

TWO SIGMA ADVISERS, LP

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This brochure provides information about the qualifications and business practices of Two Sigma Advisers, LP (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Adviser at (212) 625-5700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

The Adviser is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Two Sigma Advisers, LP
100 Avenue of the Americas, 16th Floor
New York, NY 10013
Tel: (212) 625-5700
Fax: (212) 625-5800
Website: www.twosigma.com

Important Note about this Brochure

This brochure is not:

- An offer or agreement to provide advisory services to any person;
- An offer to sell interests (or a solicitation of an offer to purchase interests) in any fund; or
- A complete discussion of the features, risks or conflicts associated with any fund or advisory service.

As required by the Advisers Act, the Adviser provides this brochure to current and prospective Clients (as defined herein) and may also, in its discretion, provide this brochure to current or prospective investors in a Client that is a fund managed by the Adviser, together with other relevant offering documents, such as such a fund's offering memorandum, prior to, or in connection with, such persons' investment in such a fund. The delivery of this brochure to an investor or prospective investor in a Client is not an acknowledgement that the investor or prospective investor is a Client under the Advisers Act or that there is any direct client relationship with the Adviser.

Additionally, this brochure is available through the SEC's Investment Adviser Public Disclosure website. Although this publicly available brochure describes investment advisory services and products of the Adviser, persons who receive this brochure (whether or not from the Adviser) should be aware that it is designed solely to provide information about the Adviser as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this brochure differs from information provided in relevant offering documents. More complete information about each product managed by the Adviser is included in relevant offering documents, certain of which will be provided only to current and eligible prospective investors by the Adviser. To the extent that there is any apparent conflict between discussions herein and similar or related discussions in any offering documents, the relevant offering documents shall govern and control.

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Item 4. Advisory Business

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser in December 2009 and has been registered with the SEC since February 18, 2010. Two Sigma Management, LLC is the general partner of the Adviser. Trusts established by John A. Overdeck and David M. Siegel are the principal owners of the Adviser.

The Adviser specializes in process-driven, systematic investment management, generally by employing quantitative analysis including licensed mathematical strategies that rely on patterns inferred from historical prices and other data in evaluating prospective investments. These strategies are implemented by various optimization and execution Techniques (as defined below). The Adviser provides advisory services on a discretionary basis to its Clients, which include various private investment funds and commingled vehicles as well as funds of one and separately managed accounts. The Adviser also provides advisory services on a discretionary basis, as an investment sub-adviser, to an investment company registered under the U.S. Investment Company Act of 1940, as amended (the “Investment Company Act”), as well as an investment manager or sub-adviser to funds formed and registered under foreign law in accordance with the European Union’s Undertakings for Collective Investment in Transferable Securities (“UCITS”), which are authorized for public offer and sale in certain jurisdictions. The private investment funds, commingled vehicles, investment company, UCITS funds, funds of one and separately managed accounts to which the Adviser provides advisory services are referred to herein collectively as “Clients,” and each as a “Client.”

Two Sigma Investments, LP (“TSI”), an affiliate of the Adviser, develops investment strategies as well as risk management, investment, optimization and execution techniques (collectively, the “Techniques”) that are used in connection with the provision of investment advisory and execution services by TSI to TSI’s clients (the “TSI Clients”). To provide advisory services to its own Clients, the Adviser licenses from TSI (i) a sub-set of TSI’s strategies and Techniques (such licensed strategies and Techniques, the “Analytics”) and (ii) derived data, in each case, pursuant to the terms of a Licensing and Services Agreement entered into between the Adviser and TSI (the “Licensing and Services Agreement”). TSI has complete discretion regarding which of its strategies and Techniques it elects to license to (and correspondingly withhold from) the Adviser. The Adviser exercises its delegated authority from Clients by choosing which of such licensed Analytics to utilize on behalf of each Client and by adjusting or modifying various programmable settings in certain of such Analytics in order to accommodate each Client’s investment objectives, risk/return profiles, leverage rates and liquidity terms (each, a “Mandate” and, collectively, the “Mandates”). The Adviser, TSI and other affiliates of the Adviser are referred to herein collectively as “Two Sigma Affiliates.”

The Adviser provides advisory services with respect to a broad range of U.S. and non-U.S. securities and instruments, which include or may include, without limitation, U.S. and non-U.S. equity and equity-related securities, exchange traded products (including exchange traded products on equity or sector indices), FX, futures, bonds and other fixed income securities (including, without limitation, corporate, agency, non-U.S. and U.S. municipality, treasury and insurance-linked bonds and other fixed income instruments), currency contracts, futures options, spot trades,

forward contracts, warrants, options (both listed and OTC including, without limitation, caps and floors), repurchase agreements, reverse repurchase agreements, swaps (of any and all types including, among other things, total return swaps, equity swaps, commodity swaps, interest rate swaps, currency swaps, futures look-alike swaps and credit default swaps, and indices thereof), swaptions, foreign exchange contracts (including options, forwards and non-deliverable forward contracts), commodities, U.S. and non-U.S. money market funds and money market instruments (including, but not limited to, treasury and agency securities, municipal notes, commercial paper, time deposits, promissory notes and Eurodollar deposits), non-deliverable forward contracts on currencies and any derivatives or financial instruments which exist now or are hereafter created (collectively, “Instruments”).

The Adviser provides advisory services to Clients based on specific Mandates set forth in each Client’s offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document and/or other governing documents, as applicable. Other than the restrictions set forth therein, Clients may not impose restrictions on investing in certain securities or certain types of securities. Offering memoranda are made available to investors only through the Adviser or another authorized party. Where relevant, prospectuses and supplemental disclosure documents, including Statements of Additional Information, are publicly available on the SEC’s website at www.sec.gov.

As of December 31, 2018, the Adviser had approximately \$78,326,085,124 of regulatory assets under management, all on a discretionary basis.

Item 5. Fees & Compensation

Asset-Based Compensation

Certain Clients pay the Adviser management fees for its management services (the “Management Fees”) through a deduction by the Client’s custodian of such Management Fees from the Client’s account. Furthermore, in its capacity as a sub-adviser to an investment company and as an investment manager or sub-adviser to UCITS funds, the Adviser receives management fees from the primary investment adviser (or in the case of certain UCITS, the management company) of each such entity, and the Adviser also receives management fees from certain Clients, or a deduction by a Client’s administrator, in the course of providing advisory services to separately managed accounts (collectively, the “Advisory Fees”). The Management Fees and Advisory Fees are typically based on the Client’s assets under management with the Adviser and are determined based on an annualized rate. Currently, such fees have annualized rates of up to 3%, as described in each such Client’s applicable offering memorandum, investment management agreement, sub-advisory agreement or prospectus and supplemental disclosure document or other governing document, as applicable (though, as noted below, such rates could be higher or lower for certain investors in Clients). The Management Fees and the Advisory Fees are generally payable monthly or quarterly in advance as of the first day of each month or quarterly in arrears as of the last day of each calendar quarter, as applicable.

The Adviser (or its affiliate, as applicable) has waived, reduced and/or modified Management Fees for Clients (or for certain investors therein, as applicable) and may do so in the future. Similarly, the Adviser has substituted Management Fees in whole or in part with incentive allocations or incentive fees as agreed with Clients (or investors therein, as applicable) and may do so in the future.

Performance-Based Compensation

The Adviser (or its affiliate) receives performance-based compensation from certain Clients, which is compensation that is based on a share of capital gains or capital appreciation of the assets of a Client above the applicable benchmark, if any. This compensation will be reallocated to or paid to the Adviser (or to its affiliate).

Currently, the Adviser is entitled to receive incentive fees (“Incentive Fees”) from certain Clients in amounts generally ranging from 20% to 43% of the net profits (in certain cases, above an applicable benchmark) for each calendar quarter or year, as applicable; provided that the Incentive Fees are generally subject to adjustment for any previously unrecovered net losses (or underperformance relative to an applicable benchmark), subject to certain other adjustments and provisions. Where applicable, the Incentive Fees are paid to the Adviser from such Client, or deducted from the Client’s account by the Client’s custodian, generally as of the close of each such calendar quarter or year.

Two Sigma Institutional Partners, LLC (“TSIP”), an affiliate of the Adviser, as the general partner, member, allocation shareholder (or similar entity), as applicable, of certain Clients, is entitled to receive an incentive allocation from certain Clients (each, an “Incentive Allocation”). Where

applicable, the Incentive Allocation amount generally ranges from 20% to 37.50% of the net profits (in certain cases, above an applicable benchmark) allocated to each investor in such Clients for each calendar quarter or year, as applicable (and in certain cases, greater amounts depending on Client performance); provided that certain Clients have Incentive Allocations taken at higher or lower rates for certain investors in such Clients. In addition, most of the Incentive Allocations are subject to adjustment for any previously unrecovered net losses (or underperformance relative to an applicable benchmark) allocated to each investor in prior periods, subject to certain other adjustments and provisions. The Incentive Allocations are deducted from Client accounts following instructions by the Adviser.

The Adviser (or its affiliate, as applicable) has waived, reduced and/or modified the performance-based compensation for certain Clients (or investors therein, as applicable) and may do so in the future.

Other Fees and Expenses

In addition to paying investment management fees and/or performance-based compensation to the Adviser (or an affiliate of the Adviser), Clients typically are responsible for their own operating and investment expenses including, but not limited to: fees, costs and out-of-pocket expenses incurred in connection with the formation of a Client that is a private investment fund; fees and expenses of any advisers and consultants to the Client; external legal, auditing, accounting, administration, tax return preparation and other professional fees and expenses; fees and expenses of the Client's directors, if applicable, including the costs associated with meetings; fees and expenses of the Client's administrator and depository, if applicable; taxes, fees and governmental charges or filing fees; fees and expenses of prime brokers, futures commission merchants, dealers, custodians, sub-custodians, transfer agents and registrars; expenses of registering or qualifying securities and other investments; brokerage commissions and dealer collateral and other fees, charges, payments and expenses and other costs of trading, acquiring, monitoring or disposing of any investments of the Client; fees and expenses of any third-party research, data, recommendations and/or services used by the Adviser in its investment decision-making process (e.g., in connection with the use, implementation and support of alpha capture systems, including those developed by TSI and licensed to the Adviser); fees and expenses of valuation and/or pricing services and software; interest expenses; expenses of preparing and distributing reports, financial statements and notices to investors in the Client; litigation and other extraordinary expenses; certain insurance expenses (including fees for directors' and officers' liability insurance, if applicable); and other expenses as detailed in the Client's offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document or other governing document, as applicable. Where applicable, Clients also pay their pro-rata share of the expenses of the underlying investment vehicles in which they directly or indirectly invest. Please refer to Item 8 of this brochure for further discussion of conflicts of interest with respect to Client expenses.

The Adviser pays TSI a fee for the use of the licensed Analytics. Such fee will not be borne directly or indirectly by Clients. Please refer to Item 8 of this brochure for further discussion of the licensed Analytics.

Please refer to Item 12 of this brochure for further discussion of the Adviser's brokerage practices.

Item 6. Performance-Based Fees & Side-by-Side Management

Investment Services to Multiple Clients

The Adviser and its investment personnel provide investment management services to multiple Clients that are charged asset-based fees and/or performance-based compensation.

Certain Clients have higher asset-based fees and/or performance-based compensation arrangements than other Clients. In addition, certain Clients utilize a higher degree of leverage than other Clients. Because the Adviser and its investment personnel manage more than one Client, the potential exists for one Client to be favored over another Client. The Adviser and its investment personnel have a greater incentive to favor Clients that pay the Adviser (and indirectly its personnel) higher performance-based compensation or higher asset-based fees or use a higher degree of leverage.

In addition, certain Two Sigma Affiliates including the Adviser (as well as their respective principals and certain personnel) invest in a number of Clients and/or TSI Clients. Certain of such Clients or TSI Clients utilize a higher degree of leverage than other Clients, including certain Clients offered to outside investors. Because of the varying fee structures and leverage levels, and due to the allocation of proprietary capital from certain Two Sigma Affiliates including the Adviser (and/or their respective principals and certain personnel), the potential exists for one Client to be favored over another Client. The Adviser and its personnel have a greater incentive to favor Clients or TSI Clients that contain more proprietary capital, since those Clients are expected to provide Two Sigma Affiliates (as well as their respective principals and certain personnel) with a greater return on their investment.

Certain Conflicts of Interest Associated with Side-By-Side Management

There are additional actual and potential conflicts of interest inherent in the organizational structure and operation of the Adviser and its affiliates, certain of which are described below. The discussion below does not purport to be a comprehensive discussion of all of the conflicts of interest associated with the Adviser and an investment in any Client. Each Client's offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document or other governing document, as applicable, contain additional information with respect to the actual and potential conflicts associated with an investment in such Client.

General

The Two Sigma Affiliates (as well as their respective principals and certain personnel) engage in a wide range of investment and other financial activities, many of which are not offered to Clients (or investors therein). The Adviser's affiliates manage various private investment funds (*e.g.*, the TSI Clients), including funds that are primarily or entirely owned, directly or indirectly, by principals and employees of the Adviser and its affiliates ("Proprietary Trading Vehicles"), which generally have the most attractive risk-reward profiles. Certain TSI Clients and (in particular) the

Proprietary Trading Vehicles utilize certain strategies and Techniques that have not been made available to the Adviser.

As Two Sigma Affiliates (and the assets they manage or advise) grow, Two Sigma Affiliates will continue to seek to balance the following challenges: (i) a desire to increase the amount of proprietary capital invested; (ii) an increasingly diverse and numerous investor base; (iii) greater variation in the Mandates and fee structures of Clients and other clients managed or advised by Two Sigma Affiliates; (iv) a shifting regulatory landscape; (v) managing a larger and more diverse set of strategies and Techniques; and (vi) maintaining a more diverse set of businesses through the Two Sigma Affiliates. The Two Sigma Affiliates are not and cannot be free from inherent conflicts of interest in balancing these and related considerations. The Adviser anticipates that the growth of Two Sigma Affiliates will continue to increase competition between and among Clients and clients of such affiliates (including the Proprietary Trading Vehicles) and will decrease the number of investment opportunities available to Clients.

TSI Research Platform

As a process-driven, systematic investment manager, the Adviser utilizes the licensed Analytics on behalf of each of its Clients in order to pursue each Client's investment objectives.

TSI maintains a research platform that serves both its proprietary and client-focused investment and other financial activities (including its licensing activities), as opposed to separately staffed teams for every portfolio (the "TSI Research Platform"). In addition, research and portfolio management personnel develop and make improvements to strategies and Techniques (typically via computerized algorithms) that are deployed (i) for proprietary capital alongside TSI Clients' capital and licensed to the Adviser, (ii) exclusively for Proprietary Trading Vehicles or (iii) exclusively for TSI Clients' capital and/or for license to the Adviser (although this is less common). The Adviser often has limited access to the research documentation associated with such research and the Analytics. While TSI often sets broad research objectives, modelers working on the TSI Research Platform are afforded significant independence and have structural incentives to focus on research efforts that benefit Proprietary Trading Vehicles.

As the TSI Research Platform critically impacts the development of the strategies and Techniques that have been and may in the future be licensed to the Adviser and utilized by the Adviser in its investment decision-making process for Clients, Clients should be aware that the Adviser's (and therefore Clients') reliance on the TSI Research Platform creates conflicts of interest within TSI and among the Two Sigma Affiliates. The continued expansion of the size and number of the Adviser's and other Two Sigma Affiliates' portfolios and their participation in other investment and financial activities will only increase the magnitude and complexity of these conflicts.

TSI has licensed to the Adviser various Analytics developed on the TSI Research Platform. TSI's decision to license the Analytics is based on, among other things, TSI's considerations of excess capacity and overall firm profitability (*i.e.*, the profit which accrues to the Two Sigma Affiliates from management fees, performance-based compensation, proprietary capital returns and/or other factors that are expected to contribute to the long-term success and franchise value of the Two Sigma Affiliates) ("Firm Profitability"). In addition to licensing the Analytics to the Adviser, TSI continues to use such licensed Analytics for its own activities, including the investment activities

of the TSI Clients. Further, TSI has licensed and may in the future license strategies, Techniques and/or other information to certain Two Sigma Affiliates such as Two Sigma Securities, LLC (“TSS”). These activities have the goal of increasing Firm Profitability and the effect of negatively impacting the performance of Client portfolios. TSI may revoke any or all licenses granted, or discontinue the provision of services, to the Adviser, in accordance with the terms of the Licensing and Services Agreement. In addition, the Adviser's license is non-exclusive, and TSI retains full discretion to use, share, license, select, move or exclude strategies and Techniques it has licensed to the Adviser, other Two Sigma Affiliates or third parties, if applicable.

Allocation of Licensed Analytics

As described in Item 4 above, the Analytics that TSI currently licenses to the Adviser represent only a sub-set of the strategies and Techniques that TSI uses on behalf of TSI Clients. In particular, TSI does not license certain strategies and Techniques to the Adviser that are used by the Proprietary Trading Vehicles. TSI makes its licensing decisions based on, among other factors, considerations of excess capacity and overall Firm Profitability. Further, certain strategies and Techniques, including those that may be labeled as “high frequency” in nature, that are utilized by the Adviser’s affiliates (including TSS) and/or by TSI Clients (including the Proprietary Trading Vehicles) are not licensed to the Adviser. Two Sigma Affiliates or TSI portfolios utilizing these strategies and Techniques generally (i) are afforded more, and more timely, access to research; (ii) achieve or are expected to achieve higher returns on capital; (iii) exhibit or are expected to exhibit higher Sharpe ratios; (iv) have higher trading costs; and (v) have higher turnover. TSI’s and its affiliates’ use of these strategies and Techniques on behalf of its and their own clients has had, and will continue to have, a material adverse impact on the Adviser's Clients. To seek to manage the level of competition between and among Client portfolios and TSI Clients (including the Proprietary Trading Vehicles) and to maximize overall Firm Profitability, Client portfolios are designed with certain constraints such as lower turnover, longer-term investment horizons, less frequent optimization, greater transaction cost aversion and/or restrictions on investable Instruments and/or markets. Given that TSI Clients are expected to trade at higher volumes and more frequently than Clients, their impact on Client portfolios tends to be greater than the impact of Client portfolios on TSI Clients.

TSI has and will continue to research a variety of other strategies and/or Techniques that meet the investment objectives of Clients, including strategies and/or Techniques with higher or lower aggregate risk and return profiles. TSI has complete discretion regarding which of its strategies and Techniques it elects to license to (and correspondingly to withhold from) the Adviser. If assets managed by Two Sigma Affiliates continue to grow, whether from third-party or proprietary capital, the breadth of, and overall capacity associated with, the strategies and Techniques that TSI elects to license or has licensed to the Adviser will likely be reduced. This continued growth, as well as the higher amount of leverage that can be utilized by certain TSI Clients (including Proprietary Trading Vehicles), creates increasing conflicts of interest between third-party capital and proprietary capital in relation to, among other things (i) the determination as to how much proprietary capital will be invested in each strategy, (ii) TSI’s determination as to which strategies and Techniques it will license to the Adviser, and (iii) how much third-party capital the Adviser and/or TSI elect to accept or return to investors going forward. TSI is not free from conflict in making these decisions, and may elect to withhold all or any portion of its strategies and/or models at any time for any reason. Such reasons include, but are not limited to, maximization of its own

pecuniary interests or those of its related persons, pressure from the continued growth of TSI's and its affiliates' proprietary capital and the higher amount of leverage that TSI can apply to proprietary capital. TSI's elections regarding which strategies and/or Techniques to license to the Adviser should in no way be viewed as creating any type of fiduciary or other type of relationship between TSI and any Client.

Subject to each Client's Mandate, the Adviser has complete discretion regarding the allocation of licensed Analytics among Clients. The Adviser may license certain strategies and Techniques from TSI which the Adviser chooses not to use, in whole or in part, on behalf of certain Clients. These under-utilized or unutilized strategies and Techniques will generally differ for some Clients from those that are fully utilized by other Clients because, among other reasons, (i) they do not work well within or are limited by the Mandates of one or more Clients; (ii) they have less capacity than can be optimally used for one or more Clients; (iii) they involve asset classes outside the Mandates of one or more Clients; (iv) certain Clients are not subject to the same investment regulatory restrictions (*e.g.*, the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")); (v) they are hedged by taking smaller or larger exposures (as applicable) to certain style factors, sectors or other directional risks than those targeted by one or more Clients; and/or (vi) they involve greater liquidity risk than that targeted by one or more Clients. In some instances, the Adviser will choose to deploy the Analytics differently (or not at all) for certain Clients, for example, in respect of specific geographical regions or Instruments. The net result(s) is that one or more Clients will not have access to certain Analytics that produce higher predicted rates of return, lower volatility or shorter trading horizons than those strategies and/or Techniques utilized (in degree and/or manner) by other Clients.

Strategy- and Technique- Related Decisions

The Adviser approves the weighting of all strategies prior to their inclusion in a given Client's portfolio and periodically re-weights strategies, in some cases in an automated fashion, based on, among other things, ongoing research and simulated and live trading results. The Adviser typically evaluates newly-licensed Analytics for use in a portfolio in light of certain factors discussed in detail in each Client's offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document or other governing document, as applicable. The relevant portfolio management personnel retain the discretion to adjust, override or otherwise make the final decision with respect to such selection and weighting recommendations. These decisions may be made on a portfolio-by-portfolio basis without regard to the impact of such decisions on other Clients and TSI Clients (*i.e.*, without reference to the fact that other Clients and/or TSI Clients may be trading the same or similar strategies and/or Techniques). However, in certain situations, the Adviser has incorporated and will in the future seek to incorporate, cross portfolio impact analyses into a number of these and other decisions.

Trading and Execution; Use of TSI Execution Desk

The Adviser utilizes TSI's proprietary order and execution management algorithms, systems, technology and services (the "TSI Execution Desk") in order to direct the execution of Clients' orders. The Adviser has reviewed and adopted the order aggregation and trade allocation policies and procedures of TSI for application to such Clients. Traders on the TSI Execution Desk are employees supervised by both the Adviser and TSI. For the avoidance of doubt, the portions of

the order aggregation and trade allocation policy described below are only applicable to trades that are made on the TSI Execution Desk and do not apply to trades made on separate execution desks maintained by TSI, which trading volume is material when compared to the volume of trades handled by the TSI Execution Desk. TSI may for a variety of regulatory, operational or other reasons create other additional execution desks in the future and may decide to employ a different trade allocation policy.

The Instruments traded on behalf of each Client (as well as certain TSI Clients) will involve substantial overlap with those traded on behalf of other Clients and the TSI Clients. Despite substantial overlap in desired trading activity between and among the TSI Clients and Clients, Instruments will often not be traded in the same way or at the same time on behalf of each Client or TSI Client. From the standpoint of each Client and each TSI Client, simultaneous identical portfolio transactions for Clients and TSI Clients tend to decrease the prices received, and increase the prices required to be paid for their portfolio sales and purchases, as applicable.

As a general matter, the TSI Execution Desk routes orders in an automated fashion to a wide range of third-party venues (including "dark liquidity" venues). The systems employed by the TSI Execution Desk seek to algorithmically aggregate orders and to ensure proper allocation of fills among the Clients and TSI clients that trade the same Instrument concurrently on the TSI Execution Desk, which is utilized by the Adviser and TSI.

Notwithstanding the foregoing, traders retain broad discretion in the execution of orders and their ability to manually execute trades. In the case of manual execution, fills are generally allocated algorithmically in the same manner as indicated herein in respect of Instruments executed in an automated manner. In the future, each trader's discretion regarding execution of orders for Clients may change such that the discretion granted to the traders regarding Clients is broadened or narrowed and exercised differently for different Clients.

Additionally, market characteristics and/or system limitations for a given Instrument will, in certain cases, result in traders on the TSI Execution Desk handling trades manually (rather than in a fully automated manner). For example, for certain swaps and derivative Instruments (including those executed on a swap execution facility) and for other Instruments that are not liquid or exchange-listed, Client and TSI Client orders are typically aggregated with those that seek to trade the same Instrument concurrently on the TSI Execution Desk, and then routed and placed manually by traders on the TSI Execution Desk.

The Adviser's trade allocation policy applicable to the TSI Execution Desk is designed to seek to: (i) provide a fair allocation of purchases and sales of Instruments among the various Clients and the various TSI Clients, (ii) not systematically advantage one Client or TSI Client over another, and (iii) ensure compliance with appropriate regulatory requirements. However, the Adviser's trade allocation policy is dependent upon the TSI Execution Desk's order aggregation logic, which determines whether to aggregate desired positions of the various Clients and various TSI Clients based on certain time and size rules. As a result, from time to time, smaller orders will be disadvantaged and certain Clients and TSI Clients will be advantaged over others with respect to the timing of order placement and, ultimately, fill quality received. The TSI Execution Desk's order aggregation and/or trade allocation logic are monitored, reviewed and periodically modified

in an effort to minimize the occurrence of these events; however, preferential allocations will occur, and it is not expected that such allocations will be reversed or otherwise changed.

The TSI Execution Desk seeks to aggregate goal positions from Clients and TSI Clients that utilize the TSI Execution Desk at the same time in an attempt to achieve more efficient execution or to seek to provide for equitable treatment among such portfolios. As a general matter, the aggregation logic seeks to aggregate goal positions of like order marking characteristics (*e.g.*, sell, sell short, buy, and buy to cover) received concurrently by the TSI Execution Desk. In the event that multiple Clients and/or TSI Clients (including Proprietary Trading Vehicles) wish to buy, sell, buy to cover, or sell short the same instrument concurrently through the TSI Execution Desk, the execution system is designed to aggregate orders and allocate all filled orders and corresponding prices ratably, based on desired trade amounts and like order marking instructions determined at the time the aggregated order was created, subject to the limitations discussed herein. Notwithstanding the foregoing, orders may be aggregated or allocated on a basis different from that specified above under certain circumstances. Examples of reasons for aggregating or allocating orders on a different basis include, among other things, different Mandates, availability of finite resources at counterparties, available cash, liquidity requirements, macro risk parameters set by the applicable portfolio manager or investment personnel, to avoid a misallocation of fills, legal and/or regulatory reasons (including a desire to avoid and/or minimize a regulatory filing, disclosure or other obligation) and/or to avoid odd lots.

The Adviser does not direct any of its orders through the Adviser's affiliated broker-dealer, TSS. TSI, on the other hand, utilizes TSS to execute certain separate execution modalities and relatively short-term trading strategies. Oftentimes, TSI's use of separate execution modalities will result in TSI Clients that use similar strategies to Clients receiving fills before such Clients, which may limit available liquidity and will likely result in certain of such TSI Clients receiving executions at better prices and allocations than Clients. Additionally, TSI Client transactions may have a materially adverse impact on the prices paid for or received by a Client on its transactions (and vice versa). Many of these competing strategies are employed on behalf of Proprietary Trading Vehicles, and similar or other strategies may be used directly for TSS' own accounts. It should be noted that the trading volume attributable to the TSI Clients and activities of TSS, which utilize separate execution modalities, makes up a significant portion of the Adviser's affiliates' trading volume in certain markets and trading venues and, for any given period, typically significantly surpasses the aggregate trading volume attributable to Clients in such markets and trading venues.

Please refer to Item 12 of this brochure for further discussion of the Adviser's brokerage practices.

Joint Optimization and Other Applicable Techniques

The Adviser presently employs the same or substantially similar investment strategies on behalf of Clients whose investment objectives are, in whole or in part, substantially similar. Such Clients therefore trade the same or similar instruments within similar timeframes. The Adviser does not currently, but may in the future, to the extent it deems appropriate, jointly optimize such Clients (*i.e.*, one optimizer will consider the aggregate amount of capital across the relevant portion(s) of participating Clients and will generate one goal position to be allocated pro rata to each such Client) or utilize other applicable techniques (collectively, "Multi-Portfolio Techniques"). Among other things, such Multi-Portfolio Techniques would seek to (i) create a more optimal portfolio for

each participating Client by allowing the Adviser to consider (and better account for) the likely trading activity of all participating Clients when making investment decisions for each participating Client, (ii) minimize applicable performance dispersion among such Clients and/or (iii) reduce the operational risks inherent in managing multiple products.

Please refer to Item 8 of this brochure for further discussion of the Adviser's optimization practices.

Allocation of Certain Finite Resources

In addition, because of various legal, regulatory, risk management, operational and counterparty-related considerations (and in part due to the overlap in the trading done on behalf of various Clients and TSI Clients), the Adviser and TSI are often required to manage the allocation of locates, stock borrow and financing capacity and various other finite resources and to apply regulatory reporting and/or risk or counterparty-mandated limits across multiple Clients and TSI Clients, as well as the Adviser's affiliates in certain instances. The Adviser and its affiliates seek to apply a systematic and/or objective set of allocation rules and methodologies to manage certain of these finite resources, however, a disproportionate benefit will result to those Clients and TSI Clients that have greater trading volume, capital and/or risk exposure. Such TSI Clients tend to be those portfolios owned solely or primarily by proprietary capital.

Expenses

Clients typically pay all of their own operating and investment expenses as described in Item 5 of this brochure. Expenses borne by one or more Clients may differ from the expenses borne by others. Common expenses frequently are incurred on behalf of multiple Clients. The Adviser seeks to allocate those common expenses among the Clients in a manner that is fair and reasonable over time. However, expense allocation decisions involve conflicts of interest (*e.g.*, conflicts relating to different expense arrangements with certain Clients can affect a Client's performance and thus Firm Profitability). The Adviser may use a variety of methods to allocate common expenses among the Clients, including methods based on assets under management, relative use of a product or service, the nature or source of a product or service, the relative benefits derived by the Clients from a product or service, or other relevant factors. Nonetheless, the portion of a common expense that the Adviser allocates to a Client for a particular product or service often will require a subjective determination and may not directly reflect the relative benefit derived by the Client from that product or service in any particular instance.

Prime Brokers, Futures Commission Merchants and Custodians

The Adviser and TSI have leveraged their global relationships with certain prime brokers, futures commission merchants and custodians to seek to negotiate more favorable terms, such as aggregate margin requirements, on behalf of their clients. While the Adviser and TSI will endeavor to equitably allocate these benefits to the Clients and the TSI Clients (respectively), at any point in time, some of such clients, including clients which contain primarily proprietary capital or that pay the Adviser or TSI higher performance-based compensation or fees, may benefit more or less than others due to or in light of factors such as fund size, trading volume and/or leverage levels. It

should be noted that certain prime brokers, futures commission merchants and custodians provided services to multiple Clients and also to TSI Clients. See Item 12. “Brokerage Practices.”

Total Return Swaps

Certain Clients (including each UCITS for which the Adviser provides sub-advisory or investment management services as of the date hereof) have entered into, or authorized the Adviser to enter into on behalf of each such Client, a total return swap with a swap counterparty (the “Swap Counterparty”) that is designed to gain exposure to an underlying long/short portfolio of securities that is also managed by the Adviser (each such underlying portfolio, a “TRS Portfolio”). Strategies employed in respect of a TRS Portfolio are generally based on strategies of one or more other Clients organized as private investment funds. Accordingly, there is significant overlap in terms of strategies, Techniques and Instruments traded by such Clients.

The Adviser provides multiple Clients with exposure to the same TRS Portfolio through a separate total return swap with the Swap Counterparty (all such Clients, the “Swapholders”). As a result, multiple Clients will have exposure to the same TRS Portfolio through separate total return swaps with the same Swap Counterparty. Expenses of the TRS Portfolio will generally be attributable pro-rata to each Swapholder through each total return swap. The Adviser and the Swap Counterparty will each enter into separate agreements with each Swapholder whereby such Swapholder is granted terms and conditions that are more advantageous than and/or different from those with other Swapholders and are considered preferential in relation to the applicable TRS Portfolio. For example, such terms and conditions include event-driven notification rights; a right to receive certain financial and other portfolio information; fee and expense structures; certain confidentiality terms; termination and/or liquidity rights (including rights relating to frequency, advance notice or otherwise); rights to receive reports related to the TRS Portfolio on a more frequent basis or that include information not provided to other Swapholders (including, without limitation, more detailed information regarding portfolio positions); various assurances, representations, clarifications and warranties (including in relation to certain investment, tax, legal and regulatory matters); and such other rights and obligations as negotiated between the Adviser and a Swapholder. Certain of these agreements also impact the trading of the TRS Portfolio for regulatory, tax or other contractual reasons, such as UCITS regulations and positions restricted from trading, which will adversely affect other Swapholders that have exposure to the same TRS Portfolio. In its sole discretion, the Adviser may also determine to waive or modify a term or condition with a Swapholder without providing the same waiver or modification to other Swapholders. Additionally, capital activity related to changes in a Swapholder’s exposure to a TRS Portfolio can negatively impact the TRS Portfolio and, as a result, the performance of another Swapholder’s total return swap.

Item 7. Types of Clients

The Adviser provides advisory services to private investment funds, including commingled vehicles and funds of one, as well as sub-advisory or investment management services, as applicable, to an investment company and UCITS funds. Such Clients are typically organized as Delaware limited partnerships, Delaware limited liability companies, Massachusetts business trusts or Delaware statutory trusts, Cayman Islands exempted companies or other similar structures in the same or other jurisdictions. The Adviser also provides advisory services to separately managed accounts, including such accounts owned by financial institutions, corporations, non-U.S. governmental entities, limited liability companies and other business and similar entities.

Clients organized as private investment funds are generally set up as either stand-alone structures or as master-feeder structures, wherein each feeder fund invests portions of its assets (directly or indirectly) into a master fund. The master fund then, in certain cases, invests a significant majority (if not all) of its assets into certain trading vehicles managed by the Adviser. Further, certain stand-alone funds and master funds invest in commingled funds managed by TSI. Finally, the Adviser may, in the future, establish or elect to utilize one or more cash management vehicles to facilitate the management on a pooled basis of all or a portion of the cash reserves of its Clients. The structure of any given Client is described in further detail in its offering memorandum, investment management agreement, prospectus and supplemental disclosure document or other governing document, as applicable.

With respect to Clients, initial and additional subscription minimums, if any, are disclosed in such Client's applicable offering memorandum, investment management agreement, prospectus and supplemental disclosure document and/or other governing document. The Adviser is typically authorized to waive, reduce or modify such subscription minimums, subject to certain limitations in accordance with applicable law or regulation.

Item 8. Methods of Analysis, Investment Strategies & Risk of Loss

Methods of Analysis and Investment Strategies. The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The Adviser primarily combines multiple hedged and leveraged investment strategies with Techniques to make investment decisions for its Clients. The Adviser integrates information, computing power and human skill to attempt to systematically extract alpha (in absolute terms or relative to a benchmark).

The investment strategies that the Adviser employs include, but are not limited to, the following: statistically-based strategies; merger (or risk) arbitrage; closed-end fund/constituent arbitrage; fundamentally-driven strategies; event-driven strategies; spread-based and long/short strategies; volatility arbitrage and trading strategies; structured credit trading strategies; and contributor-based and sentiment-based strategies (*e.g.*, strategies based on TSI's proprietary alpha capture system). The specific strategies utilized on behalf of any given Client are described in greater detail in such Client's offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document and/or other governing document, as applicable.

In general, the Adviser primarily uses the Analytics to implement its strategies and to seek to achieve the Mandates of each Client. Such Analytics rely on patterns inferred from historical prices and other financial data in evaluating prospective investments. These Analytics are typically implemented using high-powered computers that generate buy or sell indications to assist the Adviser in the purchase and sale of securities and other Instruments or alternatively send buy or sell orders directly to brokers or other third-party venues. The strategies comprising the Analytics used are highly complex and rely on quantitative (and to a lesser extent, technical) analysis of large amounts of real-time and historical financial and other data with a view towards identifying pricing discrepancies, inefficiencies and/or anomalies.

In addition to the strategies described above, the Adviser also employs strategies and Techniques that focus more on fundamental analysis and research conducted by internal and external analysts (rather than computer-based quantitative and technical analysis) and/or strategies that combine two or more types of analysis in varying degrees. Fundamental analysis and research explores, among other things, issuers, industries, current market and financial conditions and an understanding of the drivers of change within these areas. Such fundamental analysis and research is generated by internal personnel and substantial numbers of external investment professionals, data vendors, market participants, experts, other consultants and/or licensors and is augmented from time to time by the Adviser. The Adviser either applies systematic mathematical formulae (such as the Analytics) to such analysis and research, or, in the alternative, uses such analysis and research alone without further quantitative analysis, to assist in the Adviser's investment decision making process. The Adviser may authorize certain employees to discuss or share investment ideas or theses, including as they relate to current holdings of the Adviser or Clients, with other investors or financial professionals. Given the differences among Clients and their respective Mandates, investment ideas or theses discussed or shared by the Adviser with such other investors, investment professionals or more broadly, may not reflect the forecasts and/or investment activity of all

Clients. For example, an investment idea to buy a certain Instrument may reflect the forecasts of one Client and may be shared or discussed with other investors, financial professionals or more broadly, while a separate Client or TSI client may simultaneously seek to sell such Instrument. Accordingly, to the extent the discussion or sharing of investment ideas or theses impacts the broader market, Clients' returns may be disproportionately impacted.

The Adviser also employs non-systematic investment strategies on behalf of Clients in order to, among other things, manage certain risks or take advantage of sentiment of market participants or perceived or predicted events or market conditions.

All of the investment methods and strategies used by the Adviser involve the risk of loss that Clients and investors in Clients should be prepared to bear. Investors are responsible for appropriately diversifying their assets to help guard against the risk of loss.

Overview of Risk Management. Risk management is an integral part of the Adviser's investment process, and maintaining a controlled overall level of risk is part of the Adviser's objective in managing Client assets. The Adviser generally seeks to control risk systematically through the use of TSI's proprietary portfolio management and risk management systems and Techniques. Client portfolio managers, working together with other personnel, evaluate various risks related to a given Client's trading program (including many of the risks discussed below in "Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies") and work to develop techniques for measuring, managing, and mitigating those risks (though there can be no assurance that any such risks will be effectively managed or mitigated). The Adviser's Chief Risk Officer serves as an independent check on the risks taken across the platform and runs stress tests of various sorts to measure those risks. When needed, the Risk Department liaises with the portfolio managers to understand and potentially mitigate sources of risk.

The Adviser primarily seeks to control portfolio risk for a given Client through a combination of strategy weightings, soft position limits and hard position limits that are programmed into each optimizer and seeks to reduce unwanted risk and factor other risks into the decision-making process when it decides which positions to hold in a given portfolio. This process is mostly automated but remains under the oversight of the portfolio and risk management teams.

The Adviser evaluates strategy weights prior to their inclusion in a Client's portfolio and periodically re-weights strategies based on, among other things, ongoing research and live trading results. A goal of these weighting exercises is to prevent any single strategy or set of strategies from unintentionally dominating a given portfolio, although, for the avoidance of doubt, portfolios do employ heavily-weighted strategies or sets of strategies.

In order to seek to better control aggregate risk and to obtain efficiency in execution, multiple strategies are often traded together in combined, quantitatively-optimized portfolios within a given Client's portfolio (and a given Client's portfolio(s) may be jointly optimized with one or more other Client portfolios). The Adviser primarily relies upon the optimization process to determine a portfolio's "target goal positions" across various Instruments. The optimization process incorporates certain risk parameters and factors that, combined with other metrics, shape the final target goals. These risk parameters and metrics are developed, in part, in an effort to seek to ensure that the Client stays within its Mandate.

Each time the Adviser seeks to buy or sell an Instrument for a given Client, the applicable optimizer will measure a significant number of known risks that would result from issuing a target goal position, and will adjust the target goal positions accordingly. An optimizer may make goal position adjustments based on risks related to size, liquidity, sector exposure and certain other factors.

Portfolio management and risk teams monitor each Client's risk-taking on an ongoing basis and the portfolio management teams may take action, or the risk teams may advise a portfolio management team to take action, if unwanted risk exposures are detected. Such actions include but are not limited to reducing strategy weights, lowering optimizer risk limits, adjusting other optimizer parameters and/or managing exposure through trading including, but not limited to, hedging. The monitoring tools available include, but are not limited to, Value at Risk (VaR) and similar calculations, stress-testing (based on both various historical and forward-looking scenarios), and other risk factor measurements.

The Adviser may vary the risk of a Client's investments (and therefore, possibly, a Client's returns), in part, by varying the manner in which, and/or the degree to which, a Client's investments are hedged or leveraged, including through the use of equity index futures, exchange traded products, swaps or similar instruments. A Client may, at times, maintain a substantial portion of its assets in money market instruments and government securities, either directly or indirectly through a cash management vehicle, with the objective of assuring the Client's ability to satisfy the various credit and other obligations incurred in connection with its investment activities. Additionally, at any given time, the Analytics employed by a given Client or portfolio may involve significant systematic risks.

The Adviser utilizes a Conflicts Committee comprised of certain of the Adviser's and TSI's senior management and control personnel. The primary purpose of the Conflicts Committee is to provide a body to which such personnel can raise potential conflicts of interest for evaluation, including potential conflicts which relate to investment process decisions.

The Adviser generally seeks to manage each Client's liquidity through its portfolio management systems and risk management activities in an effort to ensure that the liquidity profile of portfolio investments is consistent with a given Client's redemption terms.

Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies.

Quantitative Strategies and Trading. Quantitative strategies and execution techniques cannot fully match the complexity of the financial markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact their performance. Further, as market dynamics shift over time, previously highly successful strategies and execution techniques tend to become outdated – perhaps without the Adviser recognizing that fact before substantial losses are incurred. Even without becoming completely outdated, a given Analytic's effectiveness may decay in an unpredictable fashion for any number of reasons including, but not limited to, an increase in the amount of assets managed, the sharing of such Analytic with other Clients or TSI Clients, the use of similar strategies and execution techniques by other market participants and/or market dynamic shifts over time. Moreover, there are likely to be an increasing number of market participants who rely on strategies and execution techniques that are similar to those used by the

Adviser, which may result in a substantial number of market participants taking the same action with respect to an investment and some of these market participants may be substantially larger than any given Client. Should one or more of these other market participants begin to divest themselves of one or more positions, a “crisis correlation”, independent of any fundamentals and similar to the crises that occurred, for example, in September 1998 and August 2007, could occur, thereby causing certain Clients to suffer material, or even total, losses.

Although the Adviser generally will attempt to deploy relative value strategies, this does not mean that the Clients will not be affected by adverse market conditions similar to those described above and/or others. There can be no assurances that the Analytics pursued or Techniques implemented will be profitable, and various market conditions will be materially less favorable to certain strategies than others. Mispricings, even if correctly identified, may not be corrected by the market, at least within a time frame over which it is feasible for any given Client to maintain a position. In the event that the perceived mispricings underlying the Adviser’s relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, Client accounts would incur a loss. Even pure arbitrage positions can result in significant losses if a Client does not maintain both sides of the position until expiration. Certain Clients utilize high degrees of leverage and therefore could be forced to liquidate positions prematurely in order to meet margin or collateral calls, causing an otherwise “pure” arbitrage position to result in major losses.

Statistical Measurement Error. The Analytics employed by the Adviser rely on patterns inferred from the historical series of prices and other data. Even if all of the assumptions underlying the strategies were met exactly, the strategies can only make a prediction, not afford certainty. There can be no assurance that the future performance will match the prediction. Further, most statistical procedures cannot fully match the complexity of the financial markets and as such, results of their application are uncertain. In addition, changes in underlying market conditions can adversely affect the performance of a statistical strategy.

Reliance on Technology. The Analytics utilized by the Adviser are fundamentally dependent on technology, including hardware, software and telecommunications systems. The data gathering, research, forecasting, portfolio construction, order execution, trade allocation, risk management, operational, back office and accounting systems, among others, utilized by the Adviser are all highly automated and computerized. Such automation and computerization is dependent upon an extensive amount of TSI-licensed software and third-party hardware and software. TSI typically does not utilize design documents or specifications when building its proprietary software. The proprietary software code thus typically serves as the only definitive documentation and specification for how such software should perform.

The TSI-licensed software and third-party hardware and software are known to have errors, omissions, imperfections and malfunctions (collectively, “Coding Errors”). Coding Errors in third-party hardware and software are generally entirely outside of the control of the Adviser.

Both the Adviser and/or TSI, as applicable, seek to reduce the incidence and impact of Coding Errors through a certain degree of internal testing and real-time monitoring, and the use of independent safeguards in the overall portfolio management system and often, with respect to proprietary software and TSI-licensed software, in the software code itself. Despite such testing,

monitoring and independent safeguards, Coding Errors will result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, the failure to properly allocate trades, the failure to properly gather and organize available data, the failure to take certain hedging or risk reducing actions and/or the taking of actions which increase certain risk(s)—all of which can and do have adverse (and materially adverse) effects on Clients and/or their returns.

Coding Errors are often extremely difficult to detect and resolve, and, in the case of proprietary software and TSI-licensed software, the difficulty of resolving potential Coding Errors is exacerbated by the lack of design documents or specifications. Regardless of how difficult their detection appears in retrospect, some of these Coding Errors will go undetected for long periods of time and some will never be detected. The degradation or impact caused by these Coding Errors can compound over time. Moreover, the Adviser will detect certain Coding Errors that it chooses, in its sole discretion, not to address or fix and the TSI-licensed software will contain Coding Errors known to TSI that it chooses, in its sole discretion, not to address or fix. While neither the Adviser nor TSI will perform a materiality analysis on many of the Coding Errors discovered in their respective software code, the Adviser believes that the testing and monitoring performed on such software will enable the Adviser to identify and address those Coding Errors that a prudent person managing a process-driven, systematic and computerized investment program would identify and address by correcting the Coding Errors or limiting the use of the TSI-licensed software, generally or in a particular application. Clients (and investors therein) should assume that Coding Errors and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic investment manager such as the Adviser. Accordingly, the Adviser does not expect to disclose discovered Coding Errors to the Clients or their investors. For the avoidance of doubt, Coding Errors are generally not considered trade errors under the Adviser's trade errors policy. See "Trade Errors" below.

The Adviser and TSI seek, on an ongoing basis, to create adequate backups of software and hardware where possible but there is no guarantee that such efforts will be successful.

Further, to the extent that an unforeseeable software or hardware malfunction or problem is caused by a defect, security breach, virus or other outside force, the Clients may be materially adversely affected.

Reliance on Data. The Analytics employed by the Adviser are highly reliant on the gathering, cleaning, culling and analyzing of large amounts of data from third-party and other sources. It is not possible or practicable, however, to factor all relevant, available data into forecasts and/or trading decisions. The Adviser and/or TSI, as applicable, will use its discretion to determine what data to gather with respect to any strategy or Technique and what subset of that data the strategies and Techniques take into account to produce forecasts which have an impact on ultimate trading decisions. In addition, due to the automated nature of such data gathering and the fact that much of this data comes from third-party sources, it is inevitable that not all desired and/or relevant data will be available to, or processed by, the Adviser and/or TSI, as applicable, at all times. In such cases, the Adviser often will continue to generate forecasts and make investment and trading decisions based on the data available to it. Additionally, the Adviser and/or TSI, as applicable, may determine that certain available data, while potentially useful in generating forecasts and/or making investment and trading decisions, is not cost effective to gather, store, process, clean and/or organize due to either the technology costs or third-party vendor costs and, in such cases, the

Adviser will not utilize such data. Clients (and investors therein) should be aware that, for all of the foregoing reasons and more, there is no guarantee that any specific data or type of data will be utilized in generating forecasts or making investment and trading decisions on behalf of the Clients, nor is there any guarantee that the data actually utilized in generating forecasts or making investment and trading decisions on behalf of the Clients will be (i) the most accurate data available or (ii) free of errors. Clients (and investors therein) should assume that the foregoing limitations and risks associated with gathering, cleaning, culling and analyzing large amounts of data from third-party and other external sources are an inherent part of investing with a process-driven, systematic investment manager, especially one that invests in a large universe of Instruments such as the Adviser.

Reliance on TSI. The Adviser has licensed from TSI (i) certain Analytics developed by TSI, and (ii) derived data, to provide advisory services to Clients. The Analytics are comprised of quantitative models, optimizers and other order and execution management systems and execution algorithms used to exercise investment and brokerage discretion for Clients. The Adviser's license permits the Adviser to modify various programmable settings in certain of the Analytics. The Adviser exercises its delegated authority from Clients by choosing which licensed Analytics to utilize on behalf of each Client and by adjusting or modifying the various programmable settings of the licensed Analytics to accommodate each Client's Mandate.

While TSI has and will continue to research a variety of other strategies and Techniques which might meet the Mandates of one or more Clients, including strategies and Techniques with higher or lower aggregate risk and return profiles, the Adviser has no ability to decide which of TSI's strategies and Techniques are available to it for licensing. TSI has the exclusive authority to determine which of its strategies and Techniques it elects to license to the Adviser (or withhold from the Adviser), in whole or in part. In some instances, TSI will elect to license to the Adviser modified versions of strategies or Techniques employed by TSI. Firm Profitability is a material factor in TSI's decision as to which strategies and Techniques it will license to the Adviser and the manner in which it will do so. TSI periodically reviews the profitability associated with and assesses the amount of capital that can reasonably be allocated to the existing investment strategies licensed to the Adviser.

TSI performs periodic capacity analyses to determine the amount of capital that can reasonably be allocated to its existing strategies and Techniques (including the Analytics). The capacity of a given strategy is ultimately dependent on a variety of factors including, among others, each TSI Client's and each Client's Mandates, current and projected market conditions, the development of new strategies and Techniques, available capital, leverage and obtainable financing (both in absolute terms and on a relative basis between third-party capital and proprietary capital), tax implications, legal or regulatory requirements, various risk considerations, overall Firm Profitability, the level of investor demand and the amount of available third-party capital and proprietary capital. Based on these same factors, TSI limits the strategies and Techniques it chooses to license to the Adviser and places limits on the usage of the licensed Analytics by the Adviser. TSI is conflicted in making these elections, and may elect to withhold from the Adviser all or any portion of its strategies and Techniques at any time for any reason. Such reasons include, but are not limited to, maximization of its own pecuniary interests or those of its related persons, pressure from the continued growth of TSI's and its affiliates' proprietary capital and the higher amount of leverage that TSI can apply to proprietary capital.

In addition, TSI may, under the terms of the Licensing and Services Agreement, revoke any or all licenses granted to the Adviser. There can be no assurances that TSI will make decisions that will be beneficial to the Adviser or the Clients. Further, the Clients (and investors in Clients) should be aware that TSI does not have any fiduciary obligations to the Clients (or such investors) and that Clients (and/or investors) will not have any recourse against TSI with respect to any such decisions made by TSI.

TSI also provides various services to the Adviser pursuant to the Licensing and Services Agreement, including, but not limited to, administrative, legal, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related and miscellaneous services. The Adviser pays TSI a fee for the provision of these services; however, such fee is borne by the Adviser and not directly or indirectly by the Clients. All employees of the Adviser also have a separate and direct employment relationship with TSI.

Because of the above, the Adviser's performance is materially dependent on TSI and the talents and efforts of individuals employed by TSI. TSI is not a fiduciary to the Adviser or to any Clients. The success of the Adviser and its Clients is largely dependent upon TSI to (i) continue to develop and license to the Adviser strategies and Techniques necessary for the Adviser to achieve the Clients' investment objectives; and (ii) continue to provide services to the Adviser. If TSI ceases to do so, or to do so effectively, the Adviser and the Clients will be adversely affected. The Adviser has no control over TSI and TSI has made and may make decisions without regard to, knowledge or consideration of, the business objectives of the Adviser or the investment objective of any of the Clients (subject to the Licensing and Services Agreement).

Use of Simulations. The Adviser sets expectations for Client performance based on, among other things, simulated performance results from portfolio simulations that use historical and simulated data and take into account the size and trading activities of other Clients and TSI Clients. These portfolio simulations have inherent limitations. For example, these portfolio simulations are designed with the benefit of hindsight and do not represent actual trading; actual returns will be different than those of the simulations. In addition, Clients (and investors therein) should note that the interpretation of simulated performance results is an inherently subjective process, requires significant interpretation by portfolio management personnel, and is ultimately based upon the knowledge, expertise and subjective beliefs of portfolio management personnel about the workings of the strategies, Techniques and markets. For the avoidance of doubt, differing interpretations of any given portfolio simulation's results are common. There can be no assurance that the future performance of any strategies employed by a Client will match any simulated performance results from portfolio simulations.

Cybersecurity Risk. The information and technology systems of the Adviser, TSI and of key service providers to the Clients are vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has (directly or through its affiliates) implemented various measures designed to seek to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for the Adviser or a service provider to make a significant investment to fix or replace them and to seek

to remedy the effect of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Clients and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information. While many investment advisers and funds are subject to the same or similar risks in respect of their operations, these risks are particularly acute with respect to an investment in the Clients due to the Adviser's and the Clients' fundamental dependence on technology (as discussed herein).

In addition, in connection with the services provided to a Client, an investor's personal data will be subject to the Adviser's privacy policy, will be shared with certain Two Sigma Affiliates and will be transferred and/or stored in various jurisdictions in which Two Sigma Affiliates, a Client's administrator or sub-administrator and/or their respective affiliates have a presence, including to jurisdictions that may not offer a level of personal data protection equivalent to the investor or prospective investor's country of residence.

Trade Errors. On occasion, errors occur with respect to trades executed on behalf of Clients. The Adviser has adopted policies and procedures reasonably designed to identify and resolve trade errors (as defined in the Adviser's trade errors policy) in a timely manner. Losses resulting from such trade errors will generally be borne by the Client except to the extent provided in the Client's applicable offering memorandum, investment management agreement, sub-advisory agreement or prospectus and supplemental disclosure or other governing document. Accordingly, to the extent such trade errors occur, the Client and/or its returns may be materially adversely affected. The Adviser will have a conflict of interest in determining whether the Adviser has satisfied the applicable standard of care. When a trade error occurs, the Adviser will seek to ensure that the Client is treated in a manner that is consistent with policies and procedures, applicable law and the fiduciary duties owed to the Client. Unless otherwise required by the investment management agreement, sub-advisory agreement, offering or organizational documents of the Client, the Adviser generally will not notify the Client (or the investors therein) that a trade error has occurred.

Risk of Process Changes. As evolving companies, there can be no guarantee that any of the numerous processes developed by the Adviser or by TSI to perform various functions (including, without limitation, processes related to data gathering, research, forecasting, portfolio construction, order execution, trade allocation, risk management, compliance, operations and accounting) will not change over time or, in some cases, cease altogether (such changes or cessations, "Process Changes"). Except as restricted by rule, regulation, requirement or law, both the Adviser and TSI reserve the right to make Process Changes in their sole and absolute discretion. Such Process Changes may be made due to: (i) external factors such as, without limitation, changes in law or legal/regulatory guidance, changes to industry practice, market factors or changes to external costs; (ii) internal factors such as, without limitation, personnel changes, changes to proprietary technology, security concerns or updated cost/benefit analyses; or (iii) any combination of the foregoing.

Effects of Process Changes are inherently unpredictable and may lead to unexpected outcomes which ultimately have an adverse impact on one or more Clients. In addition, certain Process Changes, for example certain Process Changes made due to changes in law or legal/regulatory guidance, may be made despite the Adviser's belief that such Process Changes will have an adverse impact on one or more Clients. Finally, while the Adviser may notify Clients or investors in

Clients about certain of its Process Changes, the vast majority will be made without any such notification.

Leverage Risk. The Adviser employs leverage on behalf of certain Clients. Such leverage may be achieved by borrowing funds from U.S. and non-U.S. brokers, banks, dealers and other lenders, purchasing or selling Instruments on margin or with collateral and using options, futures, forward contracts, swaps and various other forms of derivatives and other Instruments which have substantial embedded leverage. If a Client can no longer utilize margin or post collateral under such lending arrangements, such Client could be required to liquidate a significant portion of its portfolio, and trading would be constrained, adversely affecting such Client's performance.

Trading on leverage will result in greater risks, exposures, interest charges and costs, which may be explicit (*e.g.*, in the case of loans) or implicit (*e.g.*, in the case of many derivative instruments) and such charges or costs could be substantial. The use of leverage, both through direct borrowing and through the investment in various types of instruments across a wide variety of asset classes, can and will substantially increase the market exposure (and market risk) to which a Client is subject. Specifically, if the value of such a Client's portfolio fell below the margin or collateral level required by a prime broker or dealer, the prime broker or dealer would require additional margin deposits or collateral amounts. If such Client were unable to satisfy such a margin or collateral call by a prime broker or dealer, the prime broker or dealer could liquidate the Client's positions in the Client's account with the prime broker or for which the dealer is the counterparty and cause the Client to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under margin, collateral or other financing agreements, could trigger cross-defaults under such a Client's agreements with other brokers, dealers, lenders, clearing firms or other counterparties, multiplying the adverse impact to such Client. In addition, because the use of leverage will allow such a Client control of or exposure to positions worth significantly more than the margin or collateral posted for such positions, the amount that such a Client may lose in the event of adverse price movements will be high in relation to the amount of this margin or collateral amount, and could exceed the value of the assets of such a Client. Trading of futures, forward contracts, equity swaps and other derivatives, for example, generally involves little or no margin deposit or collateral requirement and, therefore, provides substantial implicit leverage. Accordingly, relatively small price movements in these Instruments (and others) may result in immediate and substantial losses to such a Client. While the Adviser and TSI will endeavor to equitably allocate any benefit from their trading agreements to their respective Clients or TSI Clients, at any point in time some Clients or TSI Clients (including clients that contain primarily proprietary capital or that pay TSI or the Adviser (as applicable) higher performance-based compensation or fees) may benefit more or less than others due to factors such as size, leverage levels and any changes thereto.

In the event of a sudden decrease in the value of a Client's assets, a Client might not be able to liquidate assets quickly enough to satisfy its margin or collateral requirements. In that event, such entity would become subject to claims of financial intermediaries that extended "margin" loans or counterparty credit. Such claims could exceed the value of the assets of the Client. Trading of futures generally involves little or no margin deposit requirement and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these Instruments (and others) may result in immediate and substantial losses to the Client.

The banks, dealers, and counterparties (including prime brokers, futures commission merchants and central clearing houses) that provide financing to Clients can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks, dealers and counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous times or prices. There can be no assurance that such Clients will be able to secure or maintain adequate financing.

Leverage Restrictions; Intra-day and Intra-Settlement Cycle Borrowing. Certain Clients are generally restricted from intentionally employing leverage. Notwithstanding such restrictions, counterparties may and do extend credit both intra-day and within settlement cycles to support such Clients' trading activity. While such credit is not intended to increase a Client's net notional exposure, differences in settlement timing may result in such an increase in exposure. As with the use of explicit leverage, there are risks associated with intra-day and intra-settlement-cycle borrowing of this sort, including, among other things, the failure or delayed sale of any Instrument by a Client may require direct borrowing to settle such Client's outstanding trades to purchase other Instruments. Additionally, a Client's trades may settle prior to payment, incurring interest expenses for any such delayed payment amount.

Risk of Independent Management, Independent Deleveraging or Liquidation. The Adviser will make portfolio decisions on behalf of a particular Client based on such Client's Mandate, with the result that decisions made by the Adviser on behalf of one Client may vary materially from the decisions made by the Adviser on behalf of other Clients, including during times of market stress and during liquidation events (e.g., the 2007 "quant meltdown"). Because the Adviser employs the same or similar strategies on behalf of many of its Clients and because such Clients often trade the same or similar Instruments, the decisions made by the Adviser on behalf of any individual Client are likely to have a material impact on other Clients. This impact is likely to be exacerbated during times of market stress and/or during liquidation events. For example, to the extent that the Adviser decides to liquidate or "delever" all or any portion of one Client's portfolio for any reason, such liquidation or deleveraging is likely to adversely affect positions held by other Clients or such other Client's ability to liquidate or delever the same or similar positions, whether or not the Adviser has made the independent decision to liquidate or delever such other Clients' portfolios.

In addition, TSI will, in the ordinary course of its business, exercise its discretion on behalf of TSI Clients (many of which use the same or similar strategies and Techniques as certain Clients) independently of the Adviser and any portfolio decisions made by TSI, including the decision to liquidate or delever all or a portion of any given portfolio, may, or in certain cases would be expected to, have a materially adverse effect on Clients. This is particularly true because the portfolios managed by TSI tend to utilize more leverage, trade more volume and trade more quickly than Clients do or are permitted to do.

Given the size and scope of the portfolios traded by Clients and TSI Clients, the Adviser expects that it is unlikely to be able to liquidate or delever such portfolios in an orderly fashion, particularly during times of market stress and/or during liquidation events.

Varying Liquidity Terms. Different Clients that invest in the same master funds, investment trading vehicles or cash management vehicles have different liquidity terms with respect to such entities. Such differences include, but are not limited to, more frequent redemption dates and/or shorter

notice periods. Under certain circumstances, therefore, investors in certain Clients can redeem or withdraw, as applicable, from the applicable master fund, investment trading vehicle or cash management vehicle at times when the ability of investors in other Clients to redeem is restricted.

Highly Volatile Markets. The prices of securities and other Instruments can be highly volatile. Price movements of Instruments in which Clients trade are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Clients are also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses and subject to the risk of failure of their counterparties in the case of OTC positions.

Hedging Risk. The Adviser will (directly or indirectly) employ hedging for certain Clients by taking long or short positions in related Instruments. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of such portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus seeking to moderate the decline in the value of such portfolio position. Such hedging transactions also limit the opportunity for gain if the value of the portfolio position should increase. In the event of an imperfect correlation between a position in a hedging instrument and the portfolio position that it is intended to protect, the desired protection may not be obtained, and a Client will be exposed to risk of loss. In addition, it is not possible to hedge fully or perfectly against any risk, and hedging entails its own costs. Positions which would typically serve as hedges may actually move in the same direction as the Instruments they were initially attempting to hedge, adding further risk (and losses) to the Client. The Adviser may determine in its sole discretion not to hedge against certain risks, and certain risks exist that cannot be hedged.

Commodities. Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its (direct or indirect) commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the performance of a Client. In addition, the performance of a Client may fluctuate as the general level of interest rates fluctuates.

Short Selling Risk. A Client's investment program may include a significant amount of short selling. Short selling transactions expose the Client to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Client's portfolio. A short sale of an Instrument involves the risk of a theoretically unlimited loss from a theoretically unlimited increase in the market price of the Instrument, which could result in an inability to cover the short position. In addition, there can be no assurance that securities or other Instruments necessary to cover a short position will be available for purchase. There is the risk that the Instruments borrowed by the Client in connection with a short sale would need to be

returned to the lender on short notice. If such request for return of Instruments occurs at a time when other short sellers of the subject Instrument are receiving similar requests, a “short squeeze” can occur, wherein the Client might be compelled, at the most disadvantageous time, to replace the borrowed Instruments previously sold short with purchases on the open market possibly at prices significantly in excess of the proceeds received earlier in originally selling the Instruments short. Purchasing Instruments to close out the short position can itself cause the price of the Instruments to rise further, thereby exacerbating any loss.

Frequent Trading. The Adviser’s primary strategies involve frequent trading of Instruments which results in significantly higher commissions and charges to Clients due to increased brokerage, which will offset Client profits.

Merger Arbitrage/Deal Risk. The most significant risk in merger arbitrage is that a transaction will be abandoned such that the value of securities purchased falls, resulting in loss of capital. This loss will be increased if the price of the shorted security (*i.e.*, the acquiring company) rises as the deal is called off. Abandonment may occur for a number of reasons, including (i) regulatory or antitrust prohibitions, delays or restrictive conditions for approval of the merger; (ii) problems arising out of due diligence review; (iii) incompatibility of the managements of the two parties; (iv) incompatibility of strategies; or (v) a movement outside of the required price range in “collar” transactions. When a deal is not abandoned, there is still a risk of price renegotiation or a timing delay.

Event Driven Strategies Risk. A Client may have investments in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Client of the security or other Instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by a Client of its entire investment in such companies. In connection with such transactions (or otherwise), a Client may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued security are fixed when a Client enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

Lack of Diversification. Because a Client may not always be diversified across markets, industries, geographies or instrument types and because a Client may concentrate its investments in a few industries, issuers and Instruments in a specific geographic area, the negative impact on the value of the assets of a Client due to adverse movements in a particular economy or industry or in the value of the securities of particular issuer or Instrument could be considerably greater than if a Client were not permitted to concentrate its investments to such a significant extent. If a Client’s portfolio becomes concentrated in a limited number of investments, such Client’s performance

will not necessarily correlate with the performance of the markets on which Instruments held by the Client are traded. Any loss with respect to a portfolio Instrument may have a significant adverse impact on a Client.

Adverse Effects of Substantial Growth. Many of the Analytics used by a Client will be utilized by the Adviser on behalf of more than one Client and will be licensed from TSI which will also utilize the Analytics on behalf of TSI Clients. A strategy or set of Analytics employed by a Client may also be employed in a significant way (e.g., to support billions of dollars of invested assets) on behalf of one or more other Clients or TSI Clients. A Client does not have rights (exclusive or otherwise) to any given licensed Analytic. Further, due to a variety of factors, the profitability of many of these strategies and Techniques are expected to decrease as the assets of clients of the Adviser (or its affiliates) increase, thereby potentially decreasing any Client's returns relative to its historical performance. This may be the case whether the Adviser (or its affiliates) utilizes the same strategies, or another strategy that trades in similar or related securities on behalf of different Clients or TSI Clients.

Possible Adverse Effects of Substantial Withdrawals or Redemptions. In the event that there are substantial investor withdrawals or redemptions from a Client in a short period of time, the Adviser may find it difficult to adjust its asset allocation and trading strategies to the suddenly reduced amount of such Client's assets under management. Under such circumstances, in order to provide funds to satisfy withdrawal or redemption requests, the Adviser may be required to liquidate positions at an inappropriate time or on unfavorable terms, resulting in a lower net asset value for the remaining investors and a lower withdrawal or redemption amount for the withdrawing or redeeming investors. On an ongoing basis, irrespective of the period over which substantial withdrawals or redemptions occur, it may be more difficult for Clients to generate additional profits operating on a smaller asset base and, as a result of liquidating assets to assist a Client to fund withdrawals or redemptions, any such Client may be left with a much less liquid portfolio. Finally, if a substantial number of investors were to withdraw or redeem all or a portion of their investment from a Client and the Client did not have a sufficient amount of cash, the Client might have to meet such withdrawal or redemption requests through distributions of securities or other instruments (which may include then illiquid securities) at a time that is potentially unfavorable.

Position Limits. "Position limits" imposed by various exchanges (including, without limitation, certain futures exchanges) or regulators may limit a Client's ability to effect desired trades. Position limits are the maximum amounts of net long or net short positions that any one person or entity may own or control in a particular Instrument. Position limits may also be imposed by the Adviser for risk management purposes or to avoid triggering regulatory filings or other obligations. All positions owned or controlled by the same person or entity or its affiliates, even if in different Clients or accounts, generally are aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Client does not intend to exceed applicable position limits, it is often the case that different accounts managed by the Adviser and its affiliates (including TSI) are aggregated. If at any time positions managed by the Adviser exceed applicable position limits, the Adviser would be required to liquidate positions of a Client or reallocate position limit budgets of its Clients to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, Clients might have to forego or modify certain of their contemplated trades and, as a result, will lose the opportunity to fully capitalize on investment opportunities. The Adviser will not be free from conflict in respect of such decisions. In addition,

it is possible that one or more regulators may change applicable position limits. In such case, the Adviser may be required to liquidate positions of Clients to the extent necessary to come within the revised limits. Further, any such position limit change may lead to Client losses based on dislocation in the market generally.

Risks Associated with Strategies that Utilize Third-Party Analysis. Strategies that systematically utilize an expanded range of third-party research and analysis may rely on patterns inferred from historical series or portions of relevant research. There can be no assurance that the future performance of these or any other strategies employed by the Adviser will match such predictions. Further, the Adviser anticipates that, due to the discretionary nature of the research driving these strategies, back-testing of the data utilized in such strategies may be less predictive than back-testing of other data utilized in other strategies pursued by the Clients. These investment strategies are reliant to some degree on human discretion (*i.e.*, the fundamental analysis, recommendations or research generated by persons conducting such research and analysis (the “Providers”)). In addition, these strategies are highly reliant on a Client’s ability to provide adequate incentives to the Providers to generate and/or provide good analysis, recommendations or research, as applicable. Further, because the Providers typically will be employees of broker-dealers or other financial institutions, experts and/or consultants and will not be directly supervised by the Adviser, utilizing their analysis, recommendations or research, as applicable, presents certain regulatory or other risks. For example, there is a risk that a Provider will furnish material non-public information to the Adviser or its affiliates thereby potentially limiting a Client’s ability to trade in the securities of a particular company (including trades that would have been made based on other strategies utilized by the Client) or subjecting the Adviser to regulatory risks or restrictions. See “Trading Restrictions” below.

Competition. There have been and will likely continue to be attempts by others to duplicate the strategies being developed by TSI and licensed to the Adviser. Although each of TSI and the Adviser believes that it has taken reasonable measures to protect the confidential and proprietary nature of these strategies, it is likely that certain of TSI’s and the Adviser’s competitors currently have, or will develop, relationships with certain of the data providers and/or investment service providers that will be providing data and/or conducting much of the analysis, recommendations or research, as applicable, utilized in these strategies and will therefore have access to such data, analysis, recommendations or research, as applicable. Clients do and will continue to compete with other funds (including other funds managed by the Adviser and its affiliates) and institutional investors for the same or similar investment opportunities. Such competition reduces the opportunities available to the Clients to generate returns.

Trading Restrictions. In the course of its activities, there is a risk that the Adviser will receive material non-public information. The Adviser may receive such information directly as a result of its own business activities or exploration of new business opportunities, or indirectly as a result of its relationship with affiliates including, but not limited to, TSI, TSIS, Sightway, TSV and TSS, which are discussed in Item 10 of this brochure. In such event, Clients will be restricted from trading certain securities regardless of whether the activities leading to the receipt of material non-public information were for the benefit of such Clients or otherwise. While the Adviser has instituted compliance procedures that it believes will minimize such risks, such compliance procedures may result in, among other things, a Client not participating in investment opportunities in which it would have otherwise been eligible to participate, not selling an investment it would otherwise sell or not

selling an investment at the time it would otherwise choose to sell such investment, resulting in potential or actual losses and potentially hindering the timely liquidation of a Client's portfolio. Such restrictions may have a material impact on the gains and losses of Clients.

Information Asymmetry. Certain employees and/or affiliates of the Adviser who from time to time may invest directly or indirectly in Clients will receive and/or have exposure to information related to such Clients' portfolios and operations, either directly or by means of their respective day-to-day roles at the Adviser or its affiliates, and any such information may not be shared with (or otherwise known by) other investors in such Clients. Additionally, certain Clients that invest in the same or similar portfolios as other Clients may receive, directly or indirectly, more frequent reporting regarding such portfolios than such other Clients receive. As a result, in the event of any overlap among investors in these Clients, such overlapping investors may receive or infer additional or more timely information regarding such portfolios than is known to other investors in such other Clients. Investors with greater exposure to information will be at an advantage as compared to other investors with regard to investment decision-making.

Valuation Risks. Valuing Clients' assets is complex and may involve uncertainties and discretionary determinations. As a result, values used in determining investors' sharing percentages (e.g., upon new subscriptions), redemption or withdrawal proceeds and fees might not accurately reflect the amounts the Client could obtain (or would be required to pay as to some types of derivatives positions) if it were to try to sell the security (or close the position). For example, if an investor redeems or withdraws from a Client, subsequent valuation adjustments to investments may occur, and there is a risk that the redeeming or withdrawing investor may receive an amount upon redemption or withdrawal which is greater or less than the amount the investor would have been entitled to receive on the basis of the adjusted valuation. To the extent such subsequently adjusted valuations adversely affect a Client's net asset value, the Client will be adversely affected to the benefit of investors who had previously redeemed or withdrawn. Conversely, any increases in the net asset value resulting from such subsequently adjusted valuations generally will be entirely for the benefit of current investors and to the detriment of investors who redeemed or withdrew at a net asset value lower than the adjusted amount. New investors may be affected in a similar way as the same principles apply to subscriptions or transfers. Net asset value determinations are generally conclusive and binding on all investors for all purposes, including determining the subscription and redemption or withdrawal prices and fees paid to the Adviser.

Risks Associated with Types of Securities that are Primarily Recommended (including Significant or Unusual Risks)

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as over the long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Rights and Warrants. Rights and warrants entitle the holder to buy equity securities at a specific price for a specific period of time. Rights and warrants are more speculative than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities nor do they represent any rights in the assets of the issuing company. Also, the value of a right or warrant does not necessarily change with the value of the underlying securities and a right or warrant ceases to have value if it is not exercised prior to the expiration date.

Exchange-Traded Products. Certain Clients may invest in exchange-traded products (“ETPs”), including, but not limited to, registered investment companies. Investments in an ETP are subject to the fees and expenses of the ETP, which may include a management fee, other fund expenses and a distribution fee. The Investment Company Act places certain restrictions on the percentage of ownership that a private investment fund or registered investment company may have in a registered investment company, including registered investment companies that are exchange-traded. A Client’s positions in ETPs are subject to a number of risks associated with the management and market conditions of the ETP. These include (but are not limited to):

- (i) *Delisting*—An ETP may be delisted and liquidated at the discretion of its issuer. Should a Client hold a position in an ETP when it is delisted, such Client may be subject to costs associated with the ETP’s liquidation, counterparty risk against the issuer, and additional taxes due to cash distributions from the liquidation.
- (ii) *Market Maker Instability*—The supply and demand of ETP shares are kept in balance by its authorized participants. The authorized participants of an ETP may, purposefully or by mistake, destabilize the supply-demand balance of an ETP, causing tracking error of the ETP to its constituent instruments that may negatively affect the value of an entity’s position in the ETP.
- (iii) *Hidden Illiquidity*—The liquidity of an ETP is determined not only by the ETP’s own market liquidity but how easy or difficult it is to transact in the ETP’s constituent instruments. If one or more of an ETP’s constituent instruments becomes difficult to buy or sell, the ETP may become difficult to transact or experience tracking error that negatively affects the value of positions held in the ETP.
- (iv) *Borrow Availability*—The ability to take short positions in an ETP is subject to borrow availability. The ability to take optimal positions in ETPs may be adversely affected by one or more ETPs becoming hard to borrow.
- (v) *Constituent Fluctuation*—ETPs on equity indices attempt to track their underlying indices closely. However, the issuer may in its discretion temporarily introduce ex-index constituents to the ETP, including ex-index equities and foreign currencies. This may introduce risks and tracking error that are difficult to model to the ETP and that may negatively affect the value of positions in the ETP.
- (vi) *Additional Taxation*—Depending on the ETP’s structure, investors may be subject to additional taxation on distributions from ETPs.

Clients may invest in ETPs listed in countries different from their constituent instruments. These ETPs are subject to additional risks not typically associated with ETPs listed in the same country as their constituents, including (i) movements in currency exchange rates; (ii) significant events that affect the ETP's underlying value that occur when the ETP's listed exchange is closed; and (iii) risk factors that arise from trading in foreign instruments.

Concentration Risk of Custodians, Dealers and Prime Brokers. Certain Clients will clear their equities, ETPs and futures trades in accounts that they will maintain with a custodian, dealer and/or prime broker and/or their affiliates. As a result, the custodian (or its affiliates) will maintain custody of all or a material portion of the assets of Clients. The Adviser expects, at times, to utilize only one (1) custodian for clearing and custody of a particular Client's futures and swap transactions, as well as equity trades. The Adviser may also, in its sole discretion, elect to utilize other and/or additional custodians, dealers and/or prime brokers for purposes of clearing and custodying equity and/or futures and swap transactions, however, the potential concentration of the clearing and custody of a Client's assets means that the Client is subject to risks associated with such lack of diversification. In particular, the Client would be subject to material risks in the event of the bankruptcy, default or other credit event involving any custodian, dealer and/or prime broker (or their affiliates) and/or in the event of a material failure of any trading, clearance, settlement or other systems of any custodian, dealer and/or prime broker (or their affiliates).

Options and Derivatives. A Client may engage in trading in options on individual securities, securities sectors, securities indices, futures contracts, foreign exchange contracts or commodities. Trading options entails certain risks, some of which are described below. In addition, if the purchaser of an option exercises the option, the holder will, in effect, be buying or selling the underlying instrument, and will then be subject to the same risks as are attendant to trading in such instrument. Trading in options can result in a greater potential for profit or loss than trading in the underlying instruments. The value of an option will change because of a change in the value of the underlying instruments, the passage of time, changes in the market's perception as to the future price behavior of the underlying instruments or any combination of the foregoing and/or other factors. In the case of the purchase of an option, the risk of loss of an option buyer's entire investment in the option (*i.e.*, the premium paid and transaction charges) reflects the nature of an option as a wasting asset that may become worthless at its expiration. Where an option is written (or sold) uncovered, the option seller may be liable to post substantial additional margin or collateral, and the risk of loss is substantial and is theoretically unlimited for written call options, as the option seller will be obligated to deliver, or take delivery of, the underlying instrument at a predetermined price, which may, upon the exercise of the option, be significantly different from its market value at the time the option was initially written (or sold). Additionally, Clients may purchase and sell exchange-traded options or privately negotiated OTC derivatives. There can be no guarantee that there will at all times be a liquid market for these options or derivatives. A market could become unavailable if one or more exchanges or dealers were to stop trading options or OTC derivatives, respectively, or it could become unavailable with respect to options on a particular underlying instrument if exchanges or dealers stopped trading derivatives on that underlying instrument. In addition, a market could become temporarily unavailable if unusual events (*e.g.*, volume exceeds clearing capability) were to interrupt normal exchange operations. If an options market were to become illiquid or otherwise unavailable, an option holder would be able to realize profits or limit losses only by exercising the option and an options seller or writer would remain obligated until the option is exercised or expires.

If trading is interrupted in an underlying instrument, the trading of options or derivatives on that instrument is usually halted as well. Holders and writers of options or dealers in any derivative will not be able to close out their positions until trading resumes in the underlying instrument, and they may be faced with considerable losses if the instrument reopens at a substantially different price.

In the case of options, even if options trading is halted, holders of options may be able to exercise their options. However, if trading has also been halted in the underlying instrument, option holders face the risk of exercising options without knowing the instrument's current market value. If exercises do occur when trading of the underlying instrument is halted, the party required to deliver the underlying instrument may be unable to obtain it, which would necessitate a postponed settlement and/or the fixing of cash settlement prices.

Futures. A Client may engage in regulated and unregulated futures transactions, both for bona fide hedging of existing long and short positions, but also for independent profit opportunities. Trading in futures involves significant risks, including, but not limited to: (i) price volatility; (ii) highly leveraged trading; and (iii) possible illiquidity. Clients may sustain a total loss of the initial margin and any maintenance margin that it posts (directly or indirectly) to a broker to establish or maintain a position in the futures market. If the market moves against a Client's position, such Client may be called upon to post a substantial amount of additional margin, on short notice, in order to maintain its position. If a Client does not provide the required margin within the prescribed time, its position may be liquidated at a loss, and a Client will be liable for any resulting deficit in its account. Under certain market conditions, a Client may find it difficult or impossible to liquidate a position. This can occur, for example, when the market makes a "limit move." Placing contingent orders, such as a "stop-loss" or "stop-limit" order, will not necessarily limit losses to the intended amounts, since market conditions may make it impossible to execute such orders. A "spread" position may not be less risky than a simple "long" or "short" position. The high degree of leverage that is often obtainable in futures trading because of the small margin requirements can work against a Client as well as for it. The use of leverage can lead to large losses. Non-U.S. futures markets may have greater risk than U.S. futures markets. Unlike trading on U.S. commodity exchanges, trading on non-U.S. commodity exchanges is not regulated by the CFTC (as defined below) and are subject to greater risks than trading on domestic exchanges.

An option on a futures contract is a right or an obligation to either buy or sell the underlying futures contract at a specific price. The risks of trading options on futures are similar to the risks of trading securities options. See "Options and Derivatives" above. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

Foreign Instruments. Trading in non-U.S. instruments and derivatives on non-U.S. instruments involves risks and considerations not present in the trading of U.S. instruments and derivatives. Since non-U.S. instruments generally are denominated, pay interest and are settled in non-U.S. currencies, the value of the assets of a Client as measured in U.S. Dollars will be affected favorably or unfavorably by changes in the exchange rate between the U.S. Dollar and other currencies. The weakening of a country's currency relative to the U.S. Dollar will affect, potentially adversely, the U.S. Dollar value of a Client's investments that are denominated in such country's currency. As a

result, a Client could realize a net loss on an investment, even if there were a gain on the underlying investment before currency losses were taken into account. Currency exchange rates can be affected unpredictably by controls or restrictions imposed by U.S. or non-U.S. central banks or other governmental agencies in joint or unilateral efforts to alter exchange rate trends. Political developments in the United States or abroad may also affect currency exchange rates. To the extent a Client trades instruments denominated in non-U.S. currencies, it may be adversely affected by restrictions on the conversion or transfer of such non-U.S. currencies. The Adviser may (or may not) seek to hedge these risks by trading currencies, currency futures contracts, forward currency contracts, swaps, or any combination thereof (whether or not exchange traded), but there can be no assurance that such strategies if utilized will be effective. Swaps, “synthetic” or derivative instruments, and certain types of customized Instruments are subject to the risk of non-performance by the other party to the contract. As a result, a default on the instrument may deprive a Client of unrealized profits and/or collateral held by the counterparty or may force a Client to cover its commitments for purchase or resale of the underlying currency at the then current market price.

In addition, there may be less publicly available information about foreign economies and foreign companies than the U.S. economy and U.S. companies. Non-U.S. companies may not be subject to accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to U.S. companies. Many non-U.S. securities markets have substantially less volume than U.S. securities markets and, therefore, securities of non-U.S. companies are generally less liquid and at times their prices may be more volatile than securities of comparable U.S. companies. In addition, in many non-U.S. markets there is less government supervision of exchanges, brokers, dealers and issuers than in the United States. There is a possibility of expropriation or confiscatory taxation, seizure or nationalization of non-U.S. bank deposits, establishment of exchange controls, the adoption of non-U.S. government restrictions or other adverse political, social or diplomatic developments that could adversely affect any such investment. Some of the instruments may be subject to taxes levied by non-U.S. governments, which have the effect of increasing the cost of such trading and reducing the realized gain or increasing the realized loss on such securities at the time of sale. Income from non-U.S. instruments held by a Client may be reduced by a withholding tax at the source. Tax conventions between certain countries and the United States, however, may reduce or eliminate such taxes, and some or all of such taxes may be creditable against the U.S. federal income tax liability of investors which are U.S. taxpayers but may be eliminated or changed at any time.

Forward Contracts. Trading in forward contracts involves significant risks. Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. A Client, in trading forward contracts, will therefore be subject to the risk of credit failure or the inability of or refusal of forward contract dealers to perform with respect to its forward contracts. There is no limitation on the daily price movements of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and ask price. Forward contract trading may therefore be or become highly illiquid.

Foreign Exchange Contracts. A Client may enter into foreign currency spot trades, forward contracts and/or other derivatives thereon for speculative, hedging or other investment purposes.

Foreign currency spot trades, forward contracts and other derivatives involve a risk of loss if currency exchange rates move against a Client, unless such derivatives are hedges of foreign currency risk of a Client in its investments. In addition, forward contracts and certain currency derivatives are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract, or derivative counterparty may result in a loss to a Client for the value of unrealized profits on the contract or derivative or for the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate.

It is contemplated that most foreign currency forward contracts will be with banks, including among others, investment banks and brokerage firms. There are no limitations on daily price moves of spot trades, forward contracts or many derivatives. Banks, including investment banks and brokerage firms, are not required to continue to make markets in currencies. There have been periods during which certain banks, including investment banks, and certain brokerage firms have refused to continue to quote prices for forward contracts or derivatives or have quoted prices with an unusually wide spread between the bid and ask price. The imposition of credit controls by governmental authorities might limit the level of such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Client. Clients will be subject to the risk of bank or brokerage firm failure or the inability of or refusal by a bank or a brokerage firm to perform with respect to such contracts.

Non-Deliverable FX Forwards. Non-Deliverable FX Forwards (“NDFs”) are subject to the risks of loss associated with standard foreign exchange transactions. In addition, NDFs are subject to the risk that an event would force the parties to the transaction to find an alternative basis for determining settlement amounts such as, among other things, a general or specific default, inconvertibility, non-transferability or nationalization of one of the underlying currencies in the NDF. If on any date upon which an NDF transaction is to be valued such an event has occurred or is continuing, the settlement amount to be delivered may be adjusted by the clearing broker or its counterparty, acting in a reasonable manner. Such adjustments will result in changes to the prices at which such transactions were effected and such changes could be material. The fixing of a trade at a settlement price, the determination of whether such a disruption has occurred and the settlement amount associated therewith are beyond the control of the Adviser and the relevant Client.

Fixed Income and Related Instruments. A Client will be subject to interest rate risk in connection with its positions in futures contracts on interest rates, sovereign notes and bonds and futures contracts on sovereign notes and bonds, options on such futures contracts and interest rate swaps. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, the market value of such instruments tends to decrease. Conversely, as interest rates fall, the market value of such instruments tends to increase. This risk will typically be greater for instruments based on longer-term interest rates than for instruments based on shorter-term interest rates.

Trading in Emerging Market Equity Futures. Trading in emerging market equity index futures involves additional risks and special considerations not typically associated with trading in other more established economies or securities markets. Such risks include (i) increased risk of nationalization or expropriation of assets or confiscatory taxation; (ii) greater social, economic and

political uncertainty including war; (iii) higher dependence on exports and the corresponding importance of international trade; (iv) greater controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. Dollars; (v) increased likelihood of governmental involvement in and control over the economies; and (vi) governmental decisions to cease support of economic reform programs or to impose centrally planned economies.

The Clients' trading in equity index futures in emerging markets is subject to such additional risks as (i) greater volatility, less liquidity and smaller capitalization of securities markets; (ii) greater volatility in currency exchange rates; (iii) greater risk of inflation; (iv) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (v) less extensive regulation of the securities markets; (vi) longer settlement periods for securities transactions and less reliable clearance and custody arrangements; (vii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (viii) certain considerations regarding the maintenance of Client securities and cash with non-U.S. brokers and securities depositories.

Emerging Market Fixed Income Securities and Futures. A Client may also trade emerging market fixed income securities and futures, including short-term and long-term futures denominated in various currencies. In addition to the risks related to investments in emerging markets generally and in emerging market equity securities and futures as outlined above, emerging market debt futures are subject to greater risk of loss due to high volatility. Additionally, evaluating credit risk for non-U.S. fixed income securities and futures involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with such emerging market instruments, the yields or prices of such fixed income securities and futures tend to fluctuate more than those for higher-rated fixed income securities or futures. The market for emerging market interest rate futures is generally thinner and less active than that for developed market futures, which can adversely affect the prices at which futures are sold. In addition, adverse publicity and investor perceptions about emerging market interest rate futures, whether or not based on fundamental analysis, may be a contributing factor to a decrease in the value and liquidity of such futures.

Sovereign Notes and Bonds and Related Derivatives. A Client may trade in U.S. Government securities and in derivatives upon these instruments. Generally, these securities include U.S. Treasury obligations and obligations issued or guaranteed by U.S. Government agencies, instrumentalities or sponsored enterprises. U.S. Government securities also include Treasury receipts and other stripped U.S. Government securities, when the interest and principal components of stripped U.S. Government securities are traded independently. These securities are subject to market and interest rate risk. A Client may also trade in domestic or foreign government-issued inflation-protected securities (*e.g.*, Treasury Inflation-Protected Securities ("TIPS"), Inflation Linked Gilts ("ILG"), etc.) and in futures, swaps and other derivatives on these securities and/or other inflation related underlyings.

A Client may also trade foreign or U.S. sovereign notes and bonds which are unrated by a recognized credit-rating agency or below investment grade and which are subject to greater risk of loss of principal and interest than higher-rated debt securities. A Client may trade foreign or U.S.

debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets.

A Client may trade foreign or U.S. sovereign notes and bonds which are not protected by financial covenants or limitations on additional indebtedness. A Client may trade distressed sovereign notes and bonds which are subject to the significant risk of the issuer's inability to meet principal and interest payments on the obligations (credit risk) and which are also subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. A Client would therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for foreign or U.S. sovereign notes and bonds involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, which can make it difficult to accurately calculate discounting spreads for valuing Instruments. A Client may also trade derivatives on any or all such sovereign notes and bonds.

Repurchase Agreements or Reverse Repurchase Agreements. Under a repurchase agreement, a Client sells a security to a counterparty and simultaneously agrees to repurchase the security back from the counterparty at an agreed upon price and date, with the difference between the sale price and the repurchase price establishing the cost of the transaction to a Client. Repurchase agreements essentially constitute a form of borrowing secured by collateral in the form of securities and will have the effect of leveraging a Client's assets. These agreements may be entered into on an overnight, specified term or open-ended basis.

A Client may also enter into reverse repurchase agreements, whereby a Client purchases a security from a counterparty and simultaneously agrees to resell the security back to the counterparty at an agreed upon price and date, with the difference between the purchase price and the resale price establishing a Client's return. Reverse repurchase agreements involve certain risks. If the seller of securities under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, a Client will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, a Client's ability to dispose of the underlying securities would likely be restricted. If the seller fails to repurchase the securities, a Client will suffer a loss to the extent proceeds from the sale of the underlying securities are less than the repurchase price.

Additionally, certain types of bank obligations which may be acquired by a Client may not be covered by insurance from the U.S. Federal Deposit Insurance Corporation or the U.S. Federal Savings and Loan Insurance Corporation.

Credit Derivative Contracts. A Client may engage in trading of credit derivative contracts, which are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another, both for bona fide hedging of existing long and short positions, but also for independent profit opportunities. Such instruments may include one or more credits. The market for credit derivatives may be relatively illiquid, and there are considerable risks that may make it difficult either to buy or sell the contracts as needed or at reasonable prices. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the

contract and whether such payment will offset the loss or payment due under another instrument. The occurrence of a credit event is generally the occurrence of bankruptcy, a failure to pay, the acceleration of an obligation or modified restructuring of a credit obligation or instrument.

A Client may be either the buyer or seller in these transactions. If a Client is a buyer of credit protection and no credit event occurs, a Client will recover nothing. Worse still, if a credit event occurs, a Client, as a buyer, typically will receive full notional value for a reference obligation that may have little or no value. Buyers of credit derivatives carry the risk of non-performance by the seller due to an inability to pay.

As a seller of credit protection, a Client would typically receive a fixed rate of income throughout the term of the contract, which typically is between one month and five years, *provided* that no credit event occurs. If a credit event occurs, the seller pays the buyer the full notional value of the reference obligations. Sellers of credit derivatives carry the inherent price, spread and default risks of the underlying instruments.

Credit default swaps involve greater risks than if a Client had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer of credit protection also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to a Client. Further, in certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if such deliverable security is unavailable or illiquid. Such a delivery “crunch” is a distinct risk of these investments.

The credit derivatives market is rapidly evolving. As a result, different participants in the credit derivatives markets have different practices or interpretations with respect to applicable terms and definitions, and ambiguities concerning such terms or definitions may be interpreted or resolved in ways that are adverse to a Client. Additionally, there may be circumstances and market conditions (including the possibility of a large number of buyers of credit default swaps being required to deliver the same physical security in the same time frame) that have not yet been experienced that could have adverse effects on Clients and/or their returns.

Illiquidity and Credit Risk of Derivative Instruments. A Client may enter into transactions involving privately negotiated, OTC derivative instruments, including among others, derivatives on interest rates, commodities, bonds, portfolios of selected securities, volatility, energy, foreign currencies, equity and indices of any and all of these underlying instruments. Such transactions may include derivatives on derivatives of any or all of these underlying instruments as well. There can be no assurance that a liquid secondary market will exist for any particular derivative instrument at any particular time. Although OTC derivative instruments are designed to meet particular financing needs and, therefore, typically provide more flexibility than exchange-listed products, the risk of illiquidity is also greater as these instruments can generally be closed out only by negotiation with the other party to the instrument. OTC derivative instruments, unlike exchange-listed instruments, are not guaranteed by an exchange or clearinghouse and thus are generally subject to greater credit risks and the possibility of non-performance by the counterparty.

High-Yield Securities. A Client may make investments in “high-yield” bonds and preferred securities that are not investment grade. Securities in the lower rating categories are subject to greater risk of loss, as to timely repayment of principal and timely payment of interest or dividends than higher-rated securities. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. The yields and prices of lower-rated securities tend to fluctuate more than those for higher-rated securities. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of the securities. High-yield securities that are rated BB or lower by S&P or Ba or lower by Moody’s (or equivalent ratings by other firms) are often referred to in the financial press as “junk bonds” and may include securities of issuers in default. “Junk bonds” are considered by the ratings agencies to be predominantly speculative and may involve major risk exposures such as: (i) vulnerability to economic downturns and changes in interest rates; (ii) sensitivity to adverse economic changes and corporate developments; (iii) redemption or call provisions which may be exercised at inopportune times; and (iv) difficulty in accurately valuing or disposing of such securities.

Total Return Swaps. Certain Clients may obtain synthetic exposure to investment strategies through the use of one or more total return swaps through which payments are made to a counterparty (at either a fixed or variable rate) in exchange for receiving from the counterparty payments that reflect the return of securities, derivatives, or commodity interests representing a particular index or basket (sponsored by the Adviser or a third-party). Such a Client may bear the fees and/or expenses relating to a total return swap directly, or indirectly through their impact (*i.e.*, reduction) on the return that the Client earns from investing in the total return swap.

In addition to the risks involved in investment in swap contracts generally, the Client could potentially be indirectly exposed to additional risks through the use of total return swaps to obtain synthetic exposure to additional investment strategies. The underlying “basket” of securities, derivatives, or commodity interests on which such total return swaps are based may include a broad range of instruments, markets and asset classes, which include, but are not limited to, equity securities, fixed income securities, and derivative and commodity instruments.

Equity Derivatives. The Clients may trade equity derivatives, including, but not limited to, listed equity options and OTC equity derivatives such as variance swaps, conditional variance swaps, correlation swaps and dividend swaps. These types of equity derivatives are frequently valued based on implied volatilities of such derivatives rather than the historical volatility of their underlying securities or instruments. Fluctuations or prolonged changes in the volatility, realized or implied and/or correlation, of such underlying securities or instruments, therefore, can adversely affect the value of equity derivative positions held by the Clients.

Trading in Commodity Derivatives. The Clients may trade commodity forward contracts, commodity futures contracts or other commodity derivatives. Trading commodities and commodity derivatives is a highly specialized investment activity entailing greater than ordinary investment risk. Trading in commodity derivatives involves substantial risks. Commodity-related markets are also highly volatile. The low margin collateral required in such trading may provide a large amount of leverage, and a relatively small change in the price of a contract or instrument can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary

market will exist for commodity derivatives purchased or sold, and the Clients may be required to maintain a position until exercise or expiration, which could result in material losses.

Trading in Deliverable Commodities Futures. The Clients' strategies generally do not anticipate taking delivery of underlying commodity positions. Nonetheless, as the strategies may involve active trading of physical commodities contracts close to their delivery date, it is conceivable that market conditions would cause a Client to be unable or make it commercially unreasonable for a Client to avoid taking delivery of certain commodities. In certain cases, such Client may lack the necessary license or approvals to take delivery of various contracts. In this case, such Client would risk being bought in or forced to deliver under commercially unattractive terms.

Convertible Securities. The Clients may trade convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

Investment in Real Estate and Real Estate Related Securities. Investments in REITs, other real estate related securities or indices and fee simple assets and/or derivatives upon these instruments are subject to the risks incident to the ownership and operation of real estate generally. Some of the risks associated with investments in real estate and/or related derivatives are declines in the value of real estate, risks related to general and local economic conditions, dependency on management skill, heavy cash flow dependency, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increased taxes and operating expenses, changes in zoning laws, losses due to costs resulting from the clean-up of environmental problems, liability to third parties for damages resulting from environmental problems, casualty or condemnation losses, limitations on rents, changes in neighborhood values and the appeal of properties to tenants and changes in interest rates.

Interest Rate Transactions (Swaps, Swaptions, Caps and Floors). The Clients may enter into interest rate swap, cap or floor transactions for speculative or hedging purposes. Interest rate swaps involve the exchange by the Clients with another party of their respective commitments to pay or receive interest (*e.g.*, an exchange of floating rate payments for fixed rate payments) computed based on a contractually-based principal (or "notional") amount. Interest rate swaps are entered into on a net basis (*i.e.*, the two payment streams are netted out, with the Clients receiving or paying, as the case may be, only the net amount of the two payments). Swaptions are options granting its owner the right but not the obligation to enter into an underlying swap. Swaptions can be traded on a variety of swaps, but typically are done so on interest rate related instruments. Payor swaptions give the owner the right, but not the obligation, to enter into a swap whereby they pay the fixed leg and receive the floating leg. Receiver swaptions gives the owner the right, but not the obligation, to enter into a swap whereby they pay the floating and receive the fixed leg. Interest

rate caps and floors are similar to options in that the purchase of an interest rate cap or floor entitles the purchaser, to the extent that a specified index exceeds (in the case of a cap) or falls below (in the case of a floor) a predetermined interest rate, to receive payments of interest on a notional amount from the party selling the interest rate cap or floor.

Interest Rate Risks. The Clients will be subject to interest rate risk in connection with its investments in debt securities. Generally, the value of debt securities will change inversely with changes in interest rates. As interest rates rise, the market value of debt securities tends to decrease. Conversely, as interest rates fall, the market value of debt securities tends to increase. This risk will be greater for long-term securities than for short-term securities. Interest rate risks include the following:

- (i) *Directional Movement in Interest Rates.* The Adviser's strategies for certain Clients may presume that changes in interest rates cannot be reliably predicted. The portfolio managers will attempt to construct the Clients' portfolios to produce expected returns which have a low correlation to directional moves in interest rates. General shifts in the level of interest rates, however, may immediately affect the value of all components of the portfolio and, depending on the composition of the portfolio, may adversely affect its net performance. This risk would be greater for time periods less than the holding period of the investment targeted in the design of the portfolio. In addition, realized returns may depend not only on the level of rates, but also on the path along which rates move over the time from portfolio inception to the investment horizon.
- (ii) *Correlation of Rates.* Global government bond and swap curves exhibit irregular cycles during which fluctuations of adjacent components (yields for different maturity instruments) are highly correlated for extended periods, followed by brief episodes in which the correlations dramatically decline and the yield curve steepens, flattens or kinks. Although the loss of correlation can be clearly observed in retrospect, it is difficult to anticipate precisely the timing or the changes in the shape of the yield curve. The value of portfolios that are composed of instruments with differing maturities, coupons and embedded option features will be exposed to changes in yield curve shape.
- (iii) *Interest Rate Volatility.* The value of a portfolio may depend upon two types of volatilities (measured as the standard deviation of the log of the period to period difference in interest rates): (i) the volatility of rate fluctuations experienced in the market; and (ii) the implied volatility used to price options in the market. The relationship between the two is neither well-defined nor intuitive and cannot generally be anticipated. The Clients may trade in various types of options and securities with embedded options, and their immediate value will be affected by the increase or decline in implied volatility due to its effect on options prices, whether or not actual rate changes are experienced.

Derivative, Counterparty and Settlement Risk. The Adviser may invest a Client's portfolio in derivative instruments or other OTC transactions. In certain circumstances, a Client will take on credit risk with regard to parties with whom it trades and will also bear the risk of settlement

default. These risks differ materially from those entailed in exchange-listed transactions which generally are backed by clearing organization guarantees, daily marking-to-market, daily settlement, segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Further, to the extent these Clients trade swaps or other derivatives in order to replicate underlying positions (*i.e.*, short or similar equity positions), such instruments will often contain the same risks as the underlying positions (*e.g.*, unlimited loss, short squeeze, etc.) as discussed above under “Short Selling.” It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of these Clients and hence these Clients should not be exposed to credit risk with regard to such parties. However, it may not always be possible to achieve this and in such case there will be practical or time problems associated with enforcing these Clients’ rights to their respective assets in the case of a counterparty’s insolvency. While it is not anticipated to be a material risk based upon these Clients’ anticipated method of operation, under certain circumstances, these Clients’ counterparties may be granted the right to trade, sell, pledge, re-hypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any collateral it holds from these Clients, free from any claim or right of any nature whatsoever of these Clients. Furthermore, these Clients’ assets may not be held at a diverse number of custodians, brokers or dealers, subjecting these clients to concentrated credit risk with a small number of such parties (or one such party). In valuing OTC derivative instruments, it is anticipated that these Clients will typically rely on quotes or other information provided by counterparties.

Swap Agreements and OTC Derivative Instruments. Clients may enter into derivative transactions in the form of swap agreements and OTC derivative Instruments. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from weeks to ten (10) years or longer. In a standard “swap” transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or “swapped” between the parties are calculated with respect to a “notional amount,” (*i.e.*, the return on or increase in value of a particular amount invested at a particular interest rate, in a particular non-U.S. currency or security, or in a “basket” of securities representing a particular index, or in one or more other underlying measures). The “notional amount” of the swap agreement is only a reference basis on which to calculate the obligations that the parties to a swap agreement have agreed to exchange. Most swap agreements entered into by these Clients would calculate the obligations of the parties to the agreement on a “net” basis. Consequently, these Clients’ obligations (or rights) under a swap agreement will generally 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 “net amount”).

Whether these Clients’ use of swap agreements, if any, are successful in furthering its investment objective will depend on the portfolio manager’s ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments. These Clients bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The swaps market is a relatively new market and it is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect these Clients’ ability to

terminate existing swap agreements or to realize amounts to be received under such existing agreements.

The risks posed by such swap agreements and OTC derivative instruments, which can be extremely complex and generally involve leveraging of Clients' assets, include (but are not limited to): (i) credit risk (*e.g.*, the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (ii) market risk (*e.g.*, adverse movements in the price of a financial asset); (iii) legal risk (*e.g.*, the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (iv) operations risk (*e.g.*, inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (*e.g.*, exposure to losses resulting from inadequate documentation); (vi) liquidity risk (*e.g.*, exposure to losses created by inability to prematurely terminate the derivative); (vii) systematic risk (*e.g.*, the risk that financial difficulties in one institution or a major market disruption may cause uncontrollable financial harm to the financial system); (viii) concentration risk (*e.g.*, exposure to losses from the concentration of closely related risks such as exposure to a particular region, index, industry or particular entity); and (ix) settlement risk (*e.g.*, the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Swap agreements generally also contain specific portfolio-level requirements and parameters involving, among other things, maintenance of minimum net assets, maximum NAV drawdown restrictions, risk exposure limitations and volatility triggers (collectively, "Automatic Termination Events") which, when triggered, may permit Clients' counterparties to, among other things, substantially curtail Clients' trading activities and/or liquidate all or a portion of the Clients' portfolio. Should Clients' trading activities trigger one or more of these Automatic Termination Events, a Client's ability to continue to trade and/or manage its positions would be materially adversely affected.

Price Limits (so-called "Circuit Breakers"). Certain exchanges do not permit trading at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, which conditions have in the past sometimes lasted for several days in certain Instruments, a Client could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses.

Exchange Intervention or Government Intervention in Futures Markets. It is possible that an exchange or a government authority may suspend or limit trading in a particular futures contract, order immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. This would likely result in losses to a Client.

Credit Risk of Prime Brokers, Dealers and Futures Commission Merchants. Clients will assume the credit risk associated with placing its cash, margin, collateral and other securities with brokers, dealers, futures commission merchants and various other counterparties, and the failure or bankruptcy of any of such broker, dealer, futures commission merchant or other counterparty could have a material adverse impact on the Client. Under the U.S. Commodity Exchange Act of 1936, as amended (the "Commodity Exchange Act"), futures commission merchants are generally required to maintain customers' U.S. assets in segregated accounts. To the extent a Client engages

in futures contract trading and the futures commission merchants with whom a Client maintains accounts fail to so segregate a Client's assets, a Client will be subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. In certain circumstances, a Client might be able to recover, even in respect of property specifically traceable to a Client, only a pro rata share of all property available for distribution to a bankrupt futures commission merchant's customers. In addition, while the provisions of the Commodity Exchange Act are intended to afford the customers certain protections, such provisions, even if met by futures commission merchants, may not actually provide such protections. Finally, cash, margin, collateral and other securities held outside of the U.S. will not be afforded protections under U.S. law and distributions upon bankruptcy may be unpredictable.

Reliance on Human Discretion. Although many of the Analytics are reliant on technology (as discussed above), certain investment settings remain materially reliant on human discretion, and in particular on that of the portfolio managers and the other personnel of the Adviser. The portfolio managers and the Adviser and their employees will endeavor to exercise that discretion in a reasonable manner, but no guarantee can be made that such decisions will be successful or not have unintended or unforeseen consequences.

The relevant portfolio manager(s) have broad discretion in making investments for Clients. There can be no assurance that the portfolio managers have or will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on a Client's investments. Prices of a Client's investments may be volatile, and a variety of factors that are inherently difficult to predict may significantly affect the results of a Client's activities and the value of its investments. No guarantee or representation is made that a Client's investment objective will be achieved or that such Client will be able to avoid significant losses.

Regulatory Changes. It is possible that changes in applicable laws and regulations may affect the Adviser's operations. In addition, a number of substantial regulatory changes are pending or in the process of changing in certain markets. However, the consequences of additional regulation on the liquidity and the functioning of the markets in which the Adviser trades (and, possibly, on the Adviser itself) cannot be predicted and may materially diminish the profitability of investment opportunities for the Adviser's Clients.

In addition, the global financial markets have in the past undergone pervasive and fundamental disruptions which have led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action, these interventions have typically been unclear and often inconsistent 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. It is impossible to predict what additional governmental restrictions will be imposed on the markets and/or the effect of such restrictions on Clients' strategies; however, increased regulation of the financial markets could be materially detrimental to Clients.

The above summary does not purport to be a comprehensive discussion of all the risks associated with a Client's specific Mandate. A Client's offering memorandum or prospectus and supplemental disclosure document contains additional information with respect to the risks to which the Client will be subject.

Item 9. Disciplinary Information

On March 28, 2017, a Panel of the Business Conduct Committee of the Chicago Board of Trade (“CBOT”) accepted an offer of settlement from the Adviser’s affiliate, TSI, in connection with a CBOT position limit rule. The CBOT Notice relating to this matter stated that on February 22nd and February 23rd 2016, certain Clients and TSI Clients held aggregated wheat futures positions in excess of the CBOT standard all month limit. Upon discovery, the overage was liquidated to bring the aggregate position into compliance with the CBOT limits. As part of the settlement, TSI agreed to pay a fine of \$25,000, while neither admitting nor denying any rule violation.

Item 10. Other Financial Industry Activities & Affiliations

In addition to the Adviser, Two Sigma Affiliates include four investment advisers registered with the SEC: TSI, Two Sigma Investor Solutions, LP (“TSIS”), Sightway Capital, LP (“Sightway”) and Two Sigma Ventures, LP (“TSV”). The Adviser is also affiliated with one broker-dealer registered with FINRA and the SEC: TSS. TSI, a Delaware limited partnership, manages third-party and proprietary private investment funds. TSIS, a Delaware limited partnership, provides non-discretionary investment-related services to help its clients with strategic asset allocation, risk management, and certain other portfolio-related matters. Sightway, a Delaware limited partnership, focuses on private equity-style investments (including through negotiated transactions in operating entities), forming new operating entities and investments in private investment funds managed by unaffiliated third-party managers. TSV, a Delaware limited partnership, focuses on venture capital investments, including negotiated transactions in operating entities that utilize advanced science, technology, computing, engineering, and/or mathematics to innovate in their selected market. The brochures for each of TSI, TSIS, Sightway and TSV are available through the SEC’s Investment Adviser Public Disclosure website.

The Adviser and TSI are each registered as both a commodity pool operator and a commodity trading advisor with the U.S. Commodity Futures Trading Commission (the “CFTC”) under the Commodity Exchange Act. Additionally, TSIS is registered as a commodity trading advisor with the CFTC under the Commodity Exchange Act. In connection with the Adviser’s (and certain of its affiliates’) registration as commodity pool operators or commodity trading advisors, certain of the Adviser’s management persons and personnel are registered as associated persons of and/or as principals of the Adviser (and/or its affiliates).

TSS is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and a number of other self-regulatory organizations and exchanges. Certain of the Adviser’s management persons and employees are registered representatives or principals of TSS.

TSS is registered as a market maker, conducts proprietary trading in multiple asset classes, and serves as an “introducing broker-dealer” executing trades for TSI on behalf of certain Proprietary Trading Vehicles, as well as for unaffiliated investment advisers (the “Agency Brokerage Business”). However, TSS does not presently execute trades for Clients. TSS does not custody any customer funds, nor does TSS clear or settle trades. TSS and TSI draw upon each other’s research, technology and other proprietary assets and have implemented expense-sharing arrangements in connection therewith. Accordingly, TSS has and may continue to draw upon certain TSI proprietary assets for its Agency Brokerage Business, which provides trade execution services to unaffiliated investment advisers that may compete with TSI, the Adviser and/or the Clients. In carrying out its services to certain clients of the Agency Brokerage Business, TSS uses software and algorithms customized for a particular client (and potentially additional clients in the future) of TSS that are developed by TSIS’s global execution team. Such customized software and algorithms generally will not be shared with the Adviser or its Clients, and no analysis is expected to be undertaken by the Adviser or other Two Sigma Affiliates as to whether such customized software or algorithms would provide benefits to the Adviser or its Clients.

The Adviser is also affiliated with Attune Insurance Services, LLC, a technology-driven insurance agency serving small to medium-sized businesses in the United States.

TSI has from time to time licensed and may, in the future, at its sole discretion, license and/or allocate certain strategies, Techniques and/or other information to other affiliates including, but not limited to, TSS (for use in conducting its market making and proprietary trading activities) and TSIS. Investors should assume that any such licensing has had, and will continue to have, a material adverse impact on the Clients. Additionally, the Adviser may become affiliated with one or more additional broker-dealers, exchanges and/or other U.S. or non-U.S. regulated entities.

In order to provide advisory services to Clients, the Adviser licenses from TSI (i) certain Analytics that TSI developed and (ii) derived data, both of which TSI uses to provide investment advice to, and execute transactions for, the vast majority of TSI's clients. See Item 6. "Performance-Based Fees & Side-by-Side Management—Certain Conflicts of Interest Associated with Side-by-Side Management—Allocation of Licensed Analytics."

TSI also provides various services to the Adviser pursuant to the Licensing and Services Agreement including, but not limited to, administrative, legal, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other miscellaneous services (please refer to Item 6 of this brochure for a discussion of the order aggregation and trade allocation policy). The Adviser pays TSI fees for provision of these services; however, such fees are borne by the Adviser and will not be borne, directly or indirectly, by Clients.

All employees of the Adviser also have a separate and direct employment relationship with TSI.

In addition to the Licensing and Services Agreement currently in place between the Adviser and TSI, the Adviser, pursuant to the Mandates of certain Clients, currently directs such Clients to invest in certain TSI Clients, and TSI directs one or more of the TSI Clients to invest in certain Clients advised by the Adviser.

Finally, the Adviser and certain of its related persons are affiliated with and/or own interests in TSIP, which, as the general partner, member, allocation shareholder (or similar entity) of various Clients, is entitled to receive performance-based compensation from certain Clients as discussed in Item 5 hereof. The Adviser and certain of its related persons are affiliated with and/or own interests in Two Sigma Principals, LLC, which, as the general partner, member, allocation shareholder (or similar entity) of various TSI Clients, is entitled to receive similar performance-based compensation from certain TSI Clients. Additionally, the Adviser is affiliated with entities that serve as the general partners to clients of Sightway and TSV.

Item 11. Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

The Adviser has adopted a Code of Ethics (the “Code”) and certain other policies and procedures that obligate the Adviser and its “access persons” (*e.g.*, any partner, officer, director, member, or employee of the Adviser) to put the interests of the Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. The Adviser will supply a complete copy of its Code to any Client or prospective Client or any investor or prospective investor in a Client upon request.

The Adviser and its related persons effect transactions for their own accounts in the same securities or other Instruments purchased and sold for Clients.

To ensure trading by the Adviser’s access persons is conducted (i) in a manner that does not adversely affect the Adviser’s trading on behalf of the Clients and (ii) in a manner that is consistent with the fiduciary duties owed by the Adviser to the Clients, the Adviser has adopted the Code and attendant policies and procedures governing, among other things, transactions by the Adviser’s access persons and other “covered persons” (*e.g.*, any such access person’s spouse, immediate family members, any person to whom an access person provides primary financial support, partnerships and corporations in which access persons maintain a certain level of beneficial interest, and any person with whom access persons share common financial support). The Code and attendant policies and procedures contain provisions designed to, among other things (i) prevent improper personal trading by the Adviser’s access persons and other covered persons; (ii) identify actual or potential conflicts of interest; and (iii) provide guidance in resolving certain actual or potential conflicts of which the Adviser is aware of in favor of the Clients. To accomplish these objectives, the Adviser’s Code and attendant policies and procedures generally, among other things (i) require pre-clearance of personal trades in “reportable securities” (as defined in the Code) by the Adviser’s access persons and covered persons; (ii) restrict the number of such trades by the Adviser’s access persons and covered persons in a given month; (iii) prohibit certain trading by the Adviser’s access persons and covered persons in securities of issuers listed on any applicable “restricted list” (as defined in the Code); and (iv) require certain minimum holding periods.

While not anticipated in the ordinary course of business operations, the Adviser and/or its affiliates may from time to time engage in principal transactions (for example, when transitioning a portfolio from one vehicle to another in connection with a given Client’s launch). In each such instance, the Adviser expects to seek to effect any such transaction in accordance with the requirements of Section 206(3) of the Advisers Act.

The Adviser has also adopted policies and procedures regarding the receipt of gifts and entertainment by the Adviser’s employees from certain third parties (*e.g.*, vendors, broker-dealers, consultants, etc.). Specifically, these policies and procedures require employees to report the receipt of gifts and entertainment in excess of pre-established *de minimis* thresholds. The Adviser reviews these reports for any potential conflicts of interest with respect to individual instances of

gifts or entertainment, as well as patterns of the same over time, to seek to prevent employees from placing their own interests ahead of the interest of Clients.

The Code and the Adviser's other policies and procedures also address the following key areas: (i) recordkeeping; (ii) oversight of the Code; (iii) conflicts of interest; (iv) the treatment of confidential information; (v) compliance with SEC rules and regulations; (vi) reporting misconduct; (vii) political contributions; and (viii) outside activities. Periodic training regarding the Code and the Adviser's other policies and procedures are provided to the Adviser's access persons.

The Adviser may come into possession of certain information that it believes to be confidential or material, non-public information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser may receive such information directly as a result of its investment advisory activities for any individual Client, indirectly as a result of its relationship with affiliates including, but not limited to, TSI, TSIS, Sightway, TSV and TSS, or through other activities such as strategic partnership negotiations or an employee's board or credit committee service. The Adviser will typically be prohibited from communicating such information to a Client or using such information for a Client's benefit. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information outside of the Adviser, that typically prohibit the communication of such information internally within the Adviser to persons other than the General Counsel and/or the Chief Compliance Officer or their designees and that are reasonably designed to ensure that the Adviser is meeting its obligations to Clients and remains in compliance with applicable law. The Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser's advisory affiliates are permitted to trade in Instruments for their own accounts and engage in personal securities transactions in securities and other Instruments in which Clients invest, in accordance with the Code. These activities create conflicts of interest between the Adviser's advisory affiliates and the Adviser's Clients with regard to such matters as allocation of opportunities to participate in, or refrain from participation in, particular Instruments or to dispose of certain Instruments.

The Code contains provisions designed to prevent improper personal trading by the Adviser's access persons. Pursuant to the Code, all of the Adviser's access persons and covered persons must obtain pre-approval prior to trading a reportable security, unless such person has a managed account with an independent adviser who has discretionary investment authority. The Adviser's access persons and covered persons are prohibited from trading securities on any applicable restricted list and generally are prohibited from participating in "new issues." Short selling is prohibited. The Adviser's current personal trading policies limit the brokers that access persons can use for personal trading. All accounts that have the ability to hold securities and all holdings in reportable securities need to be disclosed upon joining the Adviser and confirmed and/or updated periodically.

As noted in Item 6, “Performance-Based Fees & Side-by-Side Management,” certain of the Clients are owned in part or entirely by proprietary capital. Item 6 also summarizes the Adviser’s allocation of trades.

As noted in Item 8, the Adviser and TSI employ a Conflicts Committee comprised of certain of the Adviser’s and TSI’s senior management and control personnel. The primary purpose of the Conflicts Committee is to provide a body to which such personnel can raise potential conflicts of interest for evaluation, including potential conflicts which relate to investment process decisions.

Item 12. Brokerage Practices

As indicated above, the Adviser has licensed certain Analytics from TSI, including certain TSI proprietary order and execution management systems and execution algorithms. Client orders for all Instruments (other than cash management instruments and adjusting the notional amount of certain total return swaps) are processed via TSI's order management systems, and for liquid, exchange-traded Instruments, execution of orders on those types of Instruments occurs through TSI's execution management system in a fully automated manner or with limited employee assistance, and for Instruments that are not liquid and exchange-traded (e.g., OTC (including cleared) Instruments), execution of orders on those types of Instruments are generally handled manually by a trader. For more information regarding TSI's execution management system, see Item 6. "Performance-Based Fees & Side-by-Side Management—Certain Conflicts of Interest Associated with Side-by-Side Management— Trading and Execution; Use of TSI Execution Desk."

The traders are equipped with a user interface, which is used as a tool to, among other things: (i) review and monitor certain orders; (ii) create and direct certain orders electronically for liquid, exchange-traded Instruments; and (iii) book certain trades that are handled manually for Instruments that are not liquid and exchange-traded. Using this user interface, a trader has the discretion to determine the appropriate means for handling an order and can choose to do so either via an electronic trading application or manually. In each case, the Clients' orders are sent to an order management system and orders are executed manually or through electronic trading systems maintained by an unaffiliated broker, dealer or other market intermediary for execution ("Market Intermediary").

Market Intermediaries used to execute Client trades are selected primarily on the basis of their execution capability, services provided, research provided, financial stability, reputation, access to the market for the securities being traded and expertise. In providing services to the Clients, the Adviser utilizes many brokerage services offered by Market Intermediaries including, but not limited to, traditional brokerage, direct market access and third-party algorithms. As such, the Adviser, at times, exercises significant control over the brokerage process and, at other times, relies more heavily on such Market Intermediaries. In some cases, due to the nature of specific markets, the limited routes of market access and the limited counterparty availability for Clients in certain geographical regions, the Adviser expects to obtain exposure to certain Instruments through a single swap-provider (or a very limited number of swap providers) that will serve as a Client's Market Intermediary, subjecting the Client to concentrated counterparty risk and limited execution options. The Adviser has discretion as to how these exposures are acquired through the Market Intermediary. However, in certain cases market access and other capabilities may be limited to offerings provided by such Market Intermediary. Notwithstanding the foregoing, the Adviser may, in its discretion, conduct such a Client's investment activities by entering into arrangements with other swap providers and/or directly on various listed exchanges.

The Adviser need not solicit competitive bids for orders. The Adviser does not have an obligation to seek the lowest available commission cost, or require TSI, as a service provider to the Adviser, to seek the lowest available commission costs. It is neither the Adviser's nor TSI's practice, on behalf of the Adviser, to negotiate "execution only" commission rates. Thus Clients may be deemed to be paying for research, brokerage or other services provided by Market Intermediaries

(or provided by third parties to whom the Adviser directs payment from the Market Intermediaries) in recognition of the commissions, mark-ups or other compensation received by such Market Intermediaries (collectively, “Commissions”).

As part of its best execution responsibilities, the Adviser reviews and monitors, among other things, (a) data and/or reports regarding Market Intermediaries and execution costs of transactions, and (b) transactions being executed through the TSI Execution Desk. The Adviser seeks to ensure that Clients' transactions are conducted in the best interest of the Clients, including by continuing to seek to obtain best execution for Clients through the Adviser's review and adoption of TSI's best execution policies and procedures, and any material updates thereto, with regard to the TSI Execution Desk and with regard to trades placed by or through such desk.

Consistent with seeking overall best execution, the Adviser may also obtain research, brokerage and other services that would otherwise be a Client expense provided by the Market Intermediary (or provided by third parties to whom the Adviser directs payment from the Market Intermediaries) for Commissions paid in connection with the transaction. TSI, on behalf of the Adviser, may place transactions that involve increased transaction costs for the foregoing services with a Market Intermediary that also (i) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the Market Intermediary or (ii) refers investors to the Adviser or other products advised by the Adviser (or an affiliate). Accordingly, a Client may pay higher Commissions to Market Intermediaries that provide these services and benefits (or that are provided by third parties to whom the Adviser directs the Market Intermediaries to pay) than such Client would pay to other Market Intermediaries that do not provide these services and benefits (or the ability to direct payments to other third parties) based on the Adviser's recognition of the value of the research, brokerage and other services that would otherwise be an expense of a Client.

When appropriate, TSI, as part of the trading services and support provided to the Adviser, may, on behalf of the Adviser, but is not required to, seek to aggregate Clients' orders and, in many cases, Clients' and TSI Clients' trade orders to achieve more efficient execution or to provide for equitable treatment among accounts. For information concerning the Adviser's order aggregation and trade allocation policies, see Item 6. “Performance-Based Fees & Side-by-Side Management” above.

The Adviser currently only uses Commissions to obtain research and brokerage services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. Research services within Section 28(e) include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company data (including financial data), certain valuation and pricing data and economic data); advice from brokers on order execution; investment and economic recommendations; and certain proxy services. Brokerage services within Section 28(e) include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (*i.e.*, connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and

trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. Should the Adviser elect in the future to use Commissions arising from a Client's investment transactions for services other than research and brokerage, such usage will be limited to services that would otherwise be a Client expense. The use of Commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, the Adviser receives a product or service that may be used only partially for Section 28(e) types of services or services for which a Client is obligated to pay. In such instances, the Adviser will make a good faith effort to determine the proportion of the "mixed use" product or service used for Section 28(e) types of services or services for which such Client is obligated to pay and the proportion used for other purposes. The proportion of the product or service used for Section 28(e) types of services may be paid through Commissions generated by transactions for the Client and the proportion used for other purposes will be paid for by the Adviser from its own resources.

The use of Commissions (or certain markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser and/or TSI, on behalf of the Adviser, to select or recommend a broker-dealer based on the Adviser's and/or TSI's interest in receiving those products and services (or the ability to instruct such a broker-dealer to pay a third-party vendor for these products and services). In addition, the receipt of benefits and the determination of the appropriate allocation in the case of "mixed use" products or services (as noted above) creates an additional potential conflict of interest between the Adviser and the Clients. The Adviser and/or TSI, on behalf of the Adviser, may cause Clients to pay Commissions (or certain markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), resulting in higher transaction costs for Clients. However, the Adviser and/or TSI, on behalf of the Adviser, will make a good faith determination that the amount of Commissions paid is reasonable in light of the research and brokerage services obtained.

Research and brokerage services obtained by the use of Commissions arising from a Client's portfolio transactions are used by the Adviser (and are shared with TSI) in their other investment activities, including, for the benefit of other Clients (and TSI Clients). The Adviser does not seek to allocate soft dollar benefits proportionately based on the Client which generated such soft dollar credits.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research reports (including market research); corporate governance research and rating services; inputs from traders, analysts, experts on selected subjects and other market participants (*e.g.*, in connection with the use, implementation and support of the alpha capture systems, including those developed by TSI and licensed to the Adviser); and data services (including services providing market data, news data, company data (including financial data), certain valuation and pricing data and economic data).

In selecting or recommending broker-dealers, TSI, on behalf of the Adviser, may consider whether TSI, the Adviser or a related person receives client referrals from a broker-dealer or third party. TSI has an incentive to select or recommend a broker-dealer based on TSI's, the Adviser's or a related person's interest in receiving client referrals rather than on the Client's or TSI Client's interest in receiving most favorable execution. To address this conflict of interest, TSI, on behalf of the Adviser, may execute trades through broker-dealers that refer clients to TSI, the Adviser or a related person but only if it is determined by TSI's Best Execution Committee that trades with such broker-dealers are otherwise consistent with seeking best execution. In no event will TSI, on behalf of the Adviser, select a broker-dealer or will a Client or a TSI Client pay a higher commission than would otherwise be paid as a means of remuneration for recommending the Adviser, TSI or a related person or any other product managed by the Adviser (or an affiliate) or affording the Adviser, TSI or a related person with the opportunity to participate in capital introduction programs.

Please refer to Item 6. "Performance-Based Fees & Side-by-Side Management—Certain Conflicts of Interest Associated with Side-By-Side Management" for further information regarding the procedures adopted by the Adviser for allocating trades among its Clients including procedures for order aggregation.

Item 13. Review of Accounts

Frequency and Nature of Review.

The Adviser's Chief Investment Officer (or his delegate) periodically reviews the trading activity conducted on behalf of the Clients in conjunction with the relevant portfolio management personnel responsible for such trading activity. These reviews consist of a review and analysis of (i) various trading data, (ii) internally-generated risk reports and (iii) an evaluation of such other information the Adviser deems appropriate.

Content and Frequency of Regular Account Reports.

A Client's investor(s) receive reports from the Adviser as described in the investment management agreement, sub-advisory agreement, offering or organizational documents of the Client. In the case of Clients that are private investment funds, investors therein are provided with audited annual financial statements typically within one hundred twenty (120) days of the end of any such fund's fiscal year. In addition, such investors are provided with unaudited statements typically within thirty (30) days of the end of each month. In the case of certain sub-advisory relationships, the Adviser provides reports to the primary adviser for inclusion, as applicable, in such adviser's reports to investors as may be described in the applicable sub-advisory agreement or prospectus and supplemental disclosure document of the Client.

Clients and/or the Adviser may enter and have entered into agreements with certain investors to provide such investors with additional reports, including detailed information regarding portfolio positions.

Quarterly and other periodic reports of the sub-advised investment company are publicly available on the SEC's website at www.sec.gov.

Item 14. Client Referrals & Other Compensation

The Adviser does not currently compensate any person for Client referrals. However, in accordance with applicable law, the Adviser compensates certain third parties for assistance in connection with soliciting Canadian and Japanese investors in certain Clients. Additionally, the Adviser may compensate broker-dealers that provide referrals, to the extent consistent with best execution as discussed in Item 12.

The Adviser has developed extensive relationships through a lengthy and continued course of dealing with certain third-party investment consultants (“Investment Consultants”) that are neither affiliated with nor compensated by the Adviser. Investors and prospective investors in Clients retain these same Investment Consultants from time to time to advise them on the selection and review of investment managers and investment products, including in respect of the Adviser and its Clients. Such Investment Consultants do not act on behalf of the Adviser, and their services are generally outside the scope of any offering of securities by the Adviser and/or its Clients. Furthermore, the Adviser does not participate in the advisory services offered by such Investment Consultants to their clients and generally seeks to ensure that Clients and investors in Clients rely solely on the applicable offering memorandum, investment management agreement, sub-advisory agreement or prospectus and supplemental disclosure document.

The Adviser and TSI receive certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser and/or TSI to select or recommend particular broker-dealers based on the Adviser’s and/or TSI’s interest in receiving the research or other products or services from such broker-dealers (or from third parties to whom the Adviser directs payments from such broker-dealers). Please see Item 12 above for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s and TSI’s procedures for addressing conflicts of interest that arise from such practices.

Item 15. Custody

With respect to Clients that are private investment funds, the Adviser and certain of its affiliates are generally deemed to have custody of Client assets and, where applicable, intend to comply with Rule 206(4)-2 under the Advisers Act, by meeting the conditions of the pooled vehicle annual audit provision.

With respect to Clients that are not private investment funds, if the Adviser has the authority to deduct advisory fees or otherwise withdraw funds from a Client's account, the Adviser will be deemed to have custody of such Client's account. As of the date hereof, the Adviser does not have custody with respect to Clients that are separately managed accounts.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to Clients. Other than those restrictions set forth in the applicable offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document, or other governing document, Clients generally may not impose restrictions on investing in certain securities or certain types of securities.

Prior to assuming full discretion in managing a Client's assets, the Adviser enters into an investment management, sub-advisory or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the Client (subject to restrictions on its activities set forth in the applicable offering memorandum, investment management agreement, sub-advisory agreement, any written investment guidelines or prospectus and supplemental disclosure document) and (ii) the amount of securities to be purchased or sold for the Client. See Item 6 for a discussion of the Adviser's allocation and aggregation practices.

The Adviser may, directly or indirectly, from time to time, cause certain of the Clients to purchase equity securities that are part of an initial public offering (sometimes referred to as "IPOs" or "New Issues"). The Adviser will determine those Clients that are eligible to participate in the IPOs and the Adviser, or TSI on behalf of the Adviser, will allocate such IPO securities in a manner consistent with applicable law and the Adviser's fiduciary duties among such Clients. If the Adviser elects to cause certain of the Clients to purchase New Issues, TSI, as part of the trading and execution services and support provided to the Adviser, will determine, among other things the (i) manner in which New Issues are directly purchased, held, transferred and sold and any adjustments (including interest) with respect thereto; (ii) manner in which the investors will participate in the profits and losses from New Issues; (iii) investors who are eligible and ineligible to participate in the profits and losses from New Issues; (iv) method by which profits and losses from New Issues are to be allocated among the investors in a manner that is permitted under the FINRA rules; and (v) time at which New Issues are no longer considered as such under the FINRA rules. Investors in Clients may elect to be treated as either eligible or ineligible to participate in the profits and losses from New Issues (if any).

Item 17. Voting Client Securities

When the Adviser votes proxies with respect to the securities of a Client, the Adviser employs proxy voting guidelines and proxy voting procedures that are designed so that such proxies are voted in accordance with the Adviser's determination of the best interests of the Clients. Certain Clients, pursuant to the applicable offering memorandum, investment management agreement, sub-advisory agreement, any written investment guidelines or prospectus and supplemental disclosure documents, may instruct the Adviser to not vote proxies on behalf of the Client. In addition, the Adviser may choose to cease voting proxies, or not vote proxies, on behalf of certain of its Clients. The Clients are not permitted to direct their votes in a particular solicitation.

When voting proxies, the Adviser generally utilizes the services of a third-party proxy agent that votes pursuant to guidelines agreed upon with the Adviser in advance which the Adviser believes are in the best interests of the Client. If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

Any Client (or investor therein) can obtain (i) a copy of the Adviser's proxy voting policies and procedures and (ii) information on how the Adviser voted proxies for each applicable Client in which they are invested by contacting the Adviser's Investor Relations Department at (212) 625-5700.

Item 18. Financial Information

This Item is not applicable.

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

This Item is not applicable.

Appendix: Item 2. Material Changes

Below is a summary of the material changes that the Adviser has made to this brochure since the Adviser's last annual Form ADV filing on March 29, 2018. Please be aware that other non-material changes have been included in this brochure.

- Item 4. Updates have been made to reflect regulatory assets under management.
- Item 6. Updates have been made to provide additional information with respect to trading via the TSI Execution Desk.
- Item 8. Updates have been made to provide additional information with respect to ideas and theses shared with other financial professionals; risks relating to leverage restrictions and counterparty credit; information asymmetries; and valuation risks.
- Item 10. Updates have been made to reflect, among other things, details regarding and the Adviser's affiliation with TSV.
- Item 12. Updates have been made to reflect the Adviser's use of market intermediaries.
- Additional revisions were made throughout various items, including to conform and clarify the changes made to the items set forth above.