funds each have one or more prime brokers with custody of almost all of the Master Funds' assets and/or the prime brokers' affiliates are the Derivative Counterparties for a substantial portion of the Master Funds' swaps. Voleon may engage in relationships with additional brokers from time to time or may terminate relationships with existing prime brokers in its discretion. If a prime broker were to enter insolvency proceedings, the assets of the Master Funds held by such prime broker may not be recouped. When the Master Funds execute trades synthetically through swap agreements, they do not typically have beneficial ownership of the securities. However, the Master Funds may engage in cash trading at any time and securities purchased with

cash may be held in custody with one or more of the prime brokers. Additionally, the Master Funds may choose to execute their trades synthetically and with cash trading as Voleon deems appropriate.

- *Leverage.* The Memorandum and Articles of Association of the Master Funds do not impose any limits on the degree of leverage that the Master Funds may employ. Nonetheless, the Investment Adviser currently expects that the total average borrowings of the Master Funds will not exceed fifteen times the latest available Net Asset Value of the Master Funds at the time of such borrowings. The use of leverage will magnify both the potential for gains and the potential for losses in the value of the Master Funds' assets. This use of leverage places increased importance on the Investment Adviser's ability to hedge against moves in prices among related securities or within a market as a whole.

Valuation Risk. We (or the Valuation Agent) will value the Master Funds' positions, and such valuation will be the basis for the Net Asset Value calculation. The Master Funds' asset values will generally be based on quotes provided by brokers and other competent third-party pricing sources. However, certain of the Master Funds' positions may be valued based on theoretical models developed by Voleon. While these models will from time to time be corroborated by quotes obtained from third-party dealers, these valuations will generally be within the control of Voleon (which has a conflict of interest in valuing the Master Funds' positions because the Performance Fee/Performance Allocation paid to the Managers, which are under common control with us, and the Management Fee paid to us, are both directly affected by such valuation). The fair market value of those investments for which a reliable third-party quote is not available is based on other relevant sources deemed reliable by us in our good faith judgment.

Certain Fixed Income Instruments may be valued on the basis of factors other than market quotations. This may occur more often in times of market turmoil or reduced liquidity. There are multiple methods that can be used to value a Fixed Income Instrument when market quotations are not readily available. The value established for any Fixed Income Instrument at a point in time might differ from what would be produced using a different methodology or if it had been priced using market quotations. Fixed Income Instruments that are valued using techniques other than market quotations may be subject to greater fluctuation in their valuations from one day to the next than if market quotations were used. In addition, there is no assurance that the Master Funds could close out a fixed income position for the value established for it at any time, and it is possible that the Master Funds could incur a loss because a portfolio position is, in the case of a long position, closed out at a discount to the valuation established by the Master Funds or, in the case of a short position, closed out at a premium to the valuation established by the Master Funds. None of the Master Funds, the Investment Adviser, or the principals of any of them shall be liable if a price, reasonably believed by any of them to be an accurate valuation of a particular investment of the Master Funds, is subsequently found to be inaccurate.

General Trading Counterparty Risk. When the Master Funds invest in options, swaps, contracts for differences, derivative and other synthetic instruments, forward contracts, or other OTC transactions and instruments or interests underlying them that may include securities, securities indices, interest rates, commodities, and commodities indices, the Master Funds may take a credit risk with regard to parties with whom each trade and may also bear the risk of settlement default.

All financing transactions, such as those involving the borrowing or lending of funds or securities, will carry Counterparty risks until such borrowing or lending has terminated and the relevant collateral is returned. All deposits of securities or cash with a custodian bank or financial institution will carry Counterparty risk. On default by a Trading Counterparty, the Master Funds may be forced to unwind certain transactions and the Master Funds may encounter delays and difficulties with respect to court procedures in seeking recovery of the Master Funds' assets. Collapses of large derivative dealers during the financial crisis illustrate the risks of such trading. 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.

In addition, there are risks involved in dealing with the custodians or brokers who settle trades on behalf of the Master Funds. Securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Master Funds, and therefore the Master Funds may be exposed to a credit risk with regard to such parties. The Master Funds may also enter into tri-partite agreements that allow collateral for swap transactions to be posted to independent custodians. In some jurisdictions, the Master Funds may only be an unsecured creditor of their broker in the event of the bankruptcy or administration of such broker. Further, there may be practical or time problems associated with the delay that can be involved in enforcing the Master Funds' rights to their assets in the case of an insolvency of any such party. The significant losses incurred by many hedge funds in relation to the bankruptcy and/or administration of Lehman Brothers Holdings and its affiliates illustrate the risks that can arise in both derivatives trading and custody/brokerage arrangements.

Confidential Information Conflicts. While unlikely due to the nature of our trading strategy, it is possible that in the course of the investment activities, we and the Funds may from time to time come into possession of confidential information which we and the Funds are prohibited from using for the benefit of the Master Funds, and which would have caused the Master Funds to take or omit to take certain actions had we or the Master Funds been permitted to do so.

Custody Risk. When the Master Funds execute trades synthetically through swap agreements, they do not typically have beneficial ownership of the securities. However, the Master Funds may engage in cash trading at any time. At times when the Master Funds engage in cash trading, the Master Funds will not control the custodianship of all of their securities. Instead, such securities will be held by the banks or brokerage firms with whom the Master Funds execute trades. Consequently, if the banks or brokerage firms selected to act as custodians

become insolvent, the Master Funds may lose all or a portion of the funds or securities held by those custodians. The Master Funds each have engaged one or more prime brokers, which also act as custodians of most or all of the Master Funds' assets and their affiliates act as Derivative Counterparties for almost all or all of their swaps. The Master Funds may also enter into tri-partite agreements that allow collateral for swap transactions to be posted to independent custodians. However, if any such Derivative Counterparty were to enter insolvency or bankruptcy proceedings, the Master Funds' assets would be at risk even if such tri-partite agreements were in place if the bankruptcy occurred during the business day or if the Derivative Counterparty failed to sweep the assets to the custodian.

Short Sale Risks. The Master Funds routinely sell securities short in implementing their trading and risk management strategies. Since the borrowed securities sold short must later be replaced by market purchases, any appreciation in the market price of these securities will result in a loss. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Master Funds. In addition, purchasing securities to close out the short position can itself cause their market price to rise further, increasing losses. Furthermore, the Master Funds may be prematurely forced to close out a short position if a Trading Counterparty from which Master Funds borrowed such security demands its return, as Trading Counterparties may do in their discretion, resulting in a loss on what otherwise could have been a profitable position.

Under certain circumstances, including any U.S. or non-U.S. governmental or regulatory action which impacts short selling, the Master Funds may be prematurely forced to close out a short position. The lender of a security used to cover a short position generally has the right to demand the return of the security that has been loaned at any time. In such event, the Master Funds would be required to replace the borrowed securities by borrowing the securities from another lender. If the Master Funds were unable to replace the borrowed securities it would be required to close out the short position by buying the security in the market to make delivery. In such event, the Master Funds could incur a significant loss if the security sold short had increased in value.

Provisions of the Dodd-Frank Act and rules promulgated by the Securities and Exchange Commission (the "SEC") may increase the costs of short selling, make interactions with the issuers of securities being sold short more difficult, and alter the prices or timing of short sales. The Dodd-Frank Act requires broker-dealers to provide notices to their customers that inform them of their right to opt out of allowing broker-dealers to use their fully paid securities for short sales. In the event that many broker-dealer customers opt out of allowing their fully paid shares to be used in short selling, locating shares for pre-borrowing may become more expensive.

Additionally, the SEC "Circuit Breaker Uptick Rule," limits the Master Funds' ability to sell securities short during the day a stock has declined 10% on its listing market and the following day, except for transactions that are at a price that is above the last national best bid. Due to the SEC rule, the Master Funds may not be able to sell securities short at planned times or at prices.

The SEC may adopt further restrictions on short sales during periods of market turbulence as in the fall of 2008 when it restricted the short sale of securities issued by certain financial institutions.

Finally, the SEC has proposed regulations regarding security-based swaps, such as the equity derivatives swaps utilized by the Master Funds. These proposed regulations, if implemented as drafted, may significantly increase the costs of utilizing these swaps as well as increasing the compliance obligations and costs incurred by the Master Funds. Moreover, the margin requirements on these types of swaps may increase significantly in the future which will increase the costs incurred by the Master Funds of utilizing these swaps.

Risks of Fixed Income Securities. Economic and other market developments can adversely affect fixed income securities markets. At times, participants in these markets may develop concerns about the ability of certain issuers of debt instruments to make timely principal and interest payments, or they may develop concerns about the ability of financial institutions that make markets in certain debt instruments to facilitate an orderly market. Those concerns could cause increased volatility and reduced liquidity in particular securities or in the overall fixed income markets and the related derivatives markets. A lack of liquidity or other adverse credit market conditions may hamper the Master Funds' ability to trade the debt instruments in which they invest and could have a substantial impact on the ability of the Funds to meet redemption requests from investors. Debt securities are generally not exchange traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and typically has wider bid/ask spreads than exchange-traded marketplaces.

Interest Rate Risks. Prices of Fixed Income Instruments held by the Master Funds may be affected by changes in interest rates. A rise in interest rates typically causes the price of a fixed rate debt instrument to fall and its yield to rise. The Master Funds strive, but are not obligated, to reduce overall interest rate risk by maintaining a portfolio of both long and short positions. However, an increase in interest rates may cause the value of securities held by the Master Funds to decline, may lead to heightened volatility in the fixed-income markets, and may adversely affect the liquidity of certain fixed-income investments in the Master Funds' portfolios. Conversely, a decline in interest rates typically causes the price of a fixed rate debt instrument to rise and the yield to fall. Generally, securities with longer maturities or durations, and funds with longer weighted average maturities or durations, carry greater interest rate risk because a longer maturity or duration is typically associated with an increased sensitivity to interest rates changes. The Master Funds may face a heightened level of interest rate risk that the long period of historically low interest rates may end. While a rise in interest rates is the principal source of interest rate risk for bond funds, falling rates bring the possibility that a bond may be "called," or redeemed before maturity, and that the proceeds may be reinvested in lower-yielding securities.

Credit Risks. Credit risk is the chance that a bond or loan issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make such payments will cause the market price of that bond or loan to decline. An issuer of a debt

instrument could suffer an adverse change in financial condition that results in a payment default, rating downgrade, or inability to meet other financial obligations. In addition, issuers may be domiciled in countries that are affected by broad economic, political, security, or other conditions, and such conditions may also affect the prospects of such issuers.

High-Yield Securities Risks. Securities that are rated below investment-grade (commonly referred to as “speculative grade bonds,” including those bonds rated lower than “BBB-” by S&P Global Ratings and Fitch or “Baa3” by Moody’s) may be deemed speculative, involve greater levels of risk than higher-rated securities of similar maturity, and may be more likely to default. The Master Funds are exposed to greater credit risk and volatility to the extent that the Master Funds’ portfolios are invested in high-yield securities or other fixed-income securities that are “higher yielding” (including non-investment grade). High-yield securities face ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer’s assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. The Master Funds may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer’s obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt. The Master Funds may invest in corporate debt instruments paying fixed rates of interest. Corporate debt instruments may be subject to credit ratings downgrades. Changes in the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline. Other instruments may have the lowest quality ratings or may be unrated. In addition, the Master Funds may be paid interest in kind in connection with their investments in corporate debt and related financial instruments (e.g., the principal owed to each Master Fund in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Master Funds may experience substantial losses.

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

Liquidity Risk. The Master Funds may not be able to trade a holding in a timely manner at a desired price. Reduced liquidity in the debt markets can result from a number of events, such as limited trading activity, reductions in inventory, and rapid or unexpected changes in interest rates or economic conditions. Less liquid markets could lead to greater price volatility. This can reduce the Master Funds’ returns because the Master Funds may be unable to transact at advantageous times or prices or at the prices assumed by the Trading Models and Trading Systems. Illiquidity of the Master Funds’ holdings may limit the ability of the Master Funds to obtain cash to meet redemptions on a timely basis. In addition, the Master Funds, due to limitations on investments in any illiquid securities and/or the difficulty in purchasing and selling such investments, may be unable to achieve their desired level of exposure to a certain market or sector.

Call Risk. Call risk is the chance that during periods of falling interest rates, issuers of callable bonds may exercise their right to call (i.e., redeem) securities at a scheduled time before their maturity. The Master Funds would then lose any price appreciation above the bond’s call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the Master Funds’ income.

Coupon Reinvestment Risk. The Master Funds’ income may decline when interest rates fall. This decline can occur because the Master Funds may subsequently invest in lower-yielding bonds as bonds in their portfolios mature, are near maturity, or the Master Funds otherwise need to purchase additional bonds. The Master Funds strive, but are not obligated, to reduce overall interest rate risk by maintaining a portfolio of both long and short positions.

Derivative Instrument Risks. Derivative instruments, or “derivatives,” include futures, options, swaps, structured investments and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying investments, financial benchmarks, currencies, or indices. Derivatives allow an investor to hedge or speculate upon the price movements of particular investments at a fraction of the cost of investing in 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 of such asset. However, there are a number of other risks associated with derivatives trading.

The Master Funds' use of credit default swaps exposes the Master Funds to additional volatility in comparison to investing directly in bonds and other debt instruments. These instruments can experience reduced liquidity and become difficult to value, and any of these instruments not traded on an exchange are subject to the risk that a counterparty to the transaction will fail to meet its obligations under the derivatives contract. The use of these instruments involves the risks that anticipated changes in the creditworthiness of an issuer or appreciation in an underlying security will not be accurately predicted.

Additionally, because many derivatives are "leveraged" (including the derivatives utilized by the Master Funds) and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Master Funds to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts, and to derivative counterparty risk. The derivative counterparty risk lies with each Derivative Counterparty with whom the Master Funds contract for the purpose of making derivative investments. In the event of the Counterparty's default, the Master Funds will only rank as unsecured creditor and risk the loss of all or a portion of the amounts they are contractually entitled to receive.

Forms of swap agreements also include equity swaps, in which one party agrees to pay to (or receive from) the other party an amount equal to the percentage gain (or loss) realized by a specific equity security or group of equity securities in proportion to an agreed-upon notional amount; interest rate "caps," under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates exceed a specified rate or "cap"; interest rate "floors," under which, in return for a premium, one party agrees to make payments to the other to the extent interest rates fall below a specified level or "floor"; and interest rate "collars," under which a party sells a cap and purchases a floor or vice versa in an attempt to protect itself against interest rate movements exceeding given minimum or maximum levels.

The Master Funds will make use of various derivative instruments such as equity swaps and which may also include warrants, options, futures, convertible securities, and interest-rate and currency swaps. The use of derivatives involves a variety of material risks, including the high degree of leverage often embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to liquidate positions in order to realize gains or limit losses.

Many derivatives are valued on the basis of dealers' equivalents. However, the price at which dealers value a particular derivative and the price at which the same dealers would actually be willing to pay for such derivative may be materially different. Such differences can result in an

overstatement of the Net Asset Value of the Master Funds, and may have a materially adverse effect on the Master Funds in situations in which the Master Funds are required to liquidate positions in order to raise funds.

The Master Funds may be obligated to indemnify various Trading Counterparties against certain liabilities such parties may incur in connection with derivative instruments used by the Master Funds. Such indemnification obligations may survive long after the derivative instrument has been unwound or terminated. Should the Master Funds or a party which the Master Funds have agreed to indemnify be named as a defendant in a lawsuit or regulatory action stemming from a derivative instrument to which a Master Fund is a party, a Master Fund would bear the additional costs of defending and indemnifying against such action and would be at further risk if the Master Fund or the indemnified party failed to prevail in the litigation.

Derivative Counterparty Risk. Some of the markets in which a Master Fund may effect its derivatives transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight, unlike members of “exchange-based” markets. This exposes the Master Funds 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 Master Funds to suffer a loss. Such “Derivative Counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Master Funds have concentrated their transactions with a single or small group of Derivative Counterparties. In the event of the Derivative Counterparty’s default, the Master Funds will only rank as an unsecured creditor and risk the loss of all or a portion of the amounts it is contractually entitled to receive.

The Master Funds are not restricted from dealing with any particular Derivative Counterparty or from concentrating any or all of their transactions with a single Derivative Counterparty. Moreover, the Master Funds have no internal credit function that evaluates the creditworthiness of their Derivative Counterparties. The ability of the Master Funds to transact business with any one or number of Derivative Counterparties, the lack of any meaningful and independent valuation of such Derivative Counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Master Funds.

Many swap agreements entered into by the Master Funds require the calculation of the obligations of the parties to the agreements on a “net basis.” Consequently, the current obligations (or rights) of the Master Funds under a swap agreement generally would be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement. The risk of loss to a Master Fund Derivative Counterparty with respect to such swaps should be limited to the net amount of interest or other payments that the Master Funds are contractually obligated to make. If the other party to a swap defaults, the risk of loss of the Master Funds consists of the net amount of payments that the Master Funds contractually is entitled to receive.

Certain financial institutions subject to European regulatory requirements who are Derivative Counterparties to the Master Funds will require the Master Funds to agree to a “bail-in” of the financial institution were it to become insolvent. Such a “bail-in” may result in a reduction in the amounts that are due to the Master Funds to be made by the relevant regulators. Additionally, regulatory requirements in the United States and Europe require the Master Funds to wait a specified period of time before liquidating its derivative positions with an insolvent financial institution which may cause further losses for the Master Funds.

Risks Related to ETFs. The Master Funds may also invest in ETFs, which are subject to additional risks.

- *Market Risk.* ETF investments, in general, are subject to market risks that may cause their prices, and therefore the Master Funds’ Net Asset Values, to fluctuate over time. Markets are subject to political, regulatory, economic, and financial market risks.
- *Non-Diversification Risk.* An ETF is considered a non-diversified investment and can invest a greater portion of its assets in securities of individual issuers than a diversified fund. As a result, changes in the market value of a single security could cause greater fluctuations in the Net Asset Value of Master Fund shares than would occur in a diversified fund.
- *Passive Investment Risk.* An ETF has an investment strategy that is not actively managed. An ETF will purchase, hold, or sell securities when an actively managed fund would not do so. Therefore, an ETF may be subject to greater losses in a declining market than a fund that is actively managed.
- *Correlation and Tracking Error Risk.* A number of factors may affect an ETF’s ability to track its benchmark index or achieve a high degree of correlation with its benchmark either on a single trading day or for a longer time period. Factors such as ETF expenses, imperfect correlation between the ETF’s investments and those of its underlying index, rounding of share prices, regulatory policies, high portfolio turnover rate and the use of leverage all contribute to tracking error or correlation risk. There can be no guarantee that an ETF will achieve a high degree of correlation. Failure to achieve a high degree of correlation may prevent the ETF, and consequently the Master Funds, from achieving its investment objective.
- *ETF Shares Trading Risk.* An unanticipated early closing of the exchange on which an ETF is traded (the “**Exchange**”) may result in an inability to buy or sell shares of the ETF on that day. Trading in ETF shares similarly may be halted by the Exchange because of market conditions or other reasons. If a trading halt occurs, the Master Funds may temporarily be unable to purchase or sell shares of the ETF. Shares also may trade on the Exchange at prices that differ from (and can be below) their NAV. The NAV of ETF shares will fluctuate with changes in the market value of the ETF’s holdings and the exchange-traded prices may not reflect these market values.

- *Investment in Investment Companies Risk.* The Master Funds may invest in ETFs that invest in other investment companies. Investing in other investment companies, including money market funds, subjects the ETF to those risks affecting the investment company, including the possibility that the value of the underlying securities held by the investment company could decrease. Moreover, the ETF, and consequently the Master Funds, will incur their pro rata share of the underlying investment company's expenses.
- *Liquidity and Valuation Risk.* In certain circumstances, it may be difficult for an ETF to purchase and sell particular investments within a reasonable time at a fair price, or the price at which it has been valued by the Investment Adviser for purposes of the Master Funds' NAV, causing the Master Funds to be less liquid and unable to realize what the Investment Adviser believes should be the price of the investment.
- *Short Sales Risk.* Inverse ETFs generally involve short selling a security. Short selling a security involves selling a borrowed security with the expectation that the value of the security will decline, so that the security may be purchased at a lower price when returning the borrowed security. The risk for loss on short selling is greater than the original value of the securities sold short because the price of the borrowed security may rise, thereby increasing the price at which the security must be purchased. Government actions also may affect the ETF's ability to engage in short selling.
- *Correlation and Compounding Risk.* Leveraged ETFs utilize significant leverage to enhance returns, but leverage may also result in a high degree of loss. Additionally, a number of factors may affect a leveraged ETF's ability to achieve a high degree of correlation with its benchmark, and there can be no guarantee that a leveraged ETF will achieve a high degree of correlation. Failure to achieve a high degree of correlation may prevent a leveraged ETF from achieving its investment objective. In addition, leveraged ETFs utilize compounding. Compounding affects all investments, but has a more significant impact on a leveraged fund. In general, particularly during periods of higher volatility, compounding will cause longer-term results to be more or less than the inverse of the return of the benchmark. This effect becomes more pronounced as volatility increases.

Option Risks. The Master Funds may engage in purchase and sell ("write") options, on securities, on national and international exchanges and in the domestic and international over-the-counter markets, both for speculative and for hedging purposes. The seller ("writer") of an uncovered put option assumes the risk of a decline in the market price of the underlying security or currency below the exercise price of the option. The seller of a put option which is covered (e.g., the writer has a short position in the underlying security or currency) assumes the risk of an increase in the market price of the underlying security or currency above the sales price (in establishing the short position) of the underlying security or currency, plus the premium received, and gives up the opportunity for gain on the underlying security or currency 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 seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or currency above the exercise price of the option. The writer of a call option which is covered (e.g., the writer holds the underlying security or currency) assumes the risk of a decline in the market price of the underlying security or currency less the premium received, and gives up the opportunity for gain on the underlying security or currency above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Options trading involves certain risks which trading in the underlying securities, stock indices, and/or stock index futures listed on a national securities exchange or traded in an over-the-counter market alone does not. For example, interest rates and market volatility directly impact option values, and options have limited life spans and so may expire and be worthless, despite the underlying position becoming profitable soon thereafter. The effectiveness of engaging in stock index options as a hedging technique will depend on the extent to which price movements in assets that are hedged correlate with price movements of the stock index selected. Successful use of options on stock indices may depend on the ability of the Investment Adviser to correctly predict movements in the direction of the stock market generally or of a particular industry or market segment. This ability requires skills and techniques different from those used in predicting changes in the price of individual stocks.

Should the Master Funds write options, they could sustain major marked-to-market losses – even if the options sold are never “in-the-money” – as a result of increases in market volatility and/or market movements towards the strike prices of such options. Because volatility is directly reflected in the market value of options, the extreme volatility of market prices increases both the costs and the risks of options trading.

Forward Contract Risks. The Master Funds may trade forward contracts as a means to hedge currency exposure for future international trading strategies, for other risk management purposes, or to implement new trading strategies. Forward trading is a “zero-sum” economic activity in which for every gain there is an equal and offsetting loss (without considering transaction costs). An investment in forwards is in this respect very different from a typical securities investment in which there is an expectation of some consistency of yield (in the case of debt) or participation over time in general economic growth (in the case of equity).

Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. Consequently, in respect of any forward trading activity, the Master Funds will be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the principals or agents with or through which the Master Funds trade. Any failure or refusal to discharge their contractual obligations by the Counterparties with which the Master Funds deals on the forward markets, whether due to insolvency, bankruptcy or other causes, could subject the Master Funds to substantial losses. The Master Funds will not be excused from performance under any forward contracts into which it has entered due to defaults under other forward contracts, which were to have substantially “covered” the former. There is also the risk

that a Counterparty which loses money on a contract with the Master Funds may seek to avoid its obligations on legal grounds.

Because the Master Funds' currency trading may take place in the forward markets, prospective investors must recognize that such trading activity takes place in unregulated markets rather than on futures exchanges subject to the jurisdiction of the CFTC or other regulatory bodies. While the forward markets are well established, it is impossible to predict how, given certain unusual market scenarios, the unregulated nature of these markets might affect the Master Funds.

Futures Contract Risks. The Master Funds may trade futures contracts for risk management purposes or as a means of implementing cash-futures arbitrage and other strategies. Futures trading, which is highly leveraged, can result in significant losses.

Futures trading is subject to many of the risks associated with forward contracts. In addition, futures trading is subject to the risk of failure of brokerage firms to the extent that the assets of customers at the brokerage firm are not fully protected by account segregation. The Commodity Exchange Act, as amended ("CEA"), requires a U.S. clearing broker to segregate all funds received from such broker's customers in respect of futures (but not forward) transactions from such broker's proprietary funds. If any commodity brokers were not to do so to the full extent required by law, or in the event of a substantial default by one or more of such broker's other customers or of a broker not subject to the CEA and its segregation requirements, the assets of the Master Funds might not be fully protected in the event of the bankruptcy of such broker. Furthermore, in the event of such a bankruptcy, the Master Funds would be limited to recovering only a pro-rata share of all available funds segregated on behalf of the affected commodity broker's combined customer accounts, even though certain property specifically traceable to the Master Funds (for example, U.S. Treasury bills or cash deposited by the Master Funds with such broker) was held by such broker. Commodity broker bankruptcies have occurred in which customers were not able to recover from the broker's estate the full amount of their funds on deposit with such broker and owing to them. Customer funds on deposit with commodity brokers are not insured by any governmental agency, and investors would not have the benefit of any protection such as that afforded customers of bankrupt U.S. securities broker-dealers by the Securities Investors Protection Corporation.

In addition, the Master Funds will, through their futures trading, be subject to regulation by the CFTC, which can make special calls for information from the Master Funds regarding their beneficial owners, and, if such information is not forthcoming, require the liquidation of all open futures positions held by the Master Funds.

Furthermore, futures contracts, unlike forward contracts, may be subject to daily price fluctuation limits, as well as to speculative position limits. During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated. Futures prices have occasionally moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Master Funds from promptly liquidating

unfavorable positions and subject the Master Funds to substantial losses. Also, the CFTC or exchanges may suspend or limit trading, to the same effect.

Futures positions may also be illiquid because, for example, most U.S. commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day, no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved to the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Master Funds from promptly liquidating unfavorable positions and subject the Master Funds to substantial losses. In addition, the Master Funds may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator (such as the SEC or the CFTC) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

The Master Funds may also trade on futures exchanges outside the United States. Trading on such exchanges is not regulated by any United States government agency and may involve certain risks not applicable to trading on United States exchanges. In trading on foreign exchanges, the Master Funds may be subject to rules and regulations administered by foreign regulatory bodies and also subject to the risk of changes in the exchange rates between the United States dollar and the currencies in which the foreign contracts are settled.

Equity Risks. The Master Funds may invest in U.S. equity securities of U.S. issuers and , American Depositary Receipt (“**ADRs**”) of non-U.S. issuers listed and traded on organized U.S. exchanges, equity securities of issuers based in Non-U.S. Countries, and Global Depositary Receipts of U.S. issuers listed and traded on organized exchanges in Non-U.S. Countries (“**GDRs**”). The value of these securities generally varies with the performance of the issuer and movements in the equity markets. As a result, the Master Funds may suffer losses if it invests in equity securities of issuers whose performance diverges from the Investment Adviser’s expectations or if equity markets overall or equities comprising a particular industry sector, capitalization level, or other grouping generally move in a single direction and the Master Funds have not adequately hedged against such a general move.

ADRs and GDRs carry additional risks. Investing in an ADRs or GDRs is not the same as

investing directly in the underlying foreign security. The ADR or GDR may be less liquid than the underlying foreign security, increasing the potential cost, or increasing the time required, to close a position in an ADR or GDR. The price of the ADR or GDR also may not move in tandem with the underlying foreign security and indeed may diverge significantly at times. These risks may cause the Master Funds to realize potentially significant losses that would not have been incurred if the Master Funds had invested directly in the underlying foreign security.

Foreign Exchange Transaction Risks. The Master Funds may trade in the currency markets. Although generally highly liquid, currency markets can experience periods of illiquidity, sometimes of significant duration. For example, none of the participants in the currency forward markets are required to maintain a market in any particular currency or to maintain a reasonable spread between the “bid” and “asked” prices which they quote. Disruptions can occur in any market traded by the Master Funds due to unusually high trading volume, political intervention, or other factors. Market illiquidity or disruption could result in major losses. Currency forward contract prices are highly volatile. In the past, sudden and major reversals in these markets have resulted in major losses for speculative traders similar to the Master Funds.

Currency contract prices are determined by relationships that are primarily interest-rate related; consequently, a substantial portion of the Master Funds’ open positions could move against the Master Funds at or about the same time.

Risks from Hedging Activities. Voleon may (or may not) from time to time utilize ETFs, stock index futures, government securities, or other instruments for the purpose of reducing any net long or short exposure to the performance of the securities market as a whole or to individual sectors or industries. There remains a substantial risk, however, that hedging techniques may not always be effective in limiting losses. If Voleon’s trading methodology or risk models analyze market conditions or risk incorrectly, Voleon’s hedging techniques could result in a loss, regardless of whether the intent was to reduce risk. In addition, hedging activities often will reduce the overall return of the portfolio.

Smaller and Medium Capitalization Company Risks. The Master Funds may invest a significant percentage of their assets in small to medium capitalization companies; for example, companies in the United States that are too small to be included in the relevant stock indices in the United States or Non-U.S. Countries. These companies have less ability to withstand adverse market conditions than larger issuers, and their securities are more thinly traded and volatile in price. While small to medium capitalization companies may have good growth potential, there is no guarantee they will experience such growth, and they typically involve higher risks because they may lack the management experience, financial resources, product diversification, and personnel available to their larger competitors.

Alternative Investment Fund Managers Directive. The Alternative Investment Fund Managers Directive (the “**AIFM Directive**”) of the European Union (“**EU**”) took effect across the EU and European Economic Area (“**EEA**”) on July 22, 2013, albeit allowing EEA countries to rely on transitional provisions until July 21, 2014. The AIFM Directive regulates (i) alternative

investment fund managers (“AIFM”) based in the EEA (ii) the management of any alternative investment fund (“AIF”) established in the EEA (irrespective of where an AIF’s AIFM is based), and (iii) the marketing in the EEA of the securities of any AIF, such as the Feeder Funds, whether conducted by an EEA AIFM, a non-EEA AIFM, or a third-party. In order to obtain authorization to market the Feeder Funds in the EEA, an AIFM is required to comply with numerous obligations in relation to its own operations and in relation to the AIFs that it manages, which may create significant compliance costs and burdens.

Pursuant to the AIFM Directive, a non-EEA AIFM marketing a non-EEA AIF (i.e., the Feeder Funds) to persons within the EEA, is required to, among other things: (i) confirm that U.S. and Cayman Islands regulatory authorities have entered into a cooperation-and-information-sharing agreement with the regulator of each EEA country into which the Feeder Fund is to be marketed; (ii) confirm that the Cayman Islands is not listed as a non-cooperative country for the purposes of the Financial Action Task Force; and (iii) provide EEA investors and the regulators of such investors’ EEA countries with the relevant Feeder Fund’s annual financial report and certain additional information about the relevant Feeder Fund.

A fund managed by a non-EEA AIFM, will only be able “to market” to investors in certain countries within the EEA in accordance with applicable national private placement rules. It should be noted that each EEA country has its own definition of what it means “to market” an AIF and each EEA country has implemented its own national private placement rules. The requirements for additional service functions, notification, and registration, as well as ongoing and annual reporting, vary significantly from jurisdiction to jurisdiction. Further, each EEA country has the authority to change its rules or enact new rules that may require AIFs to become registered with the local regulator before securities can be offered in that country. It should also be noted that although “reverse solicitation”, where an EEA investor approaches a non-EEA AIFM regarding shares or interests, as applicable, in a non-EEA AIF, is outside the scope of the AIFM Directive and, accordingly, remains permissible in EEA jurisdictions, because each EEA country has a different definition of “marketing”, “reverse solicitation” is also interpreted differently across the various EEA jurisdictions.

It is possible that the Feeder Funds, the Master Funds, or the Managers may, in the future, be required to take significant measures to comply with national rules implementing the AIFM Directive in those countries of the EEA where the relevant Feeder Fund is to be marketed. Compliance with the requirements of the AIFM Directive and marketing rules in the EEA may be costly (e.g., if numerous EEA registrations are required) or could require significant amendments to be made to the structure of the Funds (such as redomiciling the Funds, if EEA investors were to become the principal target for fundraising). It should be noted that such costs may be prohibitive and, accordingly, may impair the ability of the Managers to market the Shares of the Funds in the EEA in the future, which may have a material adverse effect on the Funds’ ability to achieve their investment objectives.

Enforcement of Judgments with Respect to Certain European Investors. The Offshore Funds and the Master Funds are domiciled in the Cayman Islands. The Onshore Funds are domiciled in the State of Delaware in the United States. The Funds and all or substantially all of their respective directors, officers, managing members, and other persons acting for the Funds are expected to be located outside of the EEA and, as a result, it may not be possible for an investor located in the EEA to effect service of process within the EEA upon the Funds or such persons. All or a substantial portion of the assets of the Funds and such other persons will be located outside of the EEA, and as a result, it may not be possible to satisfy a judgment against the Funds or such persons in the EEA or to enforce a judgment obtained from a court within the EEA against the Funds or persons outside of the EEA.

Judgments rendered in a court within the EEA may be enforced in the Cayman Islands by action at common law. Although there is currently no statutory enforcement in the Cayman Islands of judgments obtained in the EEA, a judgment issued in an EU Member State will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment:

- (a) is given by a foreign court of competent jurisdiction
- (b) is final and conclusive;
- (c) is not in respect of tax, fine, or other penalty;
- (d) was not obtained by fraud;
- (e) is not of a kind where the enforcement of which is contrary to the public policy of the Cayman Islands;
- (f) was not obtained in proceedings contrary to natural justice;
- (g) is not inconsistent with a Cayman Islands judgment or order in respect of the same matter;
- (h) is not for multiple or punitive damages; and
- (i) enforcement is sought in the Cayman Islands within six years after the date of judgment.

The Grand Court of the Cayman Islands will apply the rules of Cayman private international law to determine whether the foreign court is a court of competent jurisdiction. Subject to these limitations, the Cayman Islands courts will recognize and enforce a foreign judgment for a liquidated sum. The Grand Court of the Cayman Islands also has the discretion to recognize and enforce non-money orders by way of equitable remedies, such as declaratory orders, orders for performance of contracts, and injunctions if the principle of comity requires it. In exercising its discretion in relation to non-money orders, the Cayman Islands Court will have regard to general considerations of fairness and ensure that domestic law is not extended to suit foreign litigants; such discretion will be exercised in accordance with the facts of each case.

General Risk Factors

Risk of Loss. An investor could incur substantial, or even total, losses on an investment in the Feeder Funds. An investment in the Feeder Funds is only suitable for persons willing and able to accept this high level of risk.

Possible Correlation with Stocks and Bonds. One of the goals in acquiring a non-traditional investment such as an investment in the Feeder Funds is to provide a potentially valuable element of diversification to an overall portfolio of investments. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that the Feeder Funds' returns will, in fact, be positively or negatively correlated or uncorrelated with a traditional portfolio of stocks and bonds.

Master-Feeder Structure. The Feeder Funds invest substantially all of their assets through a "master-feeder" fund structure in their respective Master Fund. A "master-feeder" fund structure (and in particular, the existence of multiple investment vehicles investing in the same portfolio) presents certain unique risks to investors. Although the Offshore Feeder Funds and the Onshore Feeder Funds are currently the only investors in the Master Funds, additional feeder funds may be established in the future. Smaller investment vehicles investing in the Master Funds may be materially affected by the actions of larger investment vehicles investing in the Master Funds. For example, if a larger investment vehicle withdraws or redeems from the Master Funds, the remaining funds may experience higher pro rata operating expenses, thereby producing lower returns. Substantial withdrawals or redemptions of capital by investors in the Master Funds, including the Feeder Funds, over a short time period could necessitate the liquidation of securities positions at a time and in a manner which does not provide the most economic advantage to the Master Funds and which therefore could adversely affect the value of the Master Funds' assets.

Dependence on the Master Funds. The assets of the Feeder Funds will consist almost exclusively of shares of the Master Funds. Accordingly, the financial results of the Feeder Funds will be almost entirely dependent on the performance of the Master Funds.

Lack of Liquidity of Investment; Redemptions. There is not now, and there is not likely to be in the future, a secondary market for interests in the Feeder Funds, and consequently, investors may only be able to dispose of their investments by means of redemptions from the Feeder Funds. The risk of any decline in the Net Asset Value of the investment during the period from the date of redemption notice submitted by an investor until the redemption date will be borne by the investors requesting a redemption. If a Master Fund experiences losses after a redemption date, it is possible that the Master Fund may have insufficient assets to pay all or even a portion of the redemption proceeds due to the redeeming investor. Further, under extraordinary circumstances, the Board of Directors may (in its sole discretion) suspend redemptions entirely or delay payment until such time as the extraordinary circumstance no longer exists. As of each Redemption Date, with respect to a Feeder Fund, the interests being redeemed will be treated as

having been redeemed regardless of whether or not the redeeming investor has been removed from the Feeder Fund's register of members or the redemption price has been determined or remitted. Accordingly, from and after the relevant Redemption Date, investors in their capacity as such will not be entitled to or be capable of exercising any rights with respect to interests being redeemed (including any right to receive notice of, attend, or vote at any meeting of a Feeder Fund), except for the right to receive the applicable redemption price and any dividend declared by such Feeder Fund prior to the relevant Redemption Date but not yet paid (in each case with respect to the interests being redeemed). Redeemed investors will be creditors of the Feeder Funds with respect to the applicable redemption price. In an insolvent liquidation, redeemed investors will rank behind ordinary creditors, but ahead of current investors.

Effect of Substantial Redemptions; Suspension of Redemptions. Substantial redemptions from the Feeder Funds could be triggered by a number of events, including, without limitation, unsatisfactory performance, events in the markets, or other events. Actions taken to meet substantial redemption requests from the Feeder Funds, including disposing of the Feeder Funds' Investments, could result in decreased prices for such Investments and in increased Feeder Fund expenses (e.g., transaction costs and the costs of terminating agreements). During periods of market turbulence, liquidity generally decreases, which would most likely exacerbate these risks. If the Feeder Funds invest in Fixed Income Instruments, such instruments would generally be less liquid than the Feeder Funds' investments in Equity Instruments. The overall value of the Feeder Funds also may decrease because the liquidation value of certain fixed-income securities may be materially less than their cost or mark-to-market value. In addition, the Feeder Funds may be forced to sell their more liquid positions, which may cause an imbalance in the Feeder Funds' portfolios that could have a material adverse effect on the Net Asset Values of the Feeder Funds. Substantial redemptions could also significantly restrict the Feeder Funds' ability to obtain financing or transact with counterparties needed for their investment strategies, which could also have a material adverse effect on the Feeder Funds' performance. The Feeder Funds and the Investment Adviser generally will not disclose to investors the amount of pending redemption requests and are under no obligation to make any such disclosure. If a Feeder Fund receives significant redemption requests when it holds significant investments in Fixed Income Instruments, such Feeder Fund may suspend redemptions, especially during periods of market stress.

Lack of Liquidity of Investments. The markets for instruments traded by the Master Funds may have limited liquidity and depth. Lack of liquidity could disadvantage the Funds both in the realization of quoted prices and in order execution. Lack of liquidity would increase the risk that a Master Fund could be required to liquidate positions at disadvantageous prices because of its inability to raise margin collateral from other sources. The risk of market illiquidity is materially heightened by the use of leverage and the possibility that margin calls will need to be met in declining or disrupted market conditions. As outlined in "Effect of Substantial Redemptions; Suspension of Redemptions," the risk of market illiquidity may be heightened if Fixed Income Instruments are a material proportion of a Feeder Fund's portfolio.

Inadequate Compensation for Risk. No assurance can be given that the returns on the Master Funds' Investments will be commensurate with the risk of purchasing an investment in a Feeder Fund. Hedge fund returns have dropped significantly recently in comparison to their returns in past periods, and there can be no assurance that their returns, as an asset class, in future periods will reflect previous historical levels. This may be due in part to changes in market conditions affecting hedge funds' investments and strategies, as well as the proliferation of hedge funds pursuing similar strategies (thereby making it difficult for one hedge fund to outperform others). Hedge funds may also offer less of an advantage as a source of investment diversification than in the past. In addition, in past years, a number of hedge funds collapsed, including a number of well-known funds, amid highly volatile market conditions. All of the foregoing considerations relating to hedge funds have been identified as serious risks by a number of investment commentators.

Highly Competitive Market. Voleon competes with a large number of firms in developing trading strategies and managing investment assets, and many of such firms have far greater financial and personnel resources than Voleon. Competitive investment activity by other firms will tend to reduce the mis-pricing spreads that Voleon attempts to capitalize on in trading on behalf of, as well as the amount of credit available to, the Master Funds.

Lack of Information. An investor granting discretion over the trading of assets through a managed account client, to the extent the Investment Adviser chooses to accept such clients in the future, would normally have access to information regarding the positions traded on the investor's behalf by a trading adviser. In contrast, investors will not normally have access to positions or other information regarding the Master Funds' Investments. Lack of knowledge regarding the Master Funds' positions and trades will reduce investors' ability to evaluate the performance of Voleon and the Funds and could result in an investor's overall portfolio being highly concentrated because the Master Funds' positions could replicate or substantially overlap positions held by the investor in other investments.

Dependence on the Principals and Other Key Employees of the Investment Adviser. The Funds are dependent on the services of the principals and other key employees of Voleon. The Funds would be adversely affected if the services of any of the principals or of any other key employee were not available for any significant period of time.

Reliance on Voleon. The Master Funds will rely on the Investment Adviser for the management of the Master Funds' investment portfolio. There could be adverse consequences to the Funds in the event that Voleon ceases to be available to devote its services to the Master Funds. In addition, Voleon's expertise and capabilities may not be sufficient to ensure adequate returns for the Funds.

Investors Do Not Participate in Management; No Ability to Replace or Remove the Managers or Voleon. Investors will have very limited management rights with respect to the Funds. Moreover, Investors have no right to influence the management of the Funds, whether by voting, redeeming, removing, or replacing the Managers, removing or replacing Voleon or otherwise.

Non-Independent Directors. Any or all of the members of the Board of Directors of the Master Funds or the Feeder Funds will be employed by or will have extensive business dealings with some or all of the Investment Adviser, the Managers, and their affiliates. As a result, these directors may have conflicts of interest. There are no independent managers of the Funds, the Managers, or the Investment Adviser.

Market Participant Risk. The institutions, including brokerage firms and banks, with which the Master Funds trade or invest, may encounter financial difficulties that impair the operational capabilities or the capital positions of the Master Funds. Events since the 2008 Crisis demonstrate the real risk that a brokerage or custodian that appears reliable may very quickly be discovered to be insolvent or otherwise unable to meet its obligations. This may impact the Master Funds in many ways, including, but not limited to, forcing the Master Funds to liquidate their portfolio or certain hedging positions, and potentially with such speed that the Master Funds would face substantial losses.

In addition to the risk of a Trading Counterparty defaulting, there is also the risk that one or more investors comprising a substantial percentage of the Master Funds' assets under management (such as a major institutional investor) may be compelled to redeem from the Master Funds, or that the Master Funds' Trading Counterparties or brokers will be required to restrict the amount of credit previously granted to the Master Funds due to their own financial difficulties, resulting in forced liquidation of substantial portions of the Master Funds' portfolio, potentially with such speed that the Master Funds would face substantial losses.

Outsourcing. Voleon and the Master Funds may opt to outsource significant portions of trading and the processing of trades to third-party providers (for example, for middle and back office services). Investors in the Feeder Funds will pay for these services, reducing the return on their investments. Furthermore, if these third-party providers suffer operational or financial difficulties, the performance of the Funds may be materially affected.

Risk of Litigation. In the ordinary course of business, the Funds may become subject to litigation from time to time. In addition, the Master Funds may accumulate substantial positions in the securities of issuers that become involved in proxy contests or other litigation. As a result of such investments, a Master Fund could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings, which may materially adversely affect the value of the Master Fund, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Funds' time and attention and substantial amounts of the Funds' capital in legal costs and expenses, and that time and the devotion of those resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Importance of General Economic Conditions. Overall market or economic conditions, which Voleon cannot predict or control, may have a material effect on the performance of the Funds.

Conflicts of Interest. The Managers and Voleon are subject to significant and material conflicts of interest in managing the assets of the Funds. There can be no assurance that these conflicts will be resolved equitably or to the benefit of the Funds. See “Conflicts of Interest” below.

Reserve for Contingent Liabilities. Under certain circumstances, the Master Funds may find it necessary to establish a reserve for contingent liabilities or withhold a portion of an investor’s proceeds at the time of redemption from a Feeder Fund, in which case the reserved portion would remain at the risk of the Master Funds’ activities.

Mandatory Redemptions. The Boards of Directors of the Offshore Feeder Funds or the Managers of the Onshore Feeder Funds may require any investor to redeem all or a part of its investments at any time in their discretion.

In-Kind Distributions. The Feeder Funds may distribute securities, rather than cash, as redemption proceeds to investors. A portion of the Master Funds’ capital may be invested in illiquid securities and instruments. If the investors in the Master Funds request significant redemptions, the Master Funds may be unable to liquidate their investments at the time such redemptions are requested or may be able to do so only at prices which, in the opinion of Voleon, do not reflect the true value of such investments and which would adversely affect the Funds’ investors. Such securities and instruments may not be readily marketable or saleable and may have to be held by the investor or by the Board of Directors of the Offshore Feeder Funds or the Managers of the Onshore Feeder Funds in trust for the investor, for an indefinite period of time.

Estimates. The Funds’ fees and the amounts due to investors upon redemption are determined on the basis of estimates. The Boards of Directors of the Master Funds are under only a very limited obligation to revise such estimates.

Delays in Providing Audited Financial Statements. Each Master Fund must have their audited financial statements before it can provide their audited financial statements to investors. There can be no assurance that the Master Funds’ audited financials will be prepared and delivered to the Feeder Funds in time for the Feeder Funds to deliver their audited financial statements to investors before their tax returns are due.

Indemnification and Liability of the Managers and Voleon. Each Indemnified Party will not be liable, responsible, or accountable in damages or otherwise to the Funds, and/or any of the investors for (a) any act or omission performed or omitted by them on behalf of the Funds, except when such action or failure to act by that specific party was performed or omitted fraudulently or in bad faith or constituted gross negligence or willful misconduct, or (b) any act or omission performed or omitted to be performed by any agent retained by an Indemnified Party, whether through negligence, dishonesty, or otherwise, as long as the agent was selected by such Indemnified Party without bad faith, gross negligence, or willful misconduct. Each Indemnified Party will be indemnified by the Funds for any Losses incurred or sustained by them as a result of or in connection with any act performed in good faith by or on behalf of the Funds,

so long as such Losses did not result from their gross negligence, willful misconduct, or fraud. The Funds may or may not purchase insurance covering such liabilities.

Possible Additional Indemnification Obligations; Litigation. In addition to the indemnification of the Indemnified Parties, the Funds may be obligated to indemnify the Administrator, the brokers, and various other officers and agents of the Funds and their respective principals and affiliates under the various agreements entered into with such parties against certain liabilities they may incur in connection with their relationship with the Funds. The Funds may also be obligated to indemnify certain Trading Counterparties to various investment vehicles entered into by the Funds against certain tax or other liabilities such Trading Counterparties incur in connection with transactions entered into by the Funds. In the event that the Funds or a party which the Funds have agreed to indemnify was named as a defendant in a lawsuit or regulatory action stemming from the conduct of the Funds' businesses, the Funds bear the additional costs of defending and indemnifying against such action and would be at further risk if the Funds or the indemnified party failed to prevail in the litigation.

Limited Regulation of Funds. The Funds are not and do not intend to be registered as an "investment company" under the Investment Company Act. As a result, certain provisions of the Investment Company Act (which, among other things, requires investment companies to have a majority of disinterested directors, requires securities held in custody to be segregated, regulates the relationship between the investment company and its adviser and requires investor approval before fundamental investment policies can be changed) do not apply to the Funds, and investors will not be afforded the benefits that may be derived therefrom.

Additionally, the Offshore Funds and the Master Funds are exempted companies with limited liability incorporated in the Cayman Islands. Each of the Offshore Funds and the Master Funds is registered as a mutual fund under the Mutual Funds Law.

Anti-Money Laundering Regulations. It is each Fund's policy to comply with The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001. Many jurisdictions are in the process of changing or creating anti-money laundering, embargo, and trade sanctions, or similar laws, regulations, requirements (whether or not with the force of law), or regulatory policies and many financial intermediaries are in the process of changing or creating responsive disclosure and compliance policies (collectively "**AML Requirements**"), and the Board of Directors and/or Administrator could be requested or required to obtain certain assurances from prospective investors, disclose information pertaining to such investors to governmental, regulatory, or other authorities or to financial intermediaries or engage in due diligence, or take other related actions in the future. It is each Fund's policy to comply with AML Requirements to which it may become subject and to interpret them broadly in favor of disclosure. Each prospective investor will be required to agree in the subscription agreement pursuant to which it acquires its investment in the respective Feeder Fund, and will be deemed to have agreed by reason of owning any investment in the Feeder Funds, that it will provide additional information or take such other actions as may be necessary or advisable for

the Funds or the Administrator, to comply with any AML Requirements, related legal processes or appropriate requests (whether formal or informal) or otherwise, including without limitation information relating to the prospective investor's identity and/or source of payment. Each prospective investor, by executing a subscription agreement will consent to disclosure by the respective Feeder Fund and the Administrator, to relevant third parties of information pertaining to it in respect of AML Requirements or information requests related thereto. In the event of delay or failure by the prospective investor to produce any information required for verification purposes, the Board of Directors, the Managers, and/or the Administrator, as applicable, may refuse to accept (or process in the case of the Administrator) a subscription until proper information has been provided and any funds received will be promptly returned without interest, to the account from which such monies derived.

Absence of Securities Registration/Limited Transferability. The offering of investments in the Feeder Funds have not been registered under the Securities Act, or under the securities laws of any other applicable jurisdiction in reliance on exemptions from registration under such laws. As a result, the transfer of an investment in the Funds to third parties is subject to legal restrictions.

Redemptions by Other Investors in the Funds. Certain investors may be permitted to make redemptions or withdrawals more quickly or with less prior notice than other investors, and the ability to redeem or withdraw more quickly may work to their benefit, and may be adverse to other investors.

Certain Investors May Have Greater Access to Information. The Funds or other feeder funds may grant certain investors (or managed accounts clients to the extent Voleon chooses to accept such clients in the future) greater and/or more frequent access to information regarding the Funds' Investments, the Funds' valuations, the positions traded by the Master Funds, or other investment information, than is available to other investors. In addition, the Boards of Directors of the Master Funds will have access to such information. The Boards of Directors, and other investors with such access may use such information to make redemptions and/or additional investment decisions, which may work to their benefit and may be adverse to other investors. See also "Side Letter Risk" below.

Risks Associated with the Performance Fee/Performance Allocation. The Performance Fee and/or the Performance Allocation payable to Voleon's affiliates, the Managers, may encourage Voleon to engage in overly speculative strategies, and the Performance Fee/Performance Allocation, if paid, could result in payments to the Managers which are greater than fees or allocations payable to managers of other funds for similar services. In the event that the Master Funds experience losses, Voleon may be encouraged to engage in overly speculative strategies in an attempt to seek entitlement to a Performance Fee/Performance Allocation on behalf of the Managers. Alternatively, because the partners of Voleon will receive greater compensation through their share of the Performance Fee/Performance Allocation received by the Managers than through the Management Fee received by Voleon, in the event that the Master Funds experience losses, employees of Voleon may not be adequately motivated to maintain their

employment with Voleon, or Voleon may enjoy a relatively greater incentive to focus resources on advisory clients other than the Funds.

Expenses. The Master Funds will pay to Voleon the Management Fee on a monthly basis. Voleon enjoys a large degree of discretion in expending working capital with the expectation that it will be reimbursed by the Master Funds. Such Management Fee and expense reimbursements will materially reduce the returns to the investors in the Funds, regardless of whether the underlying trading strategies are making or losing money. These expense reimbursements may also include accruals for expenses that Voleon expects to incur but has not yet incurred. In the event of redemptions of the Funds' investors or if any of the Funds are wound up, these accrued expenses will not be reimbursed in any way.

Possible Refund of Investments. It is possible that in the future, the Feeder Funds will return funds to certain investors with the intention of delivering a desirable balance of future risk and return for the Feeder Funds as a whole. This may become necessary due to capacity constraints or other circumstances. Any refunds or required redemptions will be made at the discretion of the Board of Directors. There is no guarantee that they will be done in a pro rata fashion in proportion to each investors' existing ownership interest in the Feeder Funds, and it is possible that some investors may at such time be required to redeem entirely.

No Representation of Investors. The business terms and structure of the Funds were not negotiated with any investor, and no independent counsel has been retained to represent investors in the Funds. Prospective investors are advised to consult their own counsel with respect to the legal and tax implications of an investment in the Funds.

Tax Audits. The Master Funds or the Feeder Funds may be audited by U.S. federal, state, or other tax authorities. An income tax audit may result in an increased tax liability of the Master Funds or the Feeder Funds, including with respect to years when an investor was not an investor of the Funds, which could reduce the Net Asset Value of the Master Funds or the Feeder Funds and affect the return of all investors. In addition, investors may indirectly bear a portion of any imputed underpayment of taxes attributable to a prior taxable year, including in a year in which an investor may not have owned an interest in the Feeder Funds or in which an investor's ownership interest has since changed.

Accounting for Uncertainty in Income Taxes. Accounting Standards Codification Topic No. 740, "Income Taxes" (in part formerly known as "FIN 48") ("ASC 740"), provides guidance on the recognition of uncertain tax positions. ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on recognition, measurement, classification, interest, and penalties with respect to tax positions. A prospective investor should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the Net Asset Value of the Master Funds or the Feeder Funds, including reducing the Net Asset Value of the Master Funds or the Feeder Funds to reflect reserves for income or other taxes. This could cause benefits

or detriments to certain investors, depending upon the timing of their entry and exit from the Feeder Funds.

Risks Relating to the Funds

Speculative Nature of the Master Funds' Investment Program. The Master Funds' investment programs are speculative and involve a high degree of risk. There is no assurance that the risk management and portfolio optimization techniques utilized by Voleon, as well as the investment decisions made by Voleon, its automated trading systems, and its trading staff, will not expose the Master Funds to risk of significant losses. In addition, the analytical techniques used by Voleon cannot provide any assurance that the Master Funds will not be exposed to the risk of significant trading losses if the underlying patterns of market behavior studied by Voleon, and which provide the basis for its statistical models, change in ways not anticipated by Voleon.

Model Risks. The strategies employed by Voleon are highly dependent on quantitatively-based pricing theories and valuation models that generally have not been independently tested or otherwise reviewed ("**Models**"), which Voleon uses to evaluate trading opportunities. Models employ assumptions that abstract a limited number of variables from complex financial markets or instruments, which they attempt to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. For example, Models may postulate, or their efficacy may depend on assumptions regarding the existence of relationships that appear to hold true, or in fact held true in the past, but that may not exist or hold true in the future. Inputs into various Models may be composed of or derived from facts or data, the accuracy of which have not been independently verified by Voleon or any third-party. In particular, if material factors are not incorporated into Models, or are incorporated inaccurately, substantial losses could result, including on the basis of theoretical Models (that later prove incorrect) that identify positions that appear to have minimal risk. The outputs of Models may differ substantially from the reality of the markets, resulting in major losses. Additionally, there is no assurance that the Investment Adviser has appropriately incorporated the Models into its strategies.

Leverage; Financing Arrangements. The Master Funds trade at a high degree of leverage in an effort to generate a satisfactory rate of return. Leverage may take the form of trading on margin, derivative securities and instruments (such as swaps, futures and options) that are inherently leveraged, selling securities short and other forms of direct and indirect borrowings. The amount of leverage or borrowings which the Master Funds may have outstanding at any time may therefore be large in relation to their capital. While the Master Funds' trading activities are not subject to any express limitations on the degree of leverage that the Master Funds may employ, Voleon currently does not expect the Master Funds' leverage to exceed fifteen times the net asset value of the Master Funds. Consequently, as a result of this amount of leverage, the level of interest rates generally, and the rates and terms at which the Master Funds can borrow in particular, will affect the Master Funds' operating results.

When the Master Funds execute trades through swap agreements, they do not typically have beneficial ownership of any securities. While this synthetic trading reduces prime brokerage and custody risk since the Master Funds do not own the underlying securities subject to swaps contracts, it significantly increases derivative counterparty risk. Each Master Fund currently utilizes one or more Derivative Counterparties to execute their swap transactions. If any such Derivative Counterparty were to enter insolvency proceedings, a Master Fund would be an unsecured creditor in an insolvency proceeding relating to a counterparty. See also “Derivative Counterparty Risk” above.

Possible losses incurred on the Master Funds’ leveraged investments is likely to increase in direct proportion to the degree of leverage employed. Such leverage could also result in the Master Funds being forced to liquidate positions prematurely in order to meet margin calls, thereby causing otherwise partially-hedged positions to incur major losses. The Master Funds also incur interest expenses on the financings used to leverage their positions. As a general matter, the banks and dealers that provide financing to the Master Funds can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that the Master Funds will be able to secure or maintain adequate financing, without which the Master Funds may not be a viable investment.

Securities and instruments borrowed by a Master Fund may not carry any rights to receive any interest or dividends. Cash, securities and instruments borrowed may be secured by a pledge of assets or otherwise. If any loans to a Master Fund are collateralized with portfolio securities and instruments which decrease in value, the Master Fund may be obligated to pledge additional collateral to the lender in the form of cash or assets to avoid liquidation of the pledged assets.

The rights of any lenders to the Master Funds to receive payments of interest on, and any repayments of principal of, the borrowings are senior to those of the Funds’ investors and the terms of borrowings may contain provisions which limit certain activities of the Master Fund. Share payments and fees incurred in connection with borrowings reduce the amount of the net income available for reinvestment.

Systemic Risks Affecting Quantitative Hedge Funds Such as the Master Funds. Past events, such as those in of August 2007 and May 2010, suggest that there may be substantial and previously unrecognized systemic risks to funds such as the Master Funds that use quantitative models to trade equities (the “**Quantitative Funds**”). These risks may include an increased likelihood of the spread of financial shocks from other hedge fund segments focusing on less liquid investments into the Quantitative Fund segment, and the possibility of future recurrences of the apparently self-reinforcing cycle of losses and liquidations that afflicted the Quantitative Fund segment in August 2007 or the flash crash that impacted the Quantitative Fund segment in May 2010.

With respect to the events of 2007, some analysts have suggested that the Quantitative Fund losses of August 2007 started in July. At that time, the subprime credit crisis was becoming widely recognized, and among other significant events in the hedge fund industry, two large structured credit hedge funds run by a large investment bank collapsed and later filed for bankruptcy. Some observers have reported that certain Quantitative Funds in the U.S. began to experience losses in late July 2007. These losses continued to grow and spread to many different Quantitative Funds in the U.S. and then overseas as well. Prominent Quantitative Funds, both independent and within large investment banks, reported losses through August 9, 2007 from 10% to 30% or more, and press reports indicate that such losses were widespread across funds employing quantitative strategies. Until August 9, 2007, these losses were not accompanied by any significant drop in broader market indices. Numerous accounts confirm that broadly diversified, and in many cases market neutral, portfolios held by Quantitative Funds saw significant simultaneous losses across large numbers of short and long positions. Some funds did recover much of their prior losses during and after the rebound reported to have begun on August 10, 2007, while others recovered only partly, and certain funds that liquidated portfolios or substantially de-levered before such date locked in substantial losses and did not participate in the rebound beginning on August 10, 2007.

With respect to the events surrounding the “flash crash” of May 6, 2010, the reasons for the flash crash are not yet fully understood. The joint 2010 report issued by the SEC and the CFTC detailed how a large fundamental trader firm sold an unusually large number of E-Mini S&P contracts which exhausted available buyers. As a result, high-frequency traders (“HFTs”) started aggressively selling, accelerating the effect of the large firm's selling, and contributing to the sharp price declines that day. The SEC and CFTC joint 2010 report itself says that “May 6 started as an unusually turbulent day for the markets”¹ and that by the early afternoon, “broadly negative market sentiment was already affecting an increase in the price volatility of some individual securities”². At 2:32 p.m. (EDT), against a “backdrop of unusually high volatility and thinning liquidity” that day, “a large fundamental trader (a mutual fund complex) initiated a sell program to sell a total of 75,000 E-Mini S&P contracts (valued at approximately U.S. \$4.1 billion) as a hedge to an existing equity position”³. The report says that this was an unusually large position and that the computer algorithm the trader used to trade the position was set to “target an execution rate set to 9% of the trading volume calculated over the previous minute, but without regard to price or time”⁴.

As the large seller's trades were executed in the futures market, buyers included high-frequency trading firms — trading firms that specialize in high-speed trading and rarely hold on to any given position for very long — and within minutes these high-frequency trading firms also

¹ See “Findings Regarding the Market Events of May 6, 2010: Report of the Staffs of the CFTC and SEC to the Joint Advisory Committee on Emerging Regulatory Issues” (September 30, 2010) at p. 1.

² Id.

³ Id. at p. 2

⁴ Id.

started aggressively selling the long futures positions they first accumulated mainly from the mutual fund. The "HFTs [then] began to quickly buy and then resell contracts to each other — generating a 'hot-potato' volume effect as the same positions were passed rapidly back and forth."⁵ The combined sales by the large seller and high-frequency trading firms quickly drove "the E-Mini price down 3% in just four minutes"⁶ which started at 2:32 p.m. (EST) and lasted for approximately 36 minutes. Stock indexes, such as the S&P 500, Dow Jones Industrial Average and Nasdaq 100, collapsed but rebounded very rapidly.

These events highlight a new and poorly understood risk or set of risks associated with investments in funds such as the Master Funds. Analysts have pointed to a number of contributing factors, and some have suggested that the events point to a previously unreported, or underreported, systemic risk facing Quantitative Funds. Some accounts have suggested that the precipitating event was the decision by a large multi-strategy fund or institution to liquidate its Quantitative Fund rapidly. If this is the case, it would reflect a common underlying risk facing the Quantitative Fund segment: these funds invest in highly liquid instruments, and when such a fund is part of a larger institution that faces margin calls in illiquid strategies (as may have been the case for certain credit-oriented funds in July and August of 2007), the rapid liquidation of the institution's Quantitative Fund may be chosen as the most expedient means to meeting the capital needs of those illiquid strategies. Rapid growth in the number of Quantitative Funds and the number of multi-strategy funds and large institutions that maintain Quantitative Funds alongside less liquid strategies may create significant risk that substantial losses in other hedge fund strategies may in the future be likely to lead to a recurrence of events similar to those of August 2007 and May 2010 as Quantitative Funds are tapped as sources of liquidity for these larger institutions. Additionally, many Quantitative Funds rely on the same or similar risk modeling schemes, meaning that it may be likely that negative movements in certain risk factors will be interpreted simultaneously by many Quantitative Funds as signals to reduce leverage, producing a mass liquidation that could lead to a self-reinforcing cycle of losses and further mass liquidations.

Once a Quantitative Fund mass liquidation has begun, there are strong forces that can sustain and spread that mass liquidation. Many Quantitative Funds employ high levels of leverage. In the face of a Quantitative Fund mass liquidation, increasing numbers of Quantitative Funds may face margin calls or simply choose to lower their risk by liquidating parts of their portfolio to reduce leverage and their exposure to further losses. Also, while each Quantitative Fund may endeavor to use unique elements in its trading strategy, as does the Investment Adviser on behalf of the Master Funds, there are certain common features of many or most such strategies. In a simple example, the statistical techniques underlying many Quantitative Funds tend in part to favor mean-reversion trades, creating the likelihood that many different types of statistical models will lead to certain commonalities in trading patterns. As well, these data-driven models in part tend

⁵ Id. at p. 3

⁶ Id.

to respond somewhat similarly to certain fundamental financial indicators such as price-to-book ratios. With large increases in the number and size of Quantitative Funds there is an increasing likelihood of commonalities between one Quantitative Fund's portfolio and those of other funds, especially those of affiliated funds, such as those currently advised by the Investment Advisor. The high leverage employed by Quantitative Funds can amplify losses driven by even small overlaps among their portfolios; and in the face of a mass liquidation by Quantitative Funds, a single fund may see losses due to small overlaps with many different portfolios held by a number of Quantitative Funds that all make the decision to reduce the size of their holdings.

While the Investment Adviser has made and continues to make substantial investments to develop new and different statistical and quantitative techniques in its trading models, there can be no guarantee that this will be sufficient to protect the Master Funds from the impact of a Quantitative Fund mass liquidation. There can be no certainty that other Quantitative Funds are not employing the same or very similar techniques as the Investment Adviser leading to overlapping portfolios, and it is likely that across the many Quantitative Funds in operation there will be many with at least a small degree of overlap, which in and of themselves and particularly as part of a mass liquidation may substantially negatively impact the Master Funds. In addition, there have been some reports that in August 2007 certain Quantitative Funds with the most highly differentiated strategies suffered among the worst losses because they did not begin to experience significant losses until the Quantitative Fund mass liquidation had significantly accelerated around August 7, 2007. By that time, those funds faced much higher levels of market impact as they liquidated or de-levered because most of the providers of liquidity (including many other Quantitative Funds) had moved to the sidelines or were actively liquidating their own positions.

The high levels of leverage that the Master Funds will employ could contribute substantially to the losses generated by any possible future event similar to that of August 2007 or May 2010. Even in a circumstance in which the Investment Adviser correctly determined that the Master Funds would be best served by maintaining its holdings in the face of short-term losses, margin calls or the threat of margin calls could lead the Investment Adviser to liquidate or to reduce leverage, locking in and possibly increasing the losses to the Master Funds. There can be no guarantee that the Investment Adviser would properly time such liquidations or that the Investment Adviser would correctly anticipate any rebound in prices. Quantitative Funds that liquidated at a loss and did not return to the market in time to participate in the rebound that began August 10, 2007 or May 2010 faced particularly substantial losses, and there can be no assurance that the Investment Adviser could avoid a similar outcome on behalf of the Master Funds in a possible future recurrence of similar events.

The lack of transparency of the hedge fund industry makes it difficult for academics, journalists, and regulators, as well as the Investment Adviser, to gain a thorough understanding of the factors that contributed to the Quantitative Fund losses of August 2007 or May 2010. The preceding analysis is speculative and subject to a high degree of uncertainty. There can be no assurance that the Investment Adviser will successfully implement preventative measures to address any

possible future recurrence of similar events, and such efforts by the Investment Adviser and managers of other Quantitative Funds could even accelerate any possible future Quantitative Fund mass liquidation.

Intellectual Property Will be Owned by an Affiliated Third Party and Licensed to the Master Funds. The algorithms, software code, techniques, processes, systems, and trade secrets developed by Voleon to implement the investment strategy of the Master Funds were transferred in October 2014 to the IP Company, which was formed by Voleon and whose ownership was distributed to the owners of Voleon. Certain affiliate(s) of Voleon entered into a long-term contract to develop additional Intellectual Property on behalf of the IP Company. Voleon entered into four Licensing Agreements with the IP Company to access the Intellectual Property on behalf of each Master Fund. Without this access, Voleon would be unable to implement the Master Funds' investment objectives. Two Licensing Agreements are for trading and risk management software, and the other two Licensing Agreements are for the remainder of the Intellectual Property, including the predictive models employed by the Voleon to implement the Master Funds' investment objectives. Under each Licensing Agreement, Voleon will be required to pay an annual fee to the IP Company, which is payable in monthly installments, for the use of the Intellectual Property. Voleon will be reimbursed by the Master Funds (and consequently, by the Feeder Funds) for the licensing fees payable under the Licensing Agreement attributable to trading and risk management expenses which are otherwise payable by the Master Funds as set forth in the Fund offering documents and are subject to the expense cap described therein. However, the licensing fee for the Licensing Agreement relating to the remainder of the Intellectual Property, including the prediction models that are employed by Voleon to implement the Master Funds' investment strategy will not be reimbursed by the Master Funds. The Master Funds will have no control over the amount of the monthly fee.

Although Voleon does not expect to lose access to the Intellectual Property, either party will also have the right to cancel these licenses in the event of insolvency, breach of the Licensing Agreement, and in certain other limited circumstances unless the breach is caused by a force majeure that lasts for at least 30 calendar days. Additionally, each Licensing Agreement provides that either the IP Company or the Voleon may terminate the Licensing Agreement upon giving notice to the other party 60 calendar days in advance of the annual renewal date. In this case Voleon, the Managers and the Master Funds would no longer be able to utilize some or all of the trading strategies employed on behalf of the Master Funds up to that point. Unless Voleon, the Managers, or the Master Funds were able to negotiate a new agreement granting a license to use the Intellectual Property, the most likely result would be a significant decline in the returns on the Master Funds' trading activities or the cessation of all trading activities and the winding down of the Master Funds. Investors may face a period of unsatisfactory returns during the winding down process, which may take a significant amount of time and may result in an investor's investment in the Onshore Feeder Funds being unavailable during such wind-down process.

Additionally, since Voleon uses the Intellectual Property for the benefit of other affiliated or unaffiliated funds advised by Voleon or its affiliates or since the IP Company may license the Intellectual Property to unaffiliated persons in the future, returns to investors may also be adversely impacted since the investors do not or will no longer have exclusive access to the Intellectual Property and the strategies based on the Intellectual Property are or may be subject to capacity limits.

Changes in Investment Approach and Instruments Traded. The Investment Adviser's investment approach and strategies can be expected to be dynamic, changing over time as the Investment Adviser develops new, and discards old, methods. Thus, the Investment Adviser may not use the same investment approach and strategy in the future that it currently uses or plans to use to manage the Funds' trading and investing. The specific details of the Investment Adviser's investment approach are proprietary; consequently, investors will not be able to determine the full details of that approach, or whether that approach has changed or is being followed. The Investment Adviser may also change the range of instruments and jurisdictions traded, which investors may also not be able to determine, and such changes may have a negative effect on the investment performance of the Funds.

Computer Hardware and Software; Computer Networks. Many components of Voleon's and the IP Company's critical computer hardware, networks, hosting facilities, and software may have flaws, may not be redundant or reliable, may be leased rather than owned, or may be provided in whole or in part by another party. Voleon relies on its own internal computer networks, as well as third-party computer networks, including the Internet, for critical aspects of its operations. These third-party computer networks are subject to various risks of disruption or performance degradation including but not limited to accidental cuts to data cables, equipment failure as well as systemic problems such as distributed denial of service attacks. Should any of these computer hardware and software or computer networks or network components fail or be inaccessible, there is no certainty that Voleon will be able to recover promptly, and the Master Funds' trading performance may suffer materially as a result.

Cybersecurity Breaches. Voleon's cybersecurity measures may not detect or prevent all attempts to compromise its systems (including the systems relating to the Funds), including denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches, or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by Voleon's systems. Breaches of Voleon's cybersecurity measures could result in any of the following: unauthorized access to Voleon's systems; unauthorized access to and misappropriation of information or data, including confidential or proprietary information about the Funds, or their investors, third parties with whom Voleon does business or Voleon's proprietary systems; viruses, worms, spyware, or other malware being placed in Voleon's systems; deletion or modification of client information; or a denial-of-service or other interruptions to Voleon's business operations. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and may not be known until launched against Voleon or the Funds or Voleon's third-party service providers, Voleon may be

unable to anticipate these attacks or to implement adequate preventive measures. While neither Voleon nor the Funds, to the best of their knowledge, have suffered any material breach of cybersecurity as of the date hereof, any actual or perceived breach of Voleon's cybersecurity could expose the Voleon to a risk of loss or litigation and possible liability, require Voleon to expend significant capital and other resources to alleviate problems caused by such breaches, and otherwise have a material adverse effect on Voleon's business, financial condition, results of operations and cash flows and consequently have a negative impact on the returns earned by investors.

Risks Relating to Open Source Software. The use of open source software may expose the Funds to additional risks. Voleon and the IP Company use software development tools covered by open source licenses and may incorporate such open source software into Voleon's and the IP Company's proprietary software from time to time. Open source software refers to any code, shareware or other software that is made generally available to the public without requiring payment of fees or royalties and/or that may require disclosure or licensing of any software that incorporates such source code, shareware, or other software. Although Voleon and the IP Company have strict confidentiality measures in place, should either of the Voleon's or the IP Company's source code become known in some way, third parties might assert contractual or copyright and other intellectual property-related claims against Voleon and/or the IP Company based on Voleon's and/or the IP Company's use of such tools and software programs or might seek to compel the disclosure of the source code of the software or other proprietary information. If any such claims materialize, Voleon and/or the IP Company could be required to: (i) seek licenses from third parties in order to continue to use such tools and software or to continue to operate certain elements of its technology, (ii) release certain proprietary software code comprising Voleon's and/or the IP Company's modifications to such open source software, (iii) make the software available under the terms of an open source license, or (iv) re-engineer all, or a portion of, that software, any of which could materially and adversely affect the Voleon's business and the returns earned by the Master Funds. If a third-party software provider has incorporated certain types of open source software into software that Voleon and/or the IP Company licenses from such third party, Voleon and/or the IP Company could, under certain circumstances, be required to disclose the source code. In addition to risks related to license requirements, usage of open software can lead to greater risks than use of third-party commercial software because open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated and could potentially have a material adverse effect on the Funds.

Risks Associated with Automated Trading Systems. While Voleon's principals and/or employees of Voleon set key parameters for the Trading Models, the Trading System generally executes trades on a non-intervention basis for Equity Instruments. With respect to such instruments, no person will review individual orders or programs of trades before they are carried out by the Trading System, except in unusual circumstances. The Trading System executes trades directly via electronic links to the Master Funds' brokers. However, some trades of Equity Instruments

may be executed, and most trades of Fixed Income Instruments will be executed, by a principal or employee of Voleon. During trading hours, a principal or employee of Voleon may monitor instrumentation of aggregate characteristics of the Trading System, and that person or another principal or employee may intervene, typically to halt, limit trading, or liquidate holdings in one or more securities should unusual circumstances arise, such as a company becoming the subject of merger speculation, or under adverse market conditions. There can be no assurance that such human intervention will be taken in all cases where it may be desirable, or that any given human intervention action will have the intended effect. In fact, human intervention could result in substantial loss or greater loss for the Master Funds than would otherwise have been the case.

The Master Funds' trading of Fixed Income Instruments will be subject to significantly greater human intervention than the Master Funds' trading of Equity Instruments due to the limited availability of electronic trading platforms for fixed-income securities. Accordingly, the Master Funds' trading of Fixed Income Instruments is exposed to operational risks arising from a number of factors, such as processing errors, communication errors, and other failed or inadequate processes.

In the future, Voleon, based on its judgment of which techniques are likely to be most effective for carrying out current and any future trading strategies, may further automate the Trading System and thus reduce the level of human oversight and/or intervention, or may increase the level of human oversight and/or intervention.

Trading Errors. Due to coding or programming errors in software, hardware, and modes of transmission, as well as erroneous or inaccurate pricing or other information provided by third parties or downtime or delays in the feeds of pricing or other information (“**Technical Errors**”), trades may be placed or executed in error. Trades may also be incorrectly executed due to keystroke, typographic or inadvertent drafting errors, or other human error at the time of execution of a trade (“**Execution Errors**”). Many exchanges have adopted “obvious error” rules that prevent the entry and execution of trades more than a specified amount away from the current best bid and offer on the exchange. However, such rules may not be in place on the exchanges or markets where Voleon trades on behalf of the Master Funds, and may not be enforced even if in effect. Moreover, such rules would likely not prevent the entry and execution of a trade entered close to the market price but at an erroneous size. In addition, Technical Errors, Execution Errors, and other trading errors may lead to the failure by Voleon to enter or to execute trades that would have generated profits or avoided losses for the Master Funds. Technical Errors, Execution Errors, and other trading errors may also lead to the execution of undesirable trades that would not otherwise have been executed, potentially generating losses for the Master Funds that would otherwise not have been incurred.

Any trading errors due to Technical Errors, Execution Errors, or otherwise that are not due to fraud, gross negligence, reckless or intentional misconduct, or criminal wrongdoing will be for the account of the Master Funds, which will accept the profits or suffer the losses from such trading errors. Voleon believes that trading errors are a known cost of doing business. Voleon

has obvious incentives to avoid trading errors for reputational reasons as well as the fact that Voleon will indirectly suffer the consequences of trading errors through the Performance Fee/Performance Allocation payable to the Managers, which are under common control with Voleon. Nevertheless, given the large volume of transactions executed by Voleon on behalf of the Master Funds, investors should assume that trading errors will occur and that the Master Funds will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of Voleon's personnel.

Dependence on Historical Data. The Models and software systems employed by Voleon rely on prior period securities market and other data ("**Historical Data**") to develop and implement statistical models used to direct the Master Funds' trading, including hedging against market risk and other risk factors. The Master Funds' performance and hedging are likely to be impaired to the extent that Voleon uses erroneous, incomplete, or otherwise inadequate Historical Data, which could happen for various reasons. Voleon may not have access to or be aware of all of the Historical Data that would ideally be used to compute appropriate hedges or target portfolios, some of which may be available to, and may be used by, Voleon's competitors.

Although Voleon takes measures to properly archive and maintain electronic files containing Historical Data, where appropriate, it is possible that these data management techniques may be insufficient to prevent the loss or corruption of portions of the Historical Data. As well, many, if not all, commercial and other sources of Historical Data (including those that supply data to Voleon) are known to contain errors and omissions, and while Voleon takes steps to identify and correct such errors and omissions, it is likely that certain of these errors and omissions will go undetected and may negatively impact Voleon's trading and hedging on behalf of the Master Funds.

Relative Value Strategy Risks. Voleon's current trading strategies can be characterized as "relative value" trading strategies. In its "relative value" trading activities, Voleon attempts to exploit relative mis-pricings among interrelated instruments. Mis-pricings, even if correctly identified, may not be corrected by the market within the time frame over which the Master Funds can maintain their positions.

Even "pure" relative value arbitrage can result in significant losses if the trading positions comprising the arbitrage are not able to be sustained (if, for example, the Master Funds were required by one or more of their prime brokers to reduce their use of leverage; or if limited leverage were available for illiquid securities) until the arbitrage can be realized. Notwithstanding, the Master Funds' activities involve considerably greater risks than "pure" relative value arbitrage.

The Master Funds, in implementing their "relative value" strategies, have reduced exposure to the risk of overall market price movements, but are fully subject to the risks of disruptions in historical price relationships, the restricted availability of credit, and the obsolescence of the Investment Adviser's valuation models. These risks are different in nature, but perhaps no less severe in magnitude, than directional market risks.

No True Arbitrage. Voleon’s strategies do not primarily involve true arbitrage — in which profits will necessarily be realized if a position can be maintained until maturity. On the contrary, Voleon’s strategies generally involve taking what are evaluated to be only partially offsetting positions in instruments whose true price and correlations to other instruments are uncertain and whose liquidity may be limited. What Voleon analyzes as a mis-pricing may be evaluated quite differently by other market participants who may, in fact, use pricing models materially different from those used by Voleon. No representation can be made that Voleon will correctly identify any “true arbitrage” in any market. Even if a true arbitrage is identified, there can be no assurance that the Master Funds will be able to maintain an arbitrage position until the inherent profit is recognized. In addition, all arbitrage strategies are subject to the risks that increasing market liquidity, technological innovation, and new theoretical constructs or refinements will reduce or eliminate the arbitrage opportunity and/or the profitability of its exploitation.

High Turnover and Short Holding Periods. Voleon’s trading systems and models are designed to hold securities for varying lengths of time. High turnover increases the brokerage commissions, bid-ask spreads, fees, and other transaction costs, which directly decrease the Master Funds’ trading profits.

Concentrated Investment Approach. The Master Funds have focused on a particular investment approach. Although the range of different investment opportunities within that approach is broad, structural, economic, and regulatory changes could adversely affect the Master Funds’ investment approach as a whole, as could certain general market conditions. The concentrated focus of the Master Funds’ portfolios may cause their performance to be more volatile than that of a more diversified portfolio.

The Master Funds endeavor to maintain portfolios that are market neutral, controlling both the net long exposure and the net short exposure to the market as a whole, and to groups of securities having common characteristics such as similar levels of market capitalization, the same or related industry grouping, similar price-to-earnings or other valuation multiples, and other factors. There can be no assurance that, in the future, the Master Funds or Voleon will continue to attempt to do so or will be successful in maintaining such portfolios.

Trade Execution Risk. Many of the trading techniques used by the Master Funds require the rapid and efficient execution of transactions. Inefficient execution by Voleon or by the brokers and agents engaged to execute trades can eliminate the small pricing differentials, which Voleon attempts to exploit. While Voleon seeks to deploy efficient trading systems and selects brokers and agents that it believes have the capability to efficiently execute trades, certain inefficiencies in execution will not be avoidable.

Foreign Currency Risk. The Master Funds expect to make foreign investments denominated in currencies other than the U.S. Dollar. The Master Funds will be subject to exchange-rate risk between the U.S. Dollar and the functional currency of such investments. The Master Funds may or may not attempt to hedge such risk.

Other Accounts and Funds. Voleon may manage other accounts or funds, some or all of which may create the opportunity for greater profit potential to Voleon than the Funds. Such management could draw Voleon's attention away from the Master Funds, and may compete with the Master Funds for limited trading and investment opportunities. In addition, investors in other accounts or funds for which Voleon employs the same models and strategies used for the Master Funds may also have greater information regarding the holdings, risk, and performance of those models and strategies, and may have more favorable liquidity terms. If the greater transparency and liquidity available to these other investors were to enable them to withdraw or redeem funds more quickly than the investors, this could have a material adverse impact on the value of the Funds' Investments.

Possible Adverse Effects of Substantial Redemptions. In the event that there are substantial redemptions from the Funds within a limited period of time, Voleon may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of assets under management. Under such circumstances, in order to provide funds to pay redemptions, the Managers might be required to liquidate the Master Funds' positions at an inappropriate time or on unfavorable terms, resulting in a lower net asset value of the Funds (and in turn a lower value of the investments held by investors). In turn, the Master Funds may have to liquidate their positions at an inappropriate time or on unfavorable terms, which may again have an adverse effect on the Net Asset Value of the Funds. On an on-going basis, irrespective of the period over which substantial redemptions occur, it may be more difficult for a Master Fund to generate additional profits operating on a smaller asset base and, as a result of liquidating assets to fund redemptions, the Master Fund may be left with a much less liquid portfolio. The Managers may elect to require redemption of all investor investments in the Funds and liquidate the Funds in the event that the amount of assets under management declines to such an extent that, in their view, continued operation of the Funds would be impracticable or imprudent. In certain circumstances, the Master Funds and Feeder Funds may also be liquidated.

Additionally, any Managed Accounts may hold positions in the same securities as the Master Funds. Substantial withdrawals of capital by the owners of the Managed Accounts over a short time period could also necessitate the liquidation of securities positions at a time and in a manner which does not provide the most economic advantage to the Master Funds and which therefore could adversely affect the value of the Master Funds' assets.

Diversification Limitations. Although Voleon applies general diversification principles to the assets of the Master Funds, it is not restricted as to the percentage of the Master Funds' assets that may from time to time be invested in any particular issuer, industry, instrument, market, or strategy. The Master Funds may invest in Equity Instruments, Fixed Income Instruments, any other instruments selected by the Voleon, or any combination of the foregoing. Additionally, the Master Funds may be heavily invested in one country or have diversified holdings in a variety of countries. In determining what it regards to be appropriate diversification levels, Voleon will apply net risk exposure measures using its proprietary trading, risk management, and Trading Models. The effectiveness of such measures is dependent upon the Trading Models and the

expertise of Voleon and its principals and may not achieve the anticipated limited risk exposures due to a variety of different factors.

Side Letter Risk. Additional investors may be admitted to the Feeder Funds, and the Feeder Funds may enter into Side Letters with such investors that include additional and/or preferential substantive rights or terms than those described in the Feeder Fund's offering documents. The operation or exercise of any such preferential rights or terms may enable the applicable investor to, among other things, better evaluate the risks of its investment in the Feeder Funds, make more timely decisions with respect to its investment in the Feeder Funds, and/or withdraw or redeem capital from (or otherwise reduce its exposure to) the Feeder Funds on more advantageous terms, in each case as compared to investors that have not received such preferential rights or terms. The operation or exercise of any such preferential rights or terms by an investor could have a material adverse effect on the Feeder Funds and/or on investors who have not received such preferential rights or terms.

The Feeder Funds are not required to notify investors or any prospective investor of any provision of any such side letters, nor are the Feeder Funds required to offer any such provision to any other investor or any prospective investor.

In determining to enter into such side letters the Board of Directors of the Feeder Funds and the Master Funds will comply with their general and fiduciary duties to the Feeder Funds and Master Funds, respectively. However, some regulators, including the Securities and Exchange Commission of the United States, are taking, or are contemplating to take, regulatory action in respect of the use of such side letters. As a result, the Funds or the Board of Directors may be subject to regulatory action in connection with entering into side letters, or may be forced to rescind some of the side letters or certain provisions thereof, affecting the investors having entered into such side letters.

Cross-Class Liability. Although the assets and liabilities of each of the Feeder Funds' Classes that have been or may, in the future, be created may be accounted for separately, investors should be aware of the special risk that the assets of any class may be applied to meet any claims by creditors of the Feeder Funds in circumstances in which the liabilities of a Class exceed its assets. Thus the assets of a solvent Class may be at risk with respect to and may be used to satisfy the liabilities of an insolvent Class.

Increased Government or Market Regulation. In July of 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") was passed which imposes many new requirements and restrictions on the hedge fund industry that may likely affect the business, operations, and performance of hedge funds, such as increased reporting requirements, limitations on certain trading activity (including limits to the size of positions that a speculative investor may hold in the aggregate through futures, swaps and certain contracts entered into through a foreign board of trade), and regulatory oversight by different agencies, such as the newly created Financial Stability Oversight Counsel. New regulations in the European Union, such as MiFID II, may also negatively impact the hedge fund industry.

The implications of the passage of the regulations for the hedge fund industry as a whole still remain somewhat unclear because many rules have not been finally promulgated. The hedge fund industry may continue to be adversely affected by legal, regulatory, or governmental action and developments in such financial markets and the broader U.S. economy could have an adverse effect on the Funds' business, operations and performance.

It is difficult to predict the impact of increased regulations on the Fund, the Investment Adviser, and the markets in which they trade and invest. These regulations could result in certain investment strategies in which the Funds engages or may have otherwise engaged becoming non-viable or non-economic to implement. These regulations could have a material adverse impact on the profit potential of the Fund.

Regulation of Swaps and Swap Participants. Amendments under the Dodd-Frank Act to the Commodity Exchange Act of 1936 (the “**Commodity Exchange Act**”) regulate swaps and could subject the Master Funds to significant regulation, including registration of the Investment Adviser as a CPO if the Master Funds engage in certain (non-equity based) swap transactions above certain levels. The Investment Adviser is not registered as a CPO, but it will register as a CPO when and if required to do so by applicable law. Unless and until the Investment Adviser is so registered, the Master Funds' ability to hedge or mitigate risks from their trading of securities or other assets through the use of (non-equity based) swap transactions will be limited. Any failure by the Master Funds to hedge or mitigate risk may significantly impact the Master Funds' investment performance.

The Dodd-Frank Act: (1) requires swaps accepted for clearing by a derivatives clearing organization (a “**DCO**”) or for trading through a designated contract market or swaps- execution facility to be so cleared and traded, (2) requires margin for almost all swap transactions, (3) subjects traders with a “substantial position” in swaps to registration and regulation requirements as a “major swap participant” or “swap dealer”, and (4) imposes position limits on swaps either individually or in the aggregate with respect to positions in commodity- futures contracts.

Additionally, under the European Market Infrastructure Regulation (“**EMIR**”), similar requirements apply to swap agreements with Derivative Counterparties in the European Union subject to EMIR. Certain financial institutions subject to European regulatory requirements who are Derivative Counterparties to the Master Funds will require the Master Funds to agree to a “bail in” reduction determined by the relevant regulators in amounts that may be due to the Master Funds. Additionally, regulatory requirements in the United States and Europe require the Master Funds to wait a specified period of time before liquidating its derivative positions with an insolvent financial institution, which may cause further losses for the Master Funds.

Furthermore, new variation margin regulations relating to uncleared swaps adopted in the European Union, Switzerland, Canada, and Japan (but postponed in the U.S.) will significantly increase the margin requirements imposed on the Master Funds. Margin requirements for cleared

swaps are set by the swap execution facilities or DCOs and may also significantly increase the margin costs of utilizing such swaps. These increased margin requirements will likely increase the costs charged by financial institutions to the Master Funds in trading its investment portfolio through the use of equity swaps.

Due to regulations imposed under the Dodd-Frank Act and EMIR, the Master Funds may experience increased transaction costs to pay for the clearing, execution, and segregation obligations. In addition, margin requirements may increase once margin is set by DCOs with input from the relevant regulators, which may limit the Master Funds' ability to engage in leverage and limit the Master Funds' returns. The application of position limits to swap contracts may also limit the Master Funds' ability to concentrate in any particular contract or exposure to an underlying commodity or security and may negatively impact the Master Funds' ability to take advantage of market trends or conditions.

Reliance on Corporate Management and Financial Reporting. The strategies implemented by the Funds rely on the financial and other information made available by the issuers in which the Funds invest. Voleon has no ability to independently verify the information disseminated by these issuers and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Recent events have demonstrated the material losses which investors such as the Funds can incur as a result of corporate mismanagement, fraud, and accounting irregularities.

Importance of Market Judgment. Voleon uses quantitative mathematical models in evaluating the economic components of prospective trades. However, the process by which Voleon develops these quantitative mathematical models is by no means always fully systematic; Voleon may be unable to employ fully systematic mechanisms to implement trading strategies based on these models; and the market judgment and discretion of the principals may be integral to the development and implementation of the Master Funds' strategies. At the same time, certain aspects of the trading strategies implemented by Voleon will be highly systematic and human oversight over these strategies may, in itself, not be sufficient to ensure the successful implementation of the strategies.

Investment Capacity. The trading strategies pursued by Voleon on behalf of the Funds may have limited capacity. Marginal capital dedicated to certain strategies may generate a significantly lower return than earlier capital dedicated to the same strategy. Voleon may dynamically allocate capital among investment strategies in its sole discretion and may choose, by accident or design, to allocate additional capital to certain strategies, even though the addition of capital will generate overall lower returns for the strategy.

Assets Under Management. There are no restrictions on the level of the Master Funds' assets under management. It is the intention of the Managers and Voleon to significantly expand the Funds' assets under management. Increasing assets under management may lead to a decline in the rates of return for the Funds. Although Voleon intends to exercise reasonable care in assessing the capacity of its strategies as it and the Managers consider the acceptance of new

investments, there can be no assurance that the future performance of the Funds will not be adversely affected by the level of assets under management.

Deployment of New Capital. It may be necessary to deploy new capital at a gradual pace. To the extent that any substantial new capital contribution is deployed more slowly than is desired, there may be a negative impact on the overall returns of the Funds until that capital contribution is fully invested.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in any or all of the strategies. Prospective clients should read this entire Form ADV and all accompanying materials provided by Voleon and consult with their own advisors before deciding whether to invest in the strategies. In addition, as the strategies develop and change over time, an investment in the strategies may be subject to additional and different risk factors. Voleon will promptly amend this brochure if and when any information regarding its investment risks and strategies becomes materially inaccurate.

Item 9 – Disciplinary Information

This item is not applicable to Voleon.

Item 10 – Other Financial Industry Activities and Affiliations

Material Financial Industry Affiliations of the Firm

Our affiliate, Voleon Funds LP, serves as the General Partner of the Investor Onshore Fund and the manager of the Investors Master Fund and the Investors Offshore Fund. Our affiliate, Voleon Institutional Partners LP, serves as the Manager of the Institutional Master Fund. Our affiliate, Voleon Institutional Managers LP, serves as the General Partner of the Institutional Onshore Fund and the Manager of the Institutional Offshore Fund. Our affiliate, Voleon Financial Strategies LP, licenses certain intellectual property to the Investment Adviser that is used in connection with certain trading and other activities of the Funds. Neither Voleon nor the Managers nor any of their affiliates are registered as broker/dealers, commodity pool operators, or commodity trading advisors at the current time.

Conflicts of Interest

The Funds invest through master-feeder structures and employ investment strategies, which are described in Item 8 of this brochure.

In addition to the Funds, Voleon may in the future participate in or sponsor other investment vehicles, and possibly have additional advisory accounts or clients. We may also determine to engage in other businesses. Such investment vehicles, advisory accounts, clients, or other businesses may create material conflicts of interest, which are described below.

Affiliate Conflicts Relating to Intellectual Property. The Intellectual Property developed by Voleon, including but not limited to all algorithms, software code, techniques, processes, systems, or trade secrets, was transferred in October 2014 to the IP Company, an affiliate of Voleon. Certain affiliate(s) of Voleon have entered into a long-term contract to develop additional Intellectual Property on behalf of the IP Company. Voleon entered into two Licensing Agreements with the IP Company to access the Intellectual Property. Without this access, Voleon would be unable to implement its investment strategy and the Funds would be unable to achieve their investment objectives.

One Licensing Agreement is for trading and risk management software, and the other Licensing Agreement is for the remainder of the Intellectual Property including the predictive models employed by Voleon to implement the Funds' investment objectives. Under each Licensing Agreement, Voleon will pay an annual fee to the IP Company payable in monthly installments for the use of the Intellectual Property. Voleon is reimbursed by the Master Funds for licensing fees payable under the Licensing Agreement attributable to trading and risk management expenses which are otherwise payable by the Master Funds and are subject to the Expense Cap. However, the licensing fee for the Licensing Agreement relating to the remainder of the Intellectual Property, including the prediction models that are employed by Voleon to implement the Funds' investment strategy is not reimbursed by the Master Funds. The Funds will have no

control over the amount of the monthly fee. The Funds and the investors will bear their pro rata share of the reimbursed licensing fee. Neither Licensing Agreement was negotiated on an arm's length basis, and the terms of these Licensing Agreements may not reflect standard industry practices and/or the licensing fee paid by the Master Funds may not reflect fair market value as would be the case had the Licensing Agreements been negotiated on an arm's length basis.

Although Voleon does not expect to lose access to the Intellectual Property, the IP Company has the right to cancel either license in the event of insolvency, breach of the Licensing Agreement, and in certain other limited circumstances. However, no party shall be deemed to be in breach of either Licensing Agreement if such breach is caused by a Force Majeure Event. A Force Majeure Event is any circumstance beyond a party's reasonable control, including acts of God, flood, fire, earthquake or explosion, war, terrorism, invasion, riot or other civil unrest, embargoes or blockades in effect on or after the date of either Licensing Agreement, national or regional emergency, strikes, labor stoppages or slowdowns or other industrial disturbances, passage of laws or any action taken by a governmental or public authority, including imposing an export or import restriction, quota or other restriction or prohibition or any complete or partial government shutdown, or national or regional shortage of adequate power or telecommunications or transportation. If a Force Majeure Event occurs that results in a breach of either Licensing Agreement by a party, the other party may terminate the applicable Licensing Agreement if the Force Majeure Event continues substantially uninterrupted for a period of 30 calendar days or more. Additionally, each Licensing Agreement provides that either the IP Company or Voleon may terminate the Licensing Agreement upon giving notice to the other party 60 calendar days in advance of the annual renewal date. If the IP Company were to terminate the Licensing Agreements, the investment strategy set forth herein would not be capable of being implemented and the investors may be subject to losses as a result and the Master Funds will likely have to cease its trading activities and be wound down. The wind down may take significant time and may result in an investor's investment in the Fund being unavailable during such wind down process. The IP Company also licenses the Intellectual Property to Voleon for the benefit of other funds currently advised by Voleon, and may license it to Voleon for other affiliated or unaffiliated funds advised by Voleon, or its affiliates in the future; and to other parties so that the investors will not have exclusive access to the Intellectual Property. Such lack of exclusive access to the Intellectual Property may result in a deterioration of the returns earned by the investors especially since the strategies based on the Intellectual Property may have limited capacity.

Certain principals of the IP Company are also principals of Voleon. Since the IP Company will provide separate income to these principals, these principals may be conflicted in the amount of time they spend between activities relating to the IP Company and activities relating to the Funds.

Management of Other Accounts and Funds. In addition to trading for the account of the Master Funds, the Indemnified Parties and their principals may also manage or advise the trading of other investment and trading accounts with objectives similar or dissimilar to those of the Funds,

including other limited liability entities or other collective investment vehicles which may currently, or in the future, be managed, advised, or sponsored by the Indemnified Parties in which the Indemnified Parties and their principals, their affiliates, and/or their respective employees (collectively, the “**Voleon Parties**”) may have an equity interest. The Voleon Parties have established other affiliated funds that have substantially the same strategy as the Master Funds, and may establish other funds in the future that may or may not have substantially the same strategy as the Master Funds. The other funds will also utilize substantially similar proprietary software from the IP Company. The Voleon Parties may also sponsor, advise, and manage a number of other private investment funds, proprietary accounts, and separate institutional accounts, each of which may use a substantially similar quantitative-based investment objective approach as the Master Funds.

The Funds may make certain of the same investments as other funds and accounts managed or advised by the Voleon Parties, including those in which the Voleon Parties may have an equity interest. The Managers and Investment Adviser will act in a manner that they consider fair, reasonable, and equitable in allocating investment opportunities to the Funds, but the Management Agreements do not otherwise impose any specific obligations or requirements concerning the allocation of time, effort, or investment opportunities to the Funds or any restrictions on the nature or timing of investments for the Funds and for the Voleon Parties’ own account or for other funds and accounts which the Voleon Parties may manage or advise. The Investment Adviser may choose to trade or rebalance separate products with similar strategies at different times. The Voleon Parties are not obligated to devote any specific amount of time to the affairs of the Funds and are not required to accord exclusivity or priority to the Funds in the event of a shortfall in allocations of underlying investment assets or opportunities for which the Funds have made an investment execution order together with other affiliated funds.

It is not anticipated that the Investment Adviser will need to use discretion to allocate investment opportunities between the Funds and any other investment vehicles that the Voleon Parties manage or advise due to the nature of the Funds and the other master-feeder fund structure.

Trades by the Master Funds and any other master-feeder fund structure managed or advised by the Voleon Parties are executed independently. The Master Funds and each other master-feeder fund structure have their own separate accounts at the prime brokers. All trades initiated by both the Master Funds and any other master-feeder fund structure will be for their own separate accounts and these trades will be allocated by the prime brokers in accordance with such prime broker’s internal policies and procedures for the allocation of trades to different client accounts. Accordingly, the Investment Adviser has no ability to determine the post-trade allocation of trades between the Master Funds and each of the other master-feeder fund structures. With respect to the shorting of securities, if the prime brokers are unable to provide sufficient lending of securities for purposes of shorting the same security by the Master Funds and each of the other master-feeder fund structures, the Investment Adviser will allocate the borrowing shortage in a fair and equitable manner, although there is no assurance that the Investment Adviser will be able to do so in a manner deemed fair and equitable by the investors in the Funds.

Given the independent algorithmic programs executing trades on behalf of the Funds and other master-feeder fund structures, situations in which the principals of the Managers and Voleon have an incentive to favor one or more other funds or accounts over the Funds are typically not expected to arise. While situations may occur where the Funds could be disadvantaged because of the investment activities conducted by Voleon for other investment accounts, Voleon will, in such situations, act in a fair and equitable manner although there is no assurance that Voleon will be able to do so in a manner deemed fair and equitable by the investors in the Funds.

Furthermore, the other funds or accounts managed by Voleon may implement investment strategies that are parallel or similar to (and thus compete with) the Funds, or that are different from the Funds. Voleon is under no obligation to offer any specific strategy to the Funds. Voleon is under no obligation to offer any other strategy, fund or account investment opportunity to any investor in the Funds.

A portion of the assets of any of the Funds may be retained by such Fund in cash, cash equivalents, or other instruments, rather than being invested in the Master Funds, in order to target a volatility level or leverage level that is different from the target volatility level or leverage level of such Master Funds through which the Feeder Funds and other collective investment vehicles trade. The Investment Adviser intends to invest all of the Funds' assets through the Master Funds, other than assets that are retained by the Funds in cash or cash equivalents to target a different volatility level, leverage level, or for currency hedging purposes.

Voleon and its principals, directors, officers, partners, managers, shareholders, employees and their affiliates, as applicable, trade or may trade for their own accounts, and certain of such persons have sponsored or may in the future sponsor or establish other public and private investment funds (including the Funds). Voleon and its principals and affiliates may trade for other accounts, including for their own accounts, and they will remain free to trade for such other accounts and to utilize trading strategies and formulae in trading for such accounts that are the same or different from the ones Voleon will utilize in making trading decisions for the Funds. In addition, and if and when applicable, in their respective proprietary trading, Voleon and its principals and affiliates may take positions that are the same as, different than, or opposite to those of the Funds. The records of any such trading will not be available for inspection by investors in the Funds except to the extent required by law. Furthermore, all of the positions held by accounts owned, managed, or controlled by Voleon and its principals and affiliates will be aggregated with each other for purposes of applying speculative position limits. As a result, the Funds might not be able to enter into or maintain certain positions if such positions, when added to the positions already held by such persons and such other accounts, would exceed the applicable limits. Such aggregation could limit the ability of Voleon to trade its Funds according to its regular trading methods, and the Funds could be required to liquidate positions in order to comply with such speculative limits. Currently, Voleon believes that such aggregation will not materially adversely affect its ability to trade for the Funds using its regular trading methods. All such trading may increase the level of competition for profitable trades experienced by the Funds, including with respect to order entry and the allocation of executed trades.

While Voleon has no current intention of advising managed accounts on behalf of clients other than the Funds, if Voleon were to advise managed accounts, Voleon may utilize investment strategies for some or all of the managed accounts that may be different from or similar to its investment strategies employed with respect to the Funds' investments. Voleon may from time to time increase or decrease the number of managed accounts in its sole discretion.

Other Activities. Voleon and each of the other service providers to the Funds and their respective principals will not be devoting their time exclusively to the management of the Funds. In addition, each of such persons and their respective principals will perform similar or different services for others and may sponsor or establish other investment funds or manage managed accounts during the same period that they provide services to the Funds, including investment funds and managed accounts that trade the same or substantially similar strategies, markets, and/or instruments. Therefore, each of these persons will have conflicts of interest in allocating management time, services, and functions among the various entities and accounts for which they provide services. Additionally, these entities and accounts will compete for positions and limited investment opportunities. Although Voleon will attempt to allocate investment opportunities and positions on a fair basis, certain accounts and/or investment funds may be excluded from investments they would have been permitted access to were there no competing accounts or funds.

No Independent Investment Adviser. As a result of the fact that the Manager has selected the Investment Adviser, a firm with which it is under common control, the Fund's investments are not subject to review or oversight by an independent person.

Performance Fee/Performance Allocation and Management Fee. The Performance Fee/Performance Allocation payable to Voleon's affiliates, the Managers, may create an incentive for Voleon to make investments which are riskier or more speculative than would be the case in the absence of such Performance Fee/Performance Allocation.

The Management Fee payable to Voleon may create an incentive for the Managers to raise additional fee-generating assets that reduce the Funds' investment returns below historical levels or below the levels wished by investors.

In view of the Funds' objective to seek capital appreciation, the Managers does not intend to make any distributions to investors, but reserves the right to do so. To the extent that income is retained rather than paid out as distributions, the amount of the Management Fee payable to Voleon will be greater.

Voleon may also share with any other person (including, but not limited to, any investor or any person introducing investors) any fees, charges and other benefits to which it may be entitled from the Funds. Voleon and any person connected with it including any employee of Voleon or its associated companies may invest in the Funds, and Voleon may allow to any such person a reduction and/or rebate of any fees and charges to which the Investment Adviser may be entitled from the Funds.

The Performance Fee/Performance Allocation and the Management Fee have not been negotiated at arm's-length. The Performance Fee/Performance Allocation may create an incentive for the Managers and Voleon to invest in assets that are riskier or more speculative than would be the case if the Managers were compensated based on a flat percentage of capital.

Representation of Counsel. Any legal counsel to the Funds, Voleon, the Managers, and their respective affiliates may serve as counsel to certain of the investors in the Funds in matters not involving the Funds. Consequently, one or more conflicts of interests could arise. In the event that a dispute which cannot be resolved amicably should ever arise between and among any such legal counsel's various clients, such legal counsel will have to consult with its clients at the time to determine the most appropriate course of action to follow under the circumstances, including the possibility of recusing itself entirely. In addition, any legal counsel to the Funds may also act as legal counsel to any Indemnified Party, and while such legal counsel will attempt to be fair and reasonable in connection with such representation and attempt to act in a manner consistent with its professional responsibility, there is no assurance, however, that had the Funds retained separate counsel the transaction reflected in these documents might have been structured in a manner more favorable to the Funds or their respective investors.

Directors of the Master Funds. Any or all of the Boards of Directors of the Master Funds may be affiliated with one or more of the service providers to the Funds. Accordingly, Voleon, the Managers and each such director may have a conflict of interest between acting in the best interests of the Master Funds, as applicable, and his or her pecuniary interest in selecting his or her affiliates to be a service provider to the Feeder Funds and the Master Funds, thereby increasing the compensation payable to his or her affiliates. It is further expected that any or all of the Board of Directors of the Master Funds will be affiliated with Voleon and/or the Managers. Accordingly, Voleon, the Managers and each such director has a conflict of interest between acting in the best interests of the Master Funds and his or her pecuniary interest in aiding the financial performance of Voleon and/or the Managers.

Possible Conflicts Regarding Brokerage Allocations. Voleon negotiates agreements with its brokers on a "best execution" basis and currently does not engage in any "soft dollar" arrangements or commitments. Incidental to agreements with its brokers, Voleon may receive additional other benefits from its brokers or other third parties, but Voleon does not take such benefits into account in choosing and negotiating with its brokers or other third parties. In addition, even though such benefits may fall outside the safe harbor for fiduciaries' use of "soft dollar" payments established by Section 28(e) of the Exchange Act, Voleon believes that its arrangements with its brokers are reasonable.

The Investment Adviser intends to allocate brokerage fees relating to the execution of its investment trades to the Master Funds and each other collective investment vehicle it manages or advises separately as different client accounts so that the fees charged by the brokers for the trades initiated by each Master Fund will be charged to the entity initiating such trade with the brokers. The Investment Adviser's trading of Equity Instruments will use automated algorithms

to allocate trades between its brokers in a manner designed to select the best broker for the specific circumstances of each trade to achieve “best execution” for each trade. The Investment Adviser’s trading of Fixed Income Instruments will be executed by trading staff within parameters provided by the Trading Models. There can be no assurance that the automated algorithms will select the best broker for each trade or that best execution will be achieved for each trade. The Investment Adviser is not obligated to utilize any automated algorithm to allocate trades between its brokers and may instead utilize any method it deems fair and equitable to allocate trades on a “best execution” basis between its brokers.

In the limited circumstances in which intervention is required by Voleon in determining the allocation of trades due to shortages in available securities, Voleon will use their best judgment and act in a manner which they consider fair and reasonable in allocating such shortages among the funds and accounts which they manage or advise. Other than in such limited circumstances, the algorithmic programs of the Master Funds and other funds will execute the equity trading of the Master Funds and other funds, and the prime brokers will allocate the trades, as though the Master Funds and other funds were completely separate client accounts. Nevertheless, in spite of the independent algorithmic programs employed by the Master Funds and the other funds advised by the Investment Adviser, situations may occur where one or both of the Master Funds could be disadvantaged because of the investment activities conducted by the Investment Adviser for other affiliated funds. The Investment Adviser is not obligated to accord exclusivity or priority to either of the Master Funds in the limited circumstances where brokerage shortfalls require trade allocation decisions to be made.

Cross Trades. In the future, the Investment Adviser may determine that it would be advantageous for the Master Funds and one or more other affiliated funds to transfer a security from one account to another (each such transfer, a “**Cross Trade**”) for a variety of reasons, including, without limitation, liquidity purposes, or to reduce transaction costs that may arise in an open market transaction. If the Investment Adviser decides to engage in a Cross Trade, the Investment Adviser will determine that the trade is in the best interests of both the applicable Master Fund and the other fund involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those accounts.

Any Cross Trade will be conducted with the assistance of an unaffiliated broker-dealer or custodian. To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the Advisers Act) due to the ownership interest in a fund by a Manager, the Investment Adviser, or its personnel, the relevant Manager and the Investment Adviser will comply with the requirements of Section 206(3) of the Advisers Act.

Prime Brokers. Voleon may receive consulting services from one or more prime brokers and/or Trading Counterparties, such as consulting assistance with third-party service providers. Receipt by Voleon of such consulting services may give rise to an actual or potential conflict of interest for Voleon.

Other conflicts. The Investment Adviser advises other affiliated funds and may have other clients in the future. Affiliates of clients of the Managers, or the IP Company, or Voleon (including investors in the Funds) in the future may provide the Funds with administrative, brokerage, or other services or offer to provide such services in the future. To the extent such Managers' or Voleon clients represent a material portion of the Managers' or Voleon's assets under management, the Managers and Voleon will have a conflict of interest when determining whether to utilize those service providers for the Funds.

The Managers may permit certain strategic investors to invest in the Funds on terms that are better than the terms provided to other investors. Specifically, the Managers may enter into agreements with certain investors which provide that such investors shall be subject to, among other things, a lower management fee or performance fee/performance allocation.

The Managers may enter into side agreements with other strategic investors, the terms of which may differ from those mentioned above, and which are to be determined by the Managers, in their sole discretion.

The Managers may permit certain investors in the Feeder Funds to have more frequent or more detailed access to information regarding a Master Fund's investments, valuations, the positions taken by the Master Fund, or other investment information. Investors with such access may use such information to make withdrawals, redemptions, and/or additional investment decisions.

The Managers, Voleon, and the Funds are under no obligation to provide other investors with such access. Additionally, the directors not affiliated with Voleon may serve as directors of other investment vehicles. Accordingly, to the extent that the interests of the Funds and such other investment vehicles are inconsistent, directors may have a conflict of interest.

Resolution of Conflicts. To date, in the opinion of the Managers and the Investment Adviser, there have been no material conflicts of interest between the Funds, owners of any Managed Accounts, or particular investors in the Funds and investors in any other collective investment vehicle structure managed by an affiliated manager and advised by the Investment Adviser on the one hand, and a Manager, the Investment Adviser, or the IP Company on the other hand. However, in the future, depending on the relevant facts and circumstances, the resolution of any particular conflict may not be in favor of the investors. A resolution that is unfavorable to the investors will result only if the applicable Indemnified Parties determine in good faith that such resolution is an appropriate response to a particular situation.

Other present and future activities of the Managers, the Investment Adviser, and/or their affiliates may give rise to additional conflicts of interest. In the event that a conflict of interest arises, the Managers and the Investment Adviser will attempt to resolve such conflicts in a fair and equitable manner.

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

Code of Ethics

Voleon has adopted a Code of Ethics for all supervised persons of Voleon and its affiliates, describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Voleon must acknowledge the terms of the Code of Ethics annually, or as amended.

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

Financial Interest in Client Transactions

The Feeder Funds will invest substantially all of their assets in the respective Master Funds.

The Funds may, from time to time, take a position in a security in which Voleon or one of our related persons, directly or indirectly, has an interest. Fund assets may be invested in securities of issuers in which one or more other Funds hold positions. Given the likelihood of such occurrence, any other clients Voleon may have in the future will not be provided with notification of such occurrences.

These practices may give rise to conflicts of interest, and such conflicts, and our procedures for addressing them, are described in detail in Item 10 of this brochure.

Participation in Client Transactions and Personal Trading

Voleon's employees, employees of Voleon's affiliates, and persons associated with Voleon are required to follow Voleon's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors, and employees of Voleon and its affiliates may trade for their own accounts in securities which are traded for Voleon's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the employees of Voleon will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not interfere materially with the best interests of Voleon's clients. In addition, the Code of Ethics requires pre-clearance of certain transactions specified in Rule 204A-1 under the Investment Advisers Act of 1940. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a

client in a security held by an employee. Employee trading is periodically monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Voleon and the Funds (or any other of its clients that it may have in the future).

When Voleon determines that it would be appropriate for one or more of the Funds and any additional future clients to participate in an investment opportunity, Voleon will seek to execute orders for all of the participating accounts on an equitable basis. Specifically, if Voleon has determined to invest at the same time for more than one of the accounts, Voleon may place combined orders for all such accounts simultaneously (aggregate or bunch trade) and if any order is not filled at the same price, it may average the prices paid. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, Voleon may allocate the securities traded among the different accounts on the basis in which it considers equitable. In these circumstances, each account would generally pay, in connection with the acquisition of securities by more than one account, the average price per unit acquired, which may be higher than if it had acted alone, and it may otherwise not be able to execute an investment decision as effectively as it could have if it had acted alone.

Voleon will allocate investment opportunities and trades fairly. “Fair” treatment does not mean identical treatment of all clients. Rather, it means that Voleon does not discriminate on an impermissible basis against one client or group of clients. When Voleon transacts in securities for more than one account, the investment opportunities and trades must be allocated in a manner consistent with our fiduciary duties. Please refer to Item 12 for a description of Voleon’s trade aggregation procedures.

Insider Trading/Material Non-Public Information.

All Voleon employees are subject to the insider trading policies included in Voleon’s Code of Ethics. These policies broadly prohibit the use of material, non-public information, and include policies and procedures prohibiting the use of material non-public information that are designed to prevent insider trading by an officer or employee of Voleon. Due to the nature of Voleon’s quantitative investment strategy, trading on material, non-public information would require significant changes to Voleon’s investment strategy and would be quite difficult for an employee or principal of Voleon to accomplish given the extensive number of short-term trades which are executed each day. Nevertheless, if it deems it necessary at any time, Voleon may maintain a “restricted list” that identifies any securities that cannot be purchased for employee, client, or firm-owned accounts because material, non-public information may have been received by an employee of Voleon.

Item 12 – Brokerage Practices

Selecting Brokerage Firms

Although the Feeder Funds will invest all, or substantially all, of their available capital in the Master Funds, the Feeder Funds may engage broker-dealers. References herein to the Funds' brokerage arrangements include references to the Master Funds' brokerage arrangements, to the extent the Feeder Funds' investments are made through the Master Funds.

Voleon will have full investment discretion with respect to the initiation of all portfolio securities transactions for the Funds, as well as full authority to select broker-dealers to execute such transactions. Currently, Voleon uses one or more prime brokers each for the Institutional Funds and the Investors Funds and may utilize a number of additional broker-dealers to effect transactions for the Funds in the future. The broker-dealers are selected by Voleon on the basis of obtaining the best overall terms available, which Voleon evaluates based on a variety of factors, including the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected, the competitiveness of the commission rates or other fees and charges, the securities and margin lending arrangements available from the broker-dealers or Trading Counterparties, overall product offering, including market access and the willingness to enter into over-the-counter derivative transactions, and the financial strength, integrity, and stability of the broker-dealers.

This does not, however, constitute a representation as to performance by or on behalf of the broker-dealers.

The broker-dealers do not provide investment advisory or discretionary management services to the Funds.

Soft Dollar Arrangements

Voleon has sole discretion over the purchase and sale of investments (including the size of such transactions) and the broker or dealer, if any, to be used to effect transactions. Voleon will seek the best price and execution available except to the extent it may be permitted to pay higher brokerage commissions in exchange for brokerage and research services. "Best Execution" means obtaining for a client account the lowest total cost (in purchasing a security) or highest total proceeds (in selling a security), subject to the circumstances of the transaction and the quality and reliability of the executing broker or dealer. In selecting brokers or dealers, Voleon will consider various factors, including: the reputation, experience, and financial stability of the broker-dealer; the ability to maintain Voleon's anonymity; the ability to provide competitive pricing; the size and timing of the transaction; the ability and willingness to commit capital and provide prompt and accurate execution and settlement; whether the broker-dealer makes a market in a security and/or finds sources of liquidity; the nature of the market for the security and the difficulty of execution; the broker-dealer's trading expertise, including its ability to

minimize total trading costs and to trade without unduly impacting the market; the belief that the broker-dealer charges a fair and reasonable fee for each trade, and that the client accounts have been treated fairly and honestly in prior trades; and the quality of execution, quality of the broker-dealer relationship, quality of service rendered by the broker-dealer in prior transactions, and quality of any proprietary research and investment ideas.

Voleon has no soft dollar arrangements with specific brokers or dealers to receive research or other services beyond transaction execution in exchange for brokerage commissions from client transactions. However, brokers or dealers may be selected who provide research reports and services to Voleon (including proprietary broker-dealer company research and analyses, oral and written reports, statistics and advice about the economy, and reports on underwriting activity and other capital markets statistics), which may be attractive for one or more client accounts or to Voleon, and opportunities to confer with company management. In accordance with Section 28(e) of the Securities Exchange Act of 1934, broker-dealers providing such services may be paid commissions on transactions for client accounts in excess of those that other broker-dealers not providing such services might charge so long as Voleon determines in good faith the amount of commissions is reasonable in relation to the value of the brokerage and research services provided, taking into account all of the client accounts over which Voleon exercises investment discretion.

The use of brokerage commissions to obtain investment research services and to pay for the administrative costs and expenses of Voleon creates a conflict of interest between Voleon, the Feeder Funds, and the Master Funds because the Master Funds pay for such products and services that are not exclusively for the benefit of the Master Funds and that may be primarily or exclusively for the benefit of Voleon. To the extent that Voleon is able to acquire these products and services without expending its own resources (including management fees paid by the Feeder Funds), Voleon's use of "soft-dollars" would tend to increase its profitability. In addition, the availability of these non-monetary benefits may influence Voleon to select one broker rather than another to perform services for the Funds. The offering documents of the Feeder Funds specifically authorize these practices to the fullest extent permitted by law.

Client Referrals and Directed Brokerage

Voleon receives client referrals from broker-dealers, but does not compensate them for such referrals in any way, although it may do so in the future.

Order Aggregation

Voleon's investment strategy is mainly effected through the use of synthetic and derivative instruments. However, if Voleon were to engage in cash trading of equity securities, Voleon may aggregate the securities to be purchased or sold in order to obtain superior execution and/or lower brokerage expenses. In particular, execution prices for identical securities purchased or sold on behalf of multiple accounts in any one business day may be averaged. In such events, allocation of the securities purchased or sold, as well as expenses incurred in the transaction, will

be made among the accounts by applying such considerations as Voleon and its affiliates deem appropriate, including relative account size of such entities and clients, amount of available capital, size of existing positions in the same or similar securities, impact of leverage, tax considerations and other factors. Although such allocations may typically be pro rata as to a particular account, they will not necessarily be so, where allocation considerations, such as availability of capital, positions in similar securities or differing objectives dictate a different result. No account will be entitled to investment priority over other accounts and may not necessarily participate in every investment opportunity. In general, when managing account capital directly, Voleon will endeavor to make all investment allocations as to in a manner that it considers to be the most equitable to all managed entities and clients.

Any broker-dealers utilized by Voleon may have a lien on all assets held by such broker-dealers to secure any margin loans or other transactions covered by the related brokerage agreement, and may be allowed to liquidate such assets in certain circumstances, which liquidation could be at losses. If a prime broker were to enter insolvency or bankruptcy proceedings, the assets of a Master Fund held by such prime broker may not be recouped. The Managers and Voleon will monitor the accounts' brokers periodically to assess the accounts' credit exposure to the brokers, and may terminate, replace or add brokers as deemed necessary to protect the assets of the accounts.

Item 13 – Review of Accounts

Subject to the information discussed above, particularly in Item 8 with respect to Voleon's trading strategies, Voleon reviews client accounts periodically during each business day to determine accomplishment of investment objectives, the cash balances available, and/or margin debit balances outstanding, diversification of the portfolio, and security positions. Such reviews are performed by Voleon's portfolio management team responsible for all client accounts, and reviews also may be triggered by economic and political events, specific company information, and/or market conditions.

Reports

At the end of each month, each investor in the Feeder Funds is provided the net asset value of the investor's interests and unaudited performance information. As soon as practicable after the end of each fiscal year, the Feeder Funds send to each investor an annual report of their respective Funds containing audited financial information prepared in accordance with GAAP. At or about such time as the audit is completed within 120 days of fiscal year end, the Feeder Funds prepare and send to each investor a report setting forth such detail as is necessary for the investor to prepare its tax returns, as necessary.

Item 14 – Client Referrals and Other Compensation

Not applicable.

Item 15 – Custody

The assets of each Fund are held at third party brokerage firms meeting the definition of “qualified custodians” under SEC Rule 206(4)-2. Account statements are provided directly to Managers with respect to the Funds. Individual investors in the Feeder Funds receive the reports from Voleon described in Item 13 of this brochure. Voleon does not maintain physical custody of the assets in the Funds. A substantial portion of the Funds’ trades are effected synthetically through the use of over-the-counter or other derivatives. There are no physical assets subject to custody arrangements.

Item 16 – Investment Discretion

Voleon has discretionary authority over the investments in the Funds. If Voleon were to have additional clients in the future, Voleon would receive discretionary authority from such clients at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold; such discretionary authority would typically be set forth in the agreement between Voleon and such additional clients.

Unless otherwise instructed or directed by a client, Voleon has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the client account.

The Funds

Voleon has full discretionary authority and responsibility with respect to the investment management of the Funds pursuant to their respective investment management agreements and governing documents, which are subject to the terms and conditions set forth in the Feeder Funds' confidential offering documents, and, as such, Voleon is generally authorized to place orders for the execution of securities transactions without prior consultation with such clients.

Item 17 – Voting Client Securities

A substantial portion of Voleon's current trading strategies are effected through investments in over-the-counter or other derivatives, and Voleon therefore does not have beneficial ownership of the securities underlying such derivatives. Other trades are effected directly in certain securities or other instruments. To the extent the Funds hold positions directly in securities, Voleon does vote proxies on behalf of the Funds.

Each investor in the Feeder Funds may obtain a copy of Voleon's proxy voting procedures upon request.

Item 18 – Financial Information

No financial condition currently exists that is reasonably likely to impair Voleon’s contractual commitments to the Funds or to any other clients Voleon may accept in the future.