

**Item 1 – Cover Page**

**Part 2A of Form ADV  
Brochure for:**



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**March 29, 2019**

**This brochure provides information about the qualifications and business practices of Sensato Investors LLC. If you have any questions about the contents of this brochure, please contact us at (415) 391-4600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Registration of an Investment Adviser does not imply any certain level of skill or training.**

**Additional information about Sensato Investors LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2 – Material Changes**

This brochure was prepared for Sensato Investors, LLC's annual updating amendment. Our previous brochure was completed on March 29, 2018 and filed as part of our annual updating amendment. In this annual updating amendment, we have:

- Item 4. Updated our assets under management.
- Item 8. Updated Fund risk disclosures.

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## Item 4 – Advisory Business

### ***Description of Sensato Investors and Our Services***

Sensato Investors LLC (“Sensato Investors”) provides specialized discretionary advisory services to investment limited partnerships and offshore investment funds (collectively the “Funds”) with the goal of achieving capital appreciation while managing risk. Sensato Investors may also manage separate institutional accounts or sub-advise pool or “fund-of-one” vehicles with substantially the same investment objectives as the Funds (each a “Separate Account” and collectively with the Funds, “Clients”).

Sensato Investors was formed in 2009 by two former managing directors of Barclays Global Investors, Ernest Chow and Jonathan Howe, who are also the majority owners of Sensato Investors. The founding partners have a long history of working together on strategy development and fund management. Sensato Investors is committed to creating value for its clients through delivery of consistent, risk controlled portfolio returns from investments primarily in the Asia Pacific region. Sensato Investors’ investment process starts with rigorous research on company fundamentals and market dynamics. The analysis of investment opportunities is forward looking and holistic with attention to financial statements, published research, media, market data and other sources of publicly available information.

**Ernest Chow, PhD, CFA.** Ernie Chow is a founding partner of Sensato Investors. He has held various positions in the investment management industry since 1996. Prior to co-founding Sensato Investors, he was a managing director and co-head of active equities at Barclays Global Investors (“BGI”), where he developed and managed active strategies for Japan, Asia ex-Japan and Global Emerging Markets. Before BGI, Dr. Chow worked at County Investment Management / National Australia Bank as a quantitative analyst and investment technologist, and as an assistant lecturer and research assistant in Applied Mathematics at Monash University in Australia.

Dr. Chow is a Chartered Financial Analyst Charterholder, and has earned a Ph.D. in Applied Mathematics, a Bachelor of Laws (with Honors) and a B.Sc. in Applied Mathematics (with Honors) from Monash University, Melbourne, Australia.

**Jonathan Howe, PhD.** Jonathan Howe is a founding partner of Sensato Investors. He has held various positions in the investment management industry since 1996. Prior to co-founding Sensato Investors, he was a managing director and co-head of active equities at Barclays Global Investors, where he developed and managed active strategies for Japan, Asia ex-Japan and Global Emerging Markets. Before BGI, Dr. Howe worked as a quantitative analyst with the international equity team at Hotchkis & Wiley in Los Angeles. Prior to 1996, his professional experience also includes three years with the Federal Reserve Bank of New York as a senior financial analyst and two years of service with the United States Peace Corps in the Philippines.

Dr. Howe has earned a Ph.D. in Finance from the Anderson School of Business, University of California, Los Angeles, an MPA in Economics from the Woodrow Wilson School, Princeton University, and a BA in Economics and Political Science, Summa Cum Laude, from Yale University.

### ***Client Tailored Services and Client Imposed Restrictions***

Sensato Investors does not tailor its portfolio management services to the individual needs of investors in the Funds or Separate Accounts.

***Wrap Fee Programs***

Sensato Investors does not participate in wrap fee programs.

***Assets Under Management***

As of December 31, 2018, Sensato Investors had discretionary regulatory assets under management of \$2,838,718,485. Sensato Investors does not manage assets on a non-discretionary basis.

**Item 5 – Fees and Compensation*****Management Fee***

For its services to its Clients, Sensato Investors generally receives management fees at a rate of 2% per annum of the balance in an investor's capital account. Sensato may vary the management fee rate if specified in a separate agreement between Sensato Investors and its Clients. Similarly, Sensato Investors receives management fees for Separate Accounts. The rate of such fees varies based on relevant management agreements. The management fee is either calculated and paid monthly or quarterly in advance or calculated monthly or quarterly and paid in arrears depending on the terms of the relevant Fund or Separate Account agreement. As to capital contributed on a date other than the first day of a month, Sensato Investors is paid a prorated management fee. The management fee is paid by the Clients which results in a corresponding deduction in an investor's capital account.

***Incentive Allocation and Performance Based Fees***

Generally, Sensato Investors receives either an incentive allocation or performance based fee. The incentive allocation or performance based fee is generally calculated and made as of each December 31, equal to 20% of the net realized and unrealized appreciation in the Net Asset Value of each Client's sub-capital accounts. Sensato Investors may vary the incentive allocation or performance based fee rate if specified in a separate agreement between Sensato Investors and Clients. The incentive allocation or performance based fee is also calculated and made (if appropriate) as to withdrawals other than as of December 31, as of the effective dates of those withdrawals but only as to the sub-capital account from which the withdrawal was made, and only in proportion to the reduction in that sub-capital account's balance caused by the withdrawal.

Incentive allocations or performance based fees are subject to a "high water mark" procedure. That is, Sensato Investors is eligible to receive an incentive allocation or performance based fee as to a sub-capital account for a calendar year (or portion of a year, if the allocation is being made as a result of a mid-year withdrawal from that sub-capital account) only if and to the extent that the appreciation in the Net Asset Value of that sub-capital account for the calendar year exceeds any depreciation in that Net Asset Value for that sub-capital account that has not been recouped. Generally, the "high water mark" procedure prevents Sensato Investors from receiving an incentive allocation or performance based fee on profits that simply restores previous losses. If an investor makes a withdrawal as to a sub-capital account that has unrecovered losses, those unrecovered losses as to that sub-capital account will be reduced in proportion to the withdrawal that is being made. Once made, an incentive allocation or performance based fee will not be reduced by losses incurred in later periods.

The incentive allocation or performance based fee is only allocated to investors who are qualified clients and in accordance with Rule 205-3 under the Investment Advisers Act of 1940.

## **Expenses**

**Organizational Costs.** The Clients bear, either directly or through reimbursing the Investment Manager, all costs and expenditures incurred in connection with its and the Fund or Separate Account's organization and the initial offering and sale of Shares. These costs and expenditures include government incorporation charges and professional fees and expenses in connection with the preparation of the Clients' offering documents and basic organizational and contractual documents. The Clients have treated the organizational and initial offering expenses as an asset and amortizes these costs over 60 months.

The Clients also bear all expenses incurred in connection with the ongoing offer and sale of Shares.

**Client Expenses.** The Clients pay to the administrator customary fees based on the nature and extent of services provided pursuant to the client services agreement between the Clients and the administrator.

The Clients bear all (except to the extent the Clients incur any expenses in respect of its direct investment activities, if any) ongoing expenses. These include brokerage commissions and similar costs on portfolio transactions; interest on margin and other borrowings; borrowing charges on securities sold short; research and market data costs; and other investment transaction costs (including markups and mark-downs); custodial and subcustodial fees; bookkeeping, accounting, audit and other professional fees and expenses; legal fees; expenses incurred by the Investment Manager for investment research and due diligence; tax preparation fees; governmental fees and taxes; filing fees; costs of reporting; costs of fund governance activities (such as obtaining shareholder consents); fees paid to one or more third-party administrators to perform, among other things, some of the services and functions described above, including fees paid to the administrator; directors' fees; D&O liability insurance covering officers, directors and certain personnel; and all other reasonable expenses related to the management and operation of the Clients' account and/or the purchase, sale or transmittal of the Clients' assets, all as the Investment Manager determines in its discretion.

Clients do not pay or reimburse directly any of the Investment Manager's or the administrator's general overhead costs or expenses, such as the rent of their respective offices, the compensation and benefits of their respective staff, maintenance of the Investment Manager's or the administrator's books and records or their fixed expenses (*e.g.*, telephone and general-purpose office equipment).

The Investment Manager may cause some of its and the Clients' costs to be paid using "soft dollars"—*i.e.*, paid by securities brokerage firms in recognition of commissions or other compensation paid on securities transactions executed through those firms. Although the Clients and the Investment Manager have no formal arrangement with any party to pay for its non-research and non-brokerage expenses with soft dollars, "full-service" brokers may "bundle" execution, research, or even other services under a single execution price.

The liabilities and expenses allocated to the Clients are allocated among the sub-capital accounts to which they relate. Liabilities and expenses not specifically attributable to a particular Series of Shares are allocated among the sub-capital accounts of the Series the General Partner considers equitable.

Please refer to *Item 12 – Brokerage Practices* for more information on brokerage transactions and costs.

**Item 6 – Incentive Allocations or Performance-Based Fees and Side-By-Side Management**

Sensato Investors receives an incentive allocation or performance based fee as discussed above in *Item 5 – Fees and Compensation*. The incentive allocation or performance based fee may create an incentive for Sensato Investors to cause Clients to make investments that are riskier than the Clients would otherwise make. In addition, since the incentive allocation or performance based fee is calculated on a basis which includes unrealized appreciation of the Clients' assets, it may be greater than if such allocation were based solely on realized gains.

With the exception of internal capital managed within the Funds, Sensato Investors does not currently manage any capital where it does not receive a performance based allocation. If Sensato Investors were to manage both Client assets that receive incentive allocations or performance based fees and Client assets that do not receive an incentive allocation or performance based fees, Sensato Investors and its supervised persons may have an incentive to favor accounts for which Sensato Investors receives an incentive allocation or performance based fee.

**Item 7 – Types of Clients**

Currently, Sensato Investors' clients consist entirely of private pooled investment vehicles. The minimum investment into a Fund or Separate Account managed by Sensato is generally \$5,000,000 and the minimum additional investment is \$250,000. The Clients' Board of Directors may waive or reduce these requirements in particular cases or change them as to new investors in the future.

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

The Fund or Separate Account's investment objective is to provide risk controlled and consistent returns by investing primarily in the Asia Pacific region.

**Investment Strategy**

*General.* Sensato Investors employs an investment strategy that is predominantly equity long/short. Sensato Investors uses a systematic investment approach that is grounded in economic and company fundamentals and quantitative in implementation. Sensato Investors seeks to implement its investment views through the development and use of a proprietary forecasting model that draws upon a wide range of financial statement, market, macroeconomic and other quantitative and non-quantitative information. Sensato Investors intends to analyze this information to form a view on the expected return of each position in the Client's investment universe. Its view will be driven by three major factors: (i) the valuation of the position; (ii) the likelihood of fundamental surprise; and (iii) the likelihood of re-rating or discount rate news. It will also use the investment information and forecasting framework to form views on risk and expected returns of the region's industries, countries, currencies and commodities.

*Investment Scope.* The Clients will generally take long and short positions in securities and currencies associated with investing in securities listed in the public equity and futures markets in the Asia Pacific region, including the stock and futures exchanges of Japan, China, Hong Kong, Taiwan, Korea, Australia, India, Thailand, Malaysia, Singapore, Indonesia, Philippines and New Zealand, and the United States (the "*Region*"). The Clients seek to buy securities and other assets

that are, in Sensato Investors' opinion, reasonably valued and of high quality with potential for fundamental improvement and growing attractiveness to investors. The Clients intend to short securities and other assets that are, in the Investment Manager's view, overvalued, "hyped" and prone to suffer from deterioration in fundamentals and investor sentiment.

*Investment Characteristics.* The Clients will target 10-12% return net of fees, with an expected volatility of 10-12%. The Clients intend to use leverage of up to 3.5 times 'per side,' typically in the range of 2.5 times long equity and 2.0 times short equity positions.<sup>1</sup> The Clients will typically have a net long equity exposure to the Region; however, Sensato Investors may vary this net exposure as part of the investment process. The Clients typically holds a large number of positions (hundreds or even over 1,000) at any one time.

***No assurances can be given that the Funds' or Separate Accounts' target returns will be met.***

*Instruments.* The Clients principally anticipates holding cash, equity long positions, including preferred stock and warrants, and equity short positions primarily in the Region. The Clients may also use equity derivatives to gain exposure to the same securities, including listed and over-the-counter instruments such as futures (single-stock or other), contracts for difference and swaps. The Clients may also invest in listed securities that are traded on markets outside the Region, if they provide exposure to the Region. These securities may include American depositary receipts (ADRs), global depositary receipts (GDRs), exchange traded funds (ETFs), exchange traded notes (ETNs), and the securities of companies listed on North American or European exchanges that operate in the Region. The Clients expect to use various derivative instruments, including commodity, equity and bond index futures, swaps, and various foreign exchange instruments, such as currency futures and forwards, among others. The Clients may also invest in commodity futures and commodity stocks outside the region. In addition, the Clients may use equity derivative instruments including options and variance swaps for risk management purposes and hold short term fixed income securities for cash management purposes.

*Portfolio Construction.* Sensato Investors will perform portfolio construction using a 'portfolio optimizer' to manage the trade-off between expected return and risk of the portfolio and the cost of trading and closing positions. It will also take into account local market liquidity conditions, short selling rules and limited stock loan availability. In deciding to open or maintain short positions, Sensato Investors will take into account the cost of stock borrowing and the costs of implementing and maintaining futures positions. Sensato Investors intends to consistently execute trades created through the investment process.

### ***Investment Selection***

*Company Valuation.* Sensato Investors' evaluation of a company takes into account its value as a going concern and potential value under conditions such as liquidation or restructuring. As appropriate for each company, Sensato Investors plans to employ valuation metrics such as earnings and cash flow yield, dividend yield, and other multiples based on sales, cash flows, EBITDA, operating income, book value of assets and capital employed by the business. It also intends to incorporate value-relevant information including growth prospects, the value of intangibles, or structural capital in the firm. The inputs to these metrics will be derived from the

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<sup>1</sup> For example, with \$1 NAV, the Fund or Separate Account will typically invest \$2.50 in long equity positions, and \$2.0 in short equity positions, resulting in a net long exposure of \$0.50. The size of this net position may vary through time. For example, the portfolio could be \$2.55 long and \$1.75 short, resulting in a net long exposure of \$0.80.



companies' financial statements, Sensato Investors' own forecasting models, and from the forecasts of external research analysts.

*Fundamental Surprise.* For each company, Sensato Investors seeks to forecast the likelihood whether the company will 'surprise' the market on the upside or downside. To do this, Sensato Investors will monitor company financial disclosures and other relevant information, including sell side analyst forecasts, media reports, disclosures of related or comparable companies and regulatory disclosures. Sensato Investors will emphasize indicators that, in its opinion, signal shifts in company earnings and cash flow quality as well as fundamental earning power and growth.

*Discount Rate Surprise.* Beyond fundamental effects, Sensato Investors intends to forecast the potential price impact of worsening or improving investor sentiment toward a company. Sensato Investors will pay attention to the actions of other market participants by monitoring trading flows, other investor positions, exchange data, regulatory disclosures of insider trades, and news. Using this data, Sensato Investors will attempt to form a view on whether a current trend is likely to continue or whether a position has become "crowded" or "neglected."

*Country and Sector Views and Factor Weighting.* Sensato Investors' perspective on aggregate country, sector and style positions in the portfolio will primarily be driven by a combination of bottom-up forecasts and top-down information for individual companies forming each group. Sensato Investors recognizes that the relevance, forecasting power and risk of each return driver will be different at the aggregate level and will adjust its treatment accordingly. Weighting will reflect the impact of changing macroeconomic and market conditions on model forecasting power. The Client will employ a variety of measures related to interest rates, credit conditions, growth expectations, investor sentiment, capital flows and exchange rates to characterize the investment environment.

*Currency.* While currency exposure is not a primary driver of returns for the strategy, Sensato Investors actively seeks to forecast the returns for the currencies in the Region in order to manage currency risk and to seek profit from foreign exchange transactions. The forecast of currency returns will incorporate a variety of measures related to local interest rate environments, capital flows, currency fair value, and economic growth expectations as reflected in Sensato Investors' aggregated bottom up views.

*Commodities.* While commodity exposure is not a primary driver of returns for the strategy, the Investment Manager actively seeks to forecast the returns for commodities in the Region in order to manage risk and to seek profit from commodity trades. The forecast of commodity returns will incorporate a variety of measures related to commodity supply and demand, commodity market and contract specific technical effects, fair value, and fundamentals.

### ***Risk Management***

*General.* The Clients will invest in a broad range of developed and emerging markets and will, consequently, be exposed to a variety of risks, including global and country specific economic, financial and political risks, market risk, derivative and counterparty risk, and company specific risks. Risk management and diversification are an integral part of Sensato Investors' strategy. The Clients will use a proprietary risk model to determine risk allocation to each position and hedging between positions, to maintain overall portfolio risk within the target range, and to appropriately 'risk-budget' among the investment themes represented in the portfolio. The Clients' risk model incorporates a range of structural and forward-looking information, striving to mitigate the portfolio's exposure to sharp losses and shocks. The risk model is integrated with

the return forecasting model, aiming to achieve consistency and enable comprehensive assessment and control of the intentional risks Sensato Investors is taking in trading the portfolio. The target maximum long or short exposure to any single equity security generally will be 5% of the Clients' net asset value. The target maximum net long or short exposure to any sector generally will be 40% of the Client's net asset value. The maximum net long or short equity exposure to any country generally will be 30% of the Clients' net asset value.<sup>2</sup> The Clients' target net long exposure generally will be -.2 to .7 times the Clients' net asset value.

*Trading and execution.* Sensato Investors will seek to manage its counterparty risk through the use of multiple counterparties for stock loans and trading execution. It intends to select trading service providers to deliver best execution consistent with the investment goals of the strategy, as determined by Sensato Investors. We recognize that the Region's markets vary widely in liquidity, market microstructure, and information conditions, creating the potential for strong differentiation in execution capabilities among service providers.

*Currency.* The Clients will bear some currency risk based on both its net long or net short country positions and each Client's positions in general, in accordance with the U.S. dollar denomination of the Clients and the foreign currency denomination of the Clients' portfolio positions. Sensato Investors intends to actively manage the currency risk exposure.

*Commodities.* The Clients will bear some commodities-related risk based on commodity holdings, which will include equity in commodities and commodity futures holdings. Sensato Investors intends to actively manage commodity risk exposure.

### ***Transaction Costs***

Sensato Investors will use a proprietary transaction cost model to forecast the cost of implementing each position. The forecast will take into account commissions, taxes, bid-ask spreads, borrowing costs and the potential for market impact based on each security's characteristics and the microstructure of the market in which it trades. For example, for futures positions, the Investment Manager will include in the forecast the costs of maintaining and rolling the exposures, among other factors. The cost forecast will be integrated in the portfolio construction process with an aim to achieve that trades be executed only if they improve the after-transaction-cost-expected portfolio return and risk.

### ***Other Considerations***

Sensato Investors and the Clients intend to pursue the investment program (including any limitations) described above. The discussion above reflects Sensato Investors' investment philosophy, strategy and expectations as of the date of this Memorandum as to the focus, techniques and activities of the Clients. However, neither the Investment Management Agreement nor the Partnership Agreement imposes any limits on the types of securities or other instruments in which the Clients may invest, the types of positions either may take, the concentration of their investments by sector, industry, fund, country, class or otherwise, the amount of leverage they may employ or the number or nature of short positions they may take. The Clients may invest in any type of security or financial instrument. Depending on conditions and trends in securities markets, Sensato Investors may cause the Clients to employ other

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<sup>2</sup> These bounds are indicative only, although most positions will be well within the stated limits. Sensato Investors will manage risk using a proprietary risk model and its own definitions of industry, sector and country exposure. However, these definitions will be structurally similar to other widely used classification models such as the Global Industry Classification Standard (GICS) developed by MSCI.

strategies or techniques Sensato Investors considers appropriate and in the Clients' best interests at the time.

***The Funds' or Separate Account's investment program is speculative and entails substantial risks. No assurances can be given that the Funds' or Separate Accounts' investment objectives will be realized.***

### ***Risk of Loss***

***An investment in a Fund or Separate Account involves a high degree of risk, including the risk that the entire amount invested may be lost.***

Prospective investors should carefully consider all potential risks, including but not limited to those summarized below. Prospective investors should carefully review the risk factors discussed in each Clients' Confidential Offering Memorandum as well as consult their own legal, tax and financial advisers as to all these risks and as to an investment in a Fund or Separate Account generally.

**Reliance on Sensato Investors.** The Clients' success depends on the ability of Sensato Investors and, particularly, Ernest Chow and Jonathan Howe, to develop and implement investment strategies to achieve the Clients' investment objectives. The Clients' investment performance could be materially and adversely affected if Drs. Chow or Howe were to cease to be involved in the active management of the business. Dr. Chow, Dr. Howe and Sensato's other principals devote a substantial amount, but not all, of their time to managing the Clients' portfolio. They may devote some of their time to other investment activities. Investors have no right or power to take part in the Clients' management.

**Investment History.** Even though the Investment Manager's personnel have substantial experience and track record in the management of portfolios similar to the Clients', their, or the Clients', past performance is no guarantee of the Clients' future success. The Clients' investment program should be evaluated on the basis that there can be no assurance that the Investment Manager's assessments of the short, intermediate or long-term prospects of investments will prove accurate.

**Model-Based Investing.** The Clients' strategy is computer model-based quantitative investing. The Investment Manager implements its strategy through its proprietary, systematic, model-based quantitative investment models. The Investment Manager's personnel design signals and codes that comprise the investment model with a view to achieve the Clients' investment objective. The models are highly complex computer programs incorporating various signals and factors aimed at exploiting market trends, anomalies and pricing discrepancies with a view to selecting investments in pursuit of Clients' investment objectives.

**Complexity of Model Design and Implementation.** Although the Investment Manager intends to use good faith efforts to design, maintain and implement the model correctly and to use it effectively, there can be no assurance that it will successfully do so. The process of designing and perfecting the model and its components, and the model's various versions used from time to time, are highly complex. The process involves financial, economic and statistical theories and research, the results of which must be translated into computer code. The Investment Manager cannot guarantee that the model will indeed function as intended or that it will produce profits on investments as implemented. The quantitative strategies utilized by the Investment Manager have inherent limitations, including the possibility of human error in the design, data input or implementation process; imperfections of a model to fully match the complexity of the financial markets or to keep up with changes in the markets and the behavior of market participants over

time. The risk of errors, malfunctions and anomalies is inherent in each component of the programming process, how those components function together, and how the program absorbs market data interpreted by the Investment Manager. For this reason, the Investment Manager does not expect to disclose discovered “programming” or “coding” errors to the Clients. Errors do occur in computer programming, and the risk of errors may not be entirely eliminated from the design, writing, testing, monitoring, and/or implementation of the calculations and the code that comprise the Investment Manager’s proprietary model. Such “programming” or “coding” errors may be difficult to detect and correct. The Investment Manager cannot guarantee that it will successfully identify the source of “programming” or “coding” errors, or any fault in the code components, on time or at all, or that it will successfully correct them. As a result, a significant number of trades may be adversely impacted, which could have a material adverse effect on performance.

Although the Investment Manager employs a systematic approach, portfolio managers may occasionally override model results in the Investment Manager’s discretion. Any portfolio manager judgment during the approval or override of model results is based on human skills and abilities similar to non-quantitative investing, with all the risks, potential errors or miscalculations that any asset or portfolio manager faces.

*Impact of Other Market Participants.* The Investment Manager’s business is also subject to vulnerability by the activities of other similar market participants. There is a significant and increasing number of managers that employ quantitative or algorithmic trading strategies. Those competitors may now or in the future use similar models to the Investment Manager’s, which could result in similar trading patterns in response to major market events or disruptions. If that were to occur, the impact of negative events such as reduction in liquidity or rapid pricing changes could be magnified. If multiple and/or large quantitative portfolios take the same action with respect to a position, the model may not effectively predict and process that occurrence, and its output may cause the Client to experience material losses.

*Reliance on Technology.* The Investment Manager relies heavily on computer hardware and software, online services and other electronic technology, telecommunications and other equipment to facilitate its investment and business activities. It utilizes technology in every phase of investing, trading and operations, including data gathering, research, model and portfolio construction, trade executions and allocations, risk management, back office and accounting and related operational aspects of its business. Such automation and computerization rely upon and are dependent on proprietary and third-party software and services. Even though the Investment Manager uses back-up facilities, disruptions may occur in any aspect of the technology. Disruptions in the operation of the model or any equipment, whether caused by internal errors or those beyond the Investment Manager’s control, could result in adverse effects, including investment losses.

*Cybersecurity.* The technology systems of the Investment Manager (and of its service providers) may be vulnerable to inadvertent or deliberate interruption and consequent damage from technical or human sources. In addition to natural catastrophes, service/power outages, and network or telecommunication failures, security breaches and intrusion by unauthorized persons could result in damage, disruption, and theft of data, including investor information. The Investment Manager has implemented cybersecurity procedures meant to address these risks. Nevertheless, given the Investment Manager’s fundamental dependence on technology, a cyber-attack or similar technology disruption could have a material adverse impact on the Client.

**Procedures.** The Investment Manager has implemented procedures to seek to ensure that the model would perform as intended. Even though those procedures follow best practices in the quantitative management space, the Investment Manager cannot guarantee that the model will indeed function as intended or that it will produce profits on investments as implemented. The Client is subject to all the risks described above.

**Not a Complete Investment Program.** The Funds and Separate Accounts may be deemed a speculative investment and are not intended as a complete investment program. It is designed only for sophisticated and experienced investors who are able to bear the risk of loss of their entire investment.

**General Economic and Market Conditions.** The success of the Clients' investments may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, developments in governmental regulation and national and international political circumstances. These factors may affect the success of the businesses in which the Client's portfolio companies are engaged as well as the markets for the securities the Client holds. Unexpected volatility or illiquidity could impair the Client's profitability or result in losses.

**Investment and Trading Risks.** An investment in the Funds or Separate Accounts involve a high degree of risk, including the risk that the entire amount invested may be lost. The Clients invests in and actively trades securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including risks arising from the volatility of the equity, fixed income, commodity and currency markets, the risks of borrowings and short sales, the leverage associated with trading on margin and in the currency and derivatives markets, the potential illiquidity of derivative instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that the Clients' investment program will be successful, that the Clients' various investment strategies will have low correlation with each other, or that the Clients' returns will exhibit low correlation with an investor's traditional securities portfolio. Sensato Investors may utilize such investment techniques as option transactions, margin transactions, short sales, leverage, derivatives trading and futures and forward contracts. These transactions could impose substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which the Clients' investment portfolio may be subject.

**Equity Securities.** The equity and equity-linked securities in which the Clients invest are subject to general movements in the stock market and the value fluctuations of each particular issuer's stock. Equity security prices fluctuate for several reasons, including changes in the financial condition of a particular issuer, investors' perceptions of the issuer's industry, the general condition of the relevant stock market, changes in interest rates, or when political or economic events affecting the issuers occur.

**Arbitrage Strategies.** The success of the Clients' trading activities will depend on the Investment Manager's ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the capital markets. Identification and exploitation of the trading strategies to be pursued by the Clients involves uncertainty. No assurance can be given that Sensato Investors will be able to correctly locate trading opportunities or to exploit price discrepancies in the capital markets. A reduction in the pricing inefficiency of the markets in which the Clients seeks to invest will reduce the scope for the Clients' investment strategies. In the event that the perceived mispricings underlying the Clients' arbitrage positions were to fail to converge toward, or were to diverge further from, relationships expected by Sensato Investors,

the Client may incur a loss. The Clients' arbitrage strategies may result in greater portfolio turnover and, consequently, greater transactions costs.

**Use of Leverage.** Leverage through margin borrowing and other means is part of the Client's core investment strategy. The Clients expect to leverage their investment positions by borrowing funds from securities brokers or dealers, banks, or others. They also expect to use derivatives to leverage its capital. Leverage increases both the possibilities for profit and the risk of loss. Borrowings (and in some cases guarantees of performance of Fund or Separate Account obligations) will usually be from (or, in the case of guarantees, by) securities brokers and are typically secured by the Client's securities and other assets. Under certain circumstances, such a broker or dealer may demand an increase in the collateral that secures the Client's obligations, and if the Client is unable to provide additional collateral, the broker or dealer could liquidate assets held in the Client's account to satisfy the Client's obligations. Liquidation in that manner could have extremely adverse consequences, including sales at disadvantageous times and prices and the acceleration of tax consequences.

**Short Selling.** The Clients may sell securities short as a regular part of its investing activities. In a short sale, the Client sells securities it does not own, in the hope that the market price will decline and that the Clients will be able to buy replacement securities later at a lower price. To accomplish this, the Clients borrow the securities from a broker or other third party. It "closes" the position by "returning" the security (buying a replacement security on behalf of the lender). The obligation to replace the borrowed securities does not typically have a specified "maturity" date and the lender generally may require replacement of the securities whenever it chooses. A short sale theoretically involves the risk of unlimited loss: the price at which the Clients must buy "replacement" securities could increase without limit. As collateral for its replacement obligation, the Clients are generally required to leave the proceeds of its short sales with the broker that effected the transactions, and deliver an additional amount of cash or other collateral upon the lender's request if the amount of the Clients' liability increases due to increases in a security's price or decreases in the value of the existing collateral. The lender for the Clients' short sales will ordinarily be the Clients' Prime Brokers and, ordinarily, all of the Clients' assets will serve as collateral. Therefore, if the value of those assets were to become inadequate to secure the Clients' obligations under its short positions, it is unlikely that the Clients would be able to provide additional collateral. If that were to occur, the Prime Brokers would likely cause the Client to "buy in" or "close" some or all of its short positions, likely at a time and on terms that are adverse to the Client. There can be no assurance that the Clients will not experience losses on short positions or that it will have long positions that appreciate in value enough to offset any such losses.

**Hedging, Generally.** Although hedging strategies in general are usually intended to limit or reduce investment risk, they may not achieve the anticipated effect. In fact, they may result in poorer overall performance for the Clients than the Clients could have achieved had it not engaged in such hedging transactions. In addition, although Sensato Investors may utilize a variety of instruments, including options and other derivatives, for hedging and risk management purposes, it is not obligated to, and may not, hedge against certain risks. Furthermore, the Clients' portfolio will always be exposed to risks that cannot be hedged.

**Risks of Investing in Non-U.S. Securities.** The Clients will be investing in securities and commodity interests of non-U.S. companies in Japan, China, Hong Kong, Taiwan, Korea, Australia, India, Thailand, Malaysia, Singapore, Indonesia, Philippines and New Zealand (the "Region"). Investing in securities, commodity interests and derivative contracts and instruments

denominated in currencies other than U.S. dollars subjects the Clients to certain risks not typically associated with investing in securities and commodity interests in the U.S., including:

- *Political and Economic Instability.* Recent and future political developments in the Region may lead to policy changes that may adversely affect the Clients. Many economies are subject to instability due to, among other things, volatile internal political environments, relatively unstable monetary systems, and/or external political risks. Some governments participate in their economies through ownership or regulation in ways that can have a significant effect on securities prices. The economies of certain countries depend heavily on international trade and can be adversely affected by the enactment of trade barriers or changes in the economic condition of their trading partners. In some countries, especially developing or emerging countries, political or diplomatic developments could lead to programs that would adversely affect investments, such as confiscatory taxation or expropriation.
- *Currency Fluctuations.* The Clients invest in securities denominated in foreign currencies. A change in the value of any such currency against the U.S. dollar causes a corresponding change in the U.S. dollar value of the Clients' securities that are denominated in that currency. Such changes will also affect the Client's income. Certain foreign countries maintain their currencies at artificial levels relative to the U.S. dollar. This type of system can lead to sudden and large adjustments in the currency, which can result in losses to foreign investors. The Client may enter into certain futures and foreign currency transactions to attempt to reduce its foreign currency exposure. These techniques may reduce but will not eliminate the risk of loss due to unfavorable currency fluctuations and they tend to limit any potential gain that might result from favorable currency fluctuations. Certain countries restrict conversion of their currency into foreign currencies, including the dollar, and for some currencies, there is no significant foreign exchange market.
- *Characteristics of Non-U.S. Securities Markets.* The Clients generally trade securities, derivatives and other instruments on the principal stock exchange or over-the-counter market of the country in which the principal offices of the issuer of the security are located. Some non-U.S. markets are not as developed or efficient as those in the U.S. and may be more volatile than the U.S. markets. In particular, there is generally less government supervision and regulation of foreign exchanges, brokers and listed companies than in the U.S. Further, trading volumes in many markets are lower than in U.S. markets, resulting in reduced liquidity and potentially rapid and erratic price fluctuations. Commissions for trades on foreign exchanges are generally higher than negotiated commissions on U.S. exchanges and custody expenses are generally higher as well. Settlement practices for transactions in foreign markets may involve delays beyond periods customary in the U.S., possibly requiring the Clients to borrow funds or securities to satisfy its obligations arising out of other transactions. In addition, there could be more "failed settlements," which can result in losses to the Clients.
- *Accounting and Financial Reporting Standards—Less Company Information.* Generally, there is less publicly available information about non-U.S. companies than about U.S. companies. Some countries lack uniform accounting, auditing and financial reporting standards, practices and requirements and/or their accounting, auditing and financial reporting standards and practices may differ in certain respects from those employed in the U.S. As a result, foreign companies' public filings may contain less extensive or detailed information than their counterparts in the U.S. In considering a prospective

investment, it may, therefore, be difficult for Sensato Investors to conduct the level of due diligence customarily conducted with respect to investments in the U.S. These factors can make it difficult to analyze and compare the performance of foreign companies.

- *Legal System.* The legal systems of countries in the Region may be well-developed but will differ from the U.S. legal system. There may be delays in obtaining licenses, approvals, and authorizations and those delays may adversely affect the operations of the Clients' portfolio companies. There may be less regulation resulting in less company information or investors in the Clients may be exposed to risks associated with efforts by regulators to manage and stabilize certain financial markets, resulting in more regulation, which may restrict and negatively impact the Clients' performance.
- *Restrictions on Investment and Repatriation.* Certain countries impose restrictions and controls regarding investment by foreigners. Among other things, they may require prior governmental approvals, impose limits on the amount or types of securities that may be held by foreigners, or impose limits on the types of companies in which foreigners may invest. These restrictions may at times limit or preclude the Clients' investment in certain countries and may increase the costs and expenses of the Clients. Indirect foreign investment may, in some cases, be permitted through investment funds that have been specifically authorized for that purpose. Because of the limited number of authorizations granted in such countries, however, units or shares in most of the investment funds authorized in those countries may at times trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained and if the restrictions on direct foreign investment in the relevant country were significantly liberalized, premiums might be reduced, eliminated altogether or turned into a discount. In addition, certain foreign countries impose restrictions and controls on repatriation of investment income and capital.
- *Foreign Withholding Taxes.* Dividends, interest and other payment on or with respect to certain foreign securities the Clients may own may be subject to foreign withholding taxes, which will reduce net proceeds to the Client. The Client may have to make arrangements to accrue reserves for uncertain tax liabilities, which may result, among other things, in added complexity in Net Asset Value calculations and audits, which could adversely impact the Client's value.

**Valuation Risks.** Many of the securities in which the Client may invest are traded in markets that are not as active or deep as many other equity markets. For some securities, there are no established secondary markets. For others, the market may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, resulting in unreliability of pricing information. The markets for over-the-counter derivative products are even less developed and have no equivalent of established securities exchanges or composite tape systems to supply pricing information. Because of market inefficiencies, there can be material variation of bid/ask pricing from different dealers. In some circumstances, prices for positions the Client holds may not be available from any source.

Where third-party pricing information is not available, or where the General Partner in consultation with Sensato Investors considers the information not to be indicative of an investment's value, investments will be valued in the General Partner's (or Sensato Investors', as delegated) discretion. Further, if an issuer's financial condition deteriorates, accurate financial and business information may become even more limited or entirely unavailable. The General Partner and the Investment Manager may face conflicts of interest in making valuation decisions.



As a result of these and other factors, there can be no assurance that the valuation of the Clients' investment positions will accurately reflect the amount 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. Pricing inaccuracies could cause the Net Asset Value on which the Clients base various decisions (including determining redemption amounts) to differ significantly from the value the Clients is ultimately able to realize on its investments. In addition, inaccuracies in valuation could affect the Clients' portfolio management activities and, as a result, cause the Clients to experience significant losses.

**Risk of Derivatives, Generally.** The Clients may trade and invest in a variety of derivative instruments, both to hedge the Clients' portfolios and for profit. Derivatives are financial instruments or arrangements, the risk and return of which are related to changes in reference rates, indices or the value of securities or other assets. They can provide a form of leverage in that they permit the Client to speculate on fluctuations in the reference rates, indices or prices of securities or other assets while investing only a small percentage of the value of those assets. Trading and investing in derivatives can be highly speculative and can entail risks that are greater than the risks of investing directly in securities or other assets. Prices of equity derivatives can be more volatile than indices, rates, or asset prices on which they are based. A change in the rates or indices or a change in the market price of assets underlying a derivative may cause a much greater relative change in the price of the derivative. The Client's ability to profit or avoid risk through trading or investing in derivatives will depend largely on the Investment Manager's ability to anticipate changes in the underlying reference rates, indices or asset prices.

**Counterparty and Settlement Risk.** The Client may enter into over-the-counter derivative contracts or transactions (*i.e.*, transactions in options or other derivatives that are not cleared through the facilities of an exchange or clearing organization such as the Options Clearing Corporation). These may include "swaps," contracts for differences and specially-tailored options. Instruments or interests underlying these contracts or transactions may include securities, securities indices, interest rates, commodities and commodities indices. If the Client invests in these instruments, it may be exposed to the risk of default by its counterparty or to settlement difficulties. This risk may be materially greater than default or settlement risks involved in standardized and exchange-traded transactions. The latter are generally backed by clearing organizations' guarantees and are generally marked to market daily, and intermediaries are generally subject to settlement and segregation and minimum capital requirements. Transactions directly with a counterparty generally do not benefit from those protections and expose each party to a greater risk of the other's default. Although a counterparty may collateralize its obligations to a Client by segregating the Client's assets and identifying them as such on its records, it may not always be required to or otherwise do so. Even if it does, those or similar arrangements may not always be adequate to protect the Client if the counterparty were to become insolvent, and, in any event, the Client could experience delays in receiving the benefit of the derivative or other contract.

**Options.** Among the derivatives in which the Client may invest or trade are options on various underliers including options on specific securities, options on securities indices and options on security futures contracts. The Clients may buy or sell (write) both call options and put options, and when it writes options it may do so on a "covered" or an "uncovered" basis. The Clients' options transactions may be part of a hedging tactic (*i.e.*, offsetting the risk involved in another securities position), a form of leverage in which the Clients has the right to benefit from price movements in securities, securities indices or other assets with a small commitment of capital, or an attempt to obtain profits through premiums received on options the Client writes. The trading of options is highly speculative and may entail risks that are greater than those present when

investing in other securities. Prices of options are generally more volatile than prices of other securities. The Clients may speculate on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying such option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that the Clients purchases options that it does not sell or exercise, it will suffer the loss of the premium paid in such purchase. To the extent the Clients sells options and must deliver the underlying securities at the option price, the Client has a theoretically unlimited risk of loss if the price of such underlying securities increases. To the extent the Clients must buy the underlying securities, the Clients risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the obligor on an option may be greater and the ease with which the Client can dispose of such an option may be less than in the case of an exchange traded option.

In general, these descriptions of the fundamental risks involved in options trading do not take into account other positions or transactions the Client may enter into. Combinations of options positions, or combinations of options positions with positions in stocks or other securities, can mitigate or can increase the risks inherent in each component option position.

- When the Client *buys* a call option, it will pay a premium for the right to *buy* a security at a specified exercise price through a specified expiration date. If, at the expiration date, the market price of the underlying security is equal to or lower than the exercise price, the option will expire worthless and the Client will lose its entire investment in the option (the premium plus commissions). When the Client buys a put option, it will pay a premium for the right to *sell* a security at a specified exercise price through a specified expiration date. If at expiration the market price of the underlying security is equal to or higher than the exercise price, the option will expire worthless and the Client will lose its investment.
- When the Client *sells* (writes) an option, the risk can be substantially greater than when it buys one. When it sells a call option, it will receive a premium and grant the option's buyer the right to buy the underlying security from the Client at a specified exercise price. If the market price of the underlying security does not increase above the exercise price, the premium the Client receives will represent a profit. However, if the market price does increase above the exercise price, the Client will lose the amount of the difference (less the premium it received when it sold the option). This risk is theoretically unlimited (similar to the risk of selling a security short) in that the price of the underlying security could theoretically increase without limit. When the Client sells a put option, and grants the holder the right to force the Client to buy the underlying security at the exercise price, it will bear the risk of a decline in the price of the underlying security below the exercise price. Thus, if the underlying security were to become valueless, the Client theoretically could lose an amount equal to the entire aggregate exercise price of the option (minus the premium the Client received when it sold the put). The Client can limit its risks in writing options by writing them on a "covered" basis—*e.g.*, owning securities of the same class and in the same amount as the securities underlying a call option it writes, or having a short position in the securities underlying a put option it writes. Although covering reduces the risks of selling options, as with all hedging strategies, it can involve transaction costs and may inherently limit the potential for profit from the option position.

- The Client may buy or sell “over the counter” options—options that are not traded on a securities exchange and are not issued by the Options Clearing Corporation. The risk of nonperformance by the obligor on such an option may be greater and the ease with which the Client can dispose of such an option may be less than in the case of an exchange traded option issued by the Options Clearing Corporation.

**Forward Trading.** The Clients may trade in forward contracts. Unlike exchange-traded future contracts and options on futures, forward contracts are not regulated by the CFTC and accordingly the Clients will not receive any benefit of CFTC regulation of these trading activities. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to the Clients for the value of unrealized profits on the contract or for the difference between the value of its commitments, if any, for purchase or sale at the current contract price and the value of those commitments at the forward contract price. At times, certain market makers have refused to quote prices for forward contracts, or have quoted prices with an unusually wide spread between the price at which they are prepared to buy and sell. Should this occur, the Client could experience significant losses.

To the extent the Client invests in non-U.S. securities or securities traded in currencies other than U.S. dollars, the Client may seek to hedge its exposure to currency fluctuations by entering into foreign currency forward contracts (agreements to exchange one currency for another at a future date). These contracts involve a risk of loss if the Client fails to predict accurately the direction of currency exchange rates. For example, the Client may experience a loss if it increases its exposure to a foreign currency and that currency's value in relation to the U.S. Dollar subsequently falls.

**Currency Hedging; Foreign Currency Forward Contracts.** To the extent the Client invests in non-U.S. securities or securities traded in currencies other than U.S. dollars, although not obligated to, the Client may seek to hedge its exposure to currency fluctuations, and may enter into foreign currency forward contracts (agreements to exchange one currency for another at a future date). In addition to risk management, the Clients engage in foreign exchange trading with the purpose of seeking profit from foreign exchange transactions.

Foreign currency forward contracts (agreements to exchange one currency for another at a future date) involve a risk of loss if the Clients fails to predict accurately the direction of currency exchange rates. For example, the Clients may experience a loss if it increases its exposure to a foreign currency and that currency's value in relation to the U.S. dollar subsequently falls. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to the Client for the value of unrealized profits on the contract 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.

**Swap Agreements.** The Clients may enter into swap agreements (“swaps”) as part of their investment program. Swaps are individually negotiated and structured agreements through which the Client may obtain exposure to particular investment positions or market factors. Swaps may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, swaps can involve considerable economic leverage and may, in some cases, involve significant risk of loss. Depending on their structure, swap agreements may increase or decrease the Client's exposure to equity securities, long-term or short-term interest rates, foreign currency values, corporate borrowing rates or other factors. Swap agreements can take many different forms and are known by a variety of names. The

Clients are not limited to any particular form of swap agreement if consistent with the Clients' investment objective and policies.

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

**Credit Default Swaps.** The Clients may invest and trade in, or otherwise make use of, credit default swaps. In a credit default swap, one party (the "protection buyer") agrees to pay a rate on the notional principal amount and the other (the "protection seller") bears a contingent liability to purchase from the protection buyer a notional amount of an obligation of a reference entity's debt at face value contingent upon the occurrence of a credit event in regard to that reference entity. Where the Clients are a protection buyer, if it were to hold the position for the duration of the swap, and the issuer did not become subject to a credit event, it would have made a series of payments and would receive no payments in return, resulting in a loss on that position. In many cases the Clients will not hold a credit default swap open for its entire duration but will, instead, seek to close or unwind it before the end of its term. This could possibly result in a loss to the Client. Factors that could cause such a loss could include that the market's perception of the creditworthiness of the reference issuer had improved, reducing the amount that buyers would be willing to pay for protection, or that the demand for protection on the issuer's obligations were otherwise to decline. When the Clients sell protection, it assumes the risk that the reference issuer could experience a credit event while the position is open, in which case the Clients would be obligated to purchase at face value an amount of the reference issuer's debt instruments equal to the notional amount of the contract at a time when the market price is significantly lower than the face amount of those instruments. If the Clients were to seek to close or unwind a swap position at a time when the market's perception of the reference issuer's creditworthiness had worsened or other factors had increased the demand for credit protection as to the issuer, it would incur a loss on the position. Combinations of swap positions, or combinations of such positions with positions in other securities, can increase the risks inherent in each component of those combinations.

**Futures Activities.** As with some other derivatives, futures trading can provide a form of leverage, allowing the Clients to participate in market price fluctuations of securities indices or commodity interests underlying futures (or options on futures), while investing only a small percentage of the value of those underlying securities indices or commodity interests. Trading in futures can be highly speculative and may entail risks that are greater than investing in securities. Some of those risks include the following:

- Prices of commodity interests may be more volatile than prices of securities.
- The leverage aspects of futures trading can increase the risks involved in a particular activity as well as the potential return. The Clients may open a futures position by placing with a futures commission merchant an initial margin that is small relative to the value of the futures contract. If the market moves against the Clients position or margin requirements are increased, the Clients may be required to pay substantial additional funds on short notice to maintain its position. If the Clients were to fail to make those payments, its position could be liquidated at a loss, and the Clients would be liable for any resulting deficit in its account.

- Futures positions may be illiquid. They may be closed out only on the exchange on which they were entered into or through a linked exchange. Most commodity exchanges limit fluctuations in certain futures contract prices during a single day. Once the price for a particular contract has increased or decreased by an amount equal to the “daily limit,” positions can be neither taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Clients from liquidating unfavorable positions and subject it to substantial losses. In addition, the Clients may not be able to effect futures contract trades at favorable prices if trading volume in those contracts is low.
- The Clients futures and options activities may include futures and options traded in non-U.S. markets. The risks of these activities may be greater than those of trading in futures and options on U.S. exchanges. For example, foreign futures and options are cleared on and subject to the rules of a foreign board of trade. Neither the CFTC nor the NFA regulates activities of any foreign board of trade, including execution, delivery and clearing of transactions. Moreover, these agencies have no enforcement authority over foreign boards of trade.
- Even though the Client does not intend to take physical delivery of any of its commodity positions, and the vast majority of futures contracts typically do not go to physical delivery for financial investors, a small risk always exists that the Client must take physical delivery of a commodity. If the position cannot be closed out by an offsetting contract, and the position is held to expiration, physical delivery may be forced. The Client could suffer the burden of having to pay for and deal with warehouse delivery and storage, and ultimately reselling the commodity, which may not happen at ideal pricing.

**Exchange Traded Funds and Index Aggregates.** The Clients may invest in exchange traded funds (“ETFs”) and other index aggregate products, such as ETNs (exchange traded notes). ETFs are index funds or trusts that track the performance of a specific basket of securities (“benchmark”) and are listed on an exchange. Other types of ‘enhanced’ index aggregate products may combine tracking a specific benchmark with additional investment techniques such as leveraging and/or the use of derivatives. Exchange traded funds (“ETFs”) and other index aggregate products may be subject to the following risks:

- *Tracking Error.* Although an ETF or other index aggregate fund will generally attempt to replicate exactly the performance of the index, market, industry or sector that it is based on, due to fees, expenses, availability of shares of the underlying portfolio securities of the particular index, market, industry or sector or other matters, it may not be able to do so. As a result, the performance of the particular ETF or aggregate may not equal or track the performance of the underlying index, market, industry or sector. In addition, there may be limitations and/or restrictions on the Clients’ ability to redeem or transfer shares of a particular ETF or aggregate, which may affect the Clients’ ability to avoid or reduce losses or to capture gains.
- *Index Decline.* ETFs and index aggregates provide diversification across an index and, depending on how broad-based the index is, may provide the Clients with the benefits of investing in diversified and/or broad-based portfolios. However, a decline in the value of an index, market, industry or sector on which the ETF or aggregate is based will result in a decline in the value of the ETF or aggregate. In addition, leverage employed by an index aggregate fund will multiply the losses of an index. For example, an index aggregate fund whose benchmark is 200% of a specific index will experience a 10% loss if the index declines by 5%.

- **Index Derivatives.** Some index aggregate products may not invest directly in the securities that comprise the index. Rather, they may seek to achieve their objectives by investing in index derivatives such as futures or swaps on an index. These index aggregate funds are subject to the additional risks generally presented by derivatives use, an enhanced risk of an imperfect correlation between the market value of securities in an index and the prices of futures and other derivatives purchased in lieu of the securities of an index, and other risks. No assurance can be given that a correlation will exist between price movement in the stock index and price movements in the securities that are the subject of the hedge. Positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange. In addition, although the Clients intend to enter into futures contracts only if an active market exists for the contracts, no assurance can be given that an active market will exist for the contracts at any particular time. Certain exchanges do not permit trading in particular contracts at prices that represent a fluctuation in price during a single day's trading beyond a certain set limit. If prices fluctuate during a single day's trading beyond those limits, the Clients could be prevented from promptly liquidating unfavorable positions and thus be subject to losses.

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

**Debt Securities.** The Clients may invest in various debt securities. Convertible debt and other fixed income securities generally pay the investor a fixed, variable or floating rate of interest and, at the maturity of the instrument, must repay the amount borrowed. Some debt securities (e.g., zero coupon bonds) do not pay current interest, but are sold at a discount to their face values. Debt securities have varying levels of sensitivity to changes in interest rates and varying degrees of credit quality. See "Interest Rate Risk" and "Credit Risk" below.

**Convertible Securities.** The Clients may invest in convertible securities, including convertible bonds, convertible preferred stocks and other fixed income instruments that have conversion features. Convertible securities and preferred stock combine the fixed income characteristics of bonds with some of the potential for capital appreciation of equities, and thus may be subject to greater risk than pure fixed income instruments. Unlike bonds, some preferred stocks and some convertible securities do not have a fixed par value at maturity, and in this respect may be considered riskier than bonds.

Convertible debt securities and preferred stocks may depreciate in value if the market value of the underlying equity security declines or if rates of interest increase. In addition, although debt securities are liabilities of a corporation which the corporation is generally obligated to repay at a specified time, debt securities, particularly convertible debt securities, are often subordinated to the claims of some or all of the other creditors of the corporation.

**Interest Rate Risk.** The value of convertible and other debt securities (and related investments) in the Clients' portfolio may fluctuate according to changes in interest rates. When interest rates rise, prices of debt securities generally fall, and when interest rates fall, debt securities generally

increase in price. Usually the prices of debt securities that must be repaid over longer time periods fluctuate more than the prices of shorter-term debt securities.

**Default Risk; Credit Risk.** The Clients' performance could be adversely affected if issuers of debt instruments in which the Client has an interest (or as to which it has entered into credit related derivatives contracts) default on those instruments (either through payment default or other events that constitute a default as defined in the relevant agreements) or if events occur that reduce the creditworthiness of those issuers. If a bond or other debt instrument were to become subject to such an event, the value of the instrument could be significantly reduced, conceivably to zero.

**Concentration of Investments.** The Clients do not limit the amount of capital that may be committed to any single investment, industry or sector. Although the Clients generally intend to limit their investments as described under the "Investment Strategies" section (above) and generally attempt to spread capital among a number of investments, at times the Clients may hold a relatively small number of positions, each representing a relatively large portion of a Client's capital. The Clients may at times have a relatively large portion of their capital exposed to a particular industry or market sector. Losses in one or more large positions, or a downturn in an industry or market sector in which a Client is concentrated, could materially adversely affect a Client's performance in a particular period and could have a materially adverse effect on a Client's overall financial condition.

**Limited Liquidity of Some Investments; Valuation.** The Clients may invest in securities and derivative contracts that are relatively illiquid. That may be because a security is thinly traded or because the Clients' position in a security is large in relation to the overall market for the security. The Clients may own securities that are relatively liquid when acquired but that become illiquid after the Clients invests. At any particular time, a portion of the Clients' assets may consist of positions that are, at least as of that time, subject to contractual and/or regulatory resale restrictions and therefore not readily marketable. Derivative instruments, such as options, have expiration dates, and may be costly to close out or may not be closed out before their expiration. Warrants issued in private placements have contractual restrictions on resales.

The Clients may not be able to liquidate these illiquid positions if the need were to arise; rapid sales of such investments could depress the market value of those instruments, reducing the Clients' profits, or increasing its losses, in the positions. The values of those securities, and other securities that are illiquid due to thin markets, size of the Client's holdings, or other factors, may not be accurately reflected in current market quotations. Sensato Investors has broad discretion in valuing these and other securities the Client holds. Valuation decisions will affect, among other things, the Clients' profits and losses. In the valuation of these instruments, Sensato Investors will use its own valuation policies and procedures. However, those policies and procedures may be amended and changed in Sensato Investors' discretion, and they may contain whatever criteria and techniques Sensato Investors, in its discretion, considers appropriate under all the circumstances. The value Sensato Investors assigns to restricted securities (including warrants), illiquid securities (including thinly traded securities) and large blocks of securities for purposes of determining Net Profit and Net Loss may differ from the value the Clients (or a Shareholder who receives securities upon a redemption) are ultimately able to realize on those securities. The limited liquidity of the Clients' investments may have an impact on a Shareholder's ability to redeem Shares or to receive redemption proceeds. It could also cause the Client to pay redemption proceeds in the form of securities, some or all of which may be illiquid, including interests in a liquidating fund or account the Investment Manager has created for purposes of holding until liquidation some of the Client's investments that could not be distributed in kind at the time of a Shareholder's redemption. If that were to occur, the redeeming Shareholder might

not be able to realize the value assigned to those securities at the time they were distributed to the Shareholder.

**New Issues.** The Clients may invest in “New Issues”— initial public offerings of equity securities. Shareholders who are “restricted” under the rules of FINRA may be limited in the amount of profits (if any) that they may be allocated from New Issues in which the Clients may invest or prohibited entirely from participating in a New Issue. To the extent a Shareholder is “restricted,” an investment in the Clients may produce lower performance than that experienced by investors who are not restricted. Any Shareholder who does not provide the Clients with information sufficient to show that he or she is not restricted will be presumed to be restricted.

**Portfolio Turnover.** The Clients may have higher portfolio turnover than other investment funds. If that occurs, the brokerage commissions incurred by the Clients may be higher than those incurred by a fund with a lower portfolio turnover rate.

**Other Fund or Separate Account Risks.** Investors in private pooled investment vehicles, such as the Clients, are subject to various additional risks that are related to the structure of the investment vehicles, including:

- An investment in a Fund or Separate Account is relatively illiquid.
- Substantial withdrawals may require the Client to liquidate securities positions more rapidly than would otherwise be desirable.
- Sensato Investors will be subject to a variety of conflicts of interest in managing the Clients’ assets and affairs.
- Investors may be subject to certain tax risks and potential investment company regulation.

Refer to each Clients’ Confidential Offering Memorandum for more information regarding these and other Client risks.

**Changes in Investment Strategy.** The Clients give Sensato Investors broad discretion to expand, contract or otherwise change the Clients’ activities without notice to or the consent of the investors. Any such change could result in the exposure of the Clients’ capital to additional risks, which may be substantial.

## **Item 9 – Disciplinary Information**

Neither Sensato Investors nor any of Sensato Investors’ management persons has had any legal or disciplinary events that would be material to a client’s evaluation of Sensato Investors or the integrity of Sensato Investors’ management.

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

Neither Sensato Investors nor any of Sensato Investors’ management persons are registered, or have an application pending to register as a broker-dealer or registered representative of a broker-dealer. Sensato Investors is a National Futures Association (“NFA”) member firm and is registered with Commodity Futures Trading Commission (“CFTC”) as a commodity pool operator. Sensato Investors is an exempt commodity trading advisor under CFTC and NFA rules.



Sensato Investors is a sponsor and general partner of limited partnerships and other private investment vehicles.

By acting as the Investment Advisor of these limited partnerships and by making direct investments in some of the vehicles it manages, Sensato Investors has an incentive to favor these investment vehicles over other clients should Sensato Investors accept any other clients. Notwithstanding these conflicts, Sensato Investors will allocate transactions and opportunities among the various accounts it manages in a manner it believes to be as equitable as possible, considering suitability and each account's objectives, programs, limitations and capital available for investments, but even accounts with similar objectives will often have different investment portfolios.

Sensato Investors does not recommend or select other investment advisers for its clients for compensation.

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

**Code of Ethics.** Sensato Investors has adopted a Code of Ethics ("Code") that describes the standards of business conduct that it requires of employees and accounts owned predominantly by persons associated with Sensato Investors, and establishes procedures intended to prevent Sensato Investors, and its personnel and certain of their relatives, from inappropriately benefiting from Sensato Investors' relationships with its clients. The Code provides:

- Sensato Investors' clients' interests come before Sensato Investors' or employees' interests;
- Sensato Investors must disclose to clients all material facts about conflicts of which it is aware between Sensato Investors' and its employees' interests on the one hand and clients' interests on the other;
- Employees must operate on Sensato Investors' and their own behalf consistently with Sensato Investors' disclosures to and arrangements with clients regarding conflicts and its efforts to manage the impacts of those conflicts;
- Sensato Investors and its employees must not take inappropriate advantage of Sensato Investors' clients or their positions of trust with or responsibility to clients; and
- Sensato Investors and its employees must comply with all applicable securities laws.

Sensato Investors monitors all employees' securities transactions. The Code includes procedures for and restrictions on employee trading intended to prevent employees from benefiting from, or appearing to benefit from, any price movement that may be caused by client transactions. The Code also contains restrictions on and procedures to prevent inappropriate trading while Sensato Investors is in possession of material nonpublic information.

Sensato Investors will provide a copy of its Code of Ethics to any client or prospective client upon request. A request may be made by submitting a written request to Sensato Investors at the address on the cover page to this brochure.

**Participation or Interest in Client Transactions.** Neither Sensato Investors nor its officers, partners, directors, or employees may recommend to clients, or buy or sell for client accounts,

securities in which they have a material financial interest. This involves a conflict of interest. As such, Sensato Investors generally prohibits its employees and related persons from engaging in these types of transactions.

**Personal Securities Transactions.** Sensato Investors, its officers, partners, directors, and employees may not invest in the same in the same securities (or related securities such as warrants, options or futures) that they recommend to clients, nor may they recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that they buy or sell the same security for their own account. Sensato Investors' officers, partners, directors, and employees are required to sign and adhere to Sensato Investors' Code of Ethics. Certain access persons may hold client portfolio securities in non-discretionary index replication accounts, but have no authority to place trades in these accounts. Among other things, employees agree not to trade in equity securities (offshore or derivatives) in their personal accounts. Employees are required to disclose their personal brokerage accounts, receive preclearance before making a personal securities transaction, and report their personal securities holdings and transactions to Sensato Investors.

## **Item 12 – Brokerage Practices**

### ***Types of Transactions and Transacting Parties***

Clients will incur substantial brokerage commissions and other transaction expenses. Sensato Investors has complete discretion in deciding what brokers, dealers, and other financial intermediaries and counterparties through or with which to execute or enter into portfolio transactions (collectively, "*Transacting Parties*"). Sensato Investors also has complete discretion to negotiate compensation arrangements and transaction terms with Transacting Parties. These arrangements may include not only paying commissions for transactions effected on any agency basis, but also compensation implicit in prices of transactions directly with Transacting Parties acting as principal (such as market-makers for over-the-counter securities) and dealers in fixed income securities and derivatives. As a result, Sensato Investors will face conflicts of interest in exercising its discretion.

**Selection Criteria, Generally.** In choosing Transacting Parties, Sensato Investors is not required to consider any particular criteria. Nevertheless, Sensato Investors seeks "best execution" of the Clients' securities transactions. What constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a Transacting Party will provide best execution, Sensato Investors considers a range of factors, including historical net prices; Transacting Party's execution, clearance and settlement and error correction capabilities generally and in connection with securities of the type and in the amounts to be bought or sold; the Transacting Party's willingness to commit capital; the Transacting Party's reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the market for the security; and, as discussed more fully below, the nature, quantity and quality of research and other services and products provided by the Transacting Party. Sensato Investors is not required to select the Transacting Party that charges the lowest transaction cost, even if that Transacting Party can provide execution quality comparable to other Transacting Parties. The Clients expect at times to pay more than the lowest transaction cost available in order to obtain for itself and/or Sensato Investors services and products other than the execution of securities transactions.

**“Soft Dollars”**

Sensato Investors may select Transacting Parties in recognition of the value of various services or products, beyond transaction execution, that they provide to Clients or Sensato Investors. Selecting a Transacting Party in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” This is common in the professional management of securities portfolios. Sensato Investors may acquire services or products with the Clients’ soft dollars.

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as Sensato Investors) of soft dollars generated by securities transactions to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire “research” and “brokerage” services and products for which the Clients would not otherwise be required to pay. Services or products generally constitute “research” under Section 28(e) if they constitute advice, analyses or reports any of which express reasoning or knowledge as to the value of or investing in or trading securities, or as to issuers, industries, economic factors and trends, portfolio strategy or performance, but only to the extent Sensato Investors uses them for lawful and appropriate assistance in making investment decisions for the Client and Sensato Investors’ other clients. “Brokerage” services and products are those used to effect portfolio transactions for Sensato Investors’ clients or for functions that are incidental to effecting those transactions (such as clearance, settlement or short-term custody related to effecting clearing or settling transactions) or regulatory required in connection with transactions. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. Section 28(e) only protects commissions or commission equivalents on transactions in securities; markups and markdowns on many principal transactions, commissions paid to futures commission merchants on transactions in futures contracts, and compensation from transactions in swaps or other derivative instruments are not protected.

*Conflict of Interest.* Because many services and products Sensato Investors may receive from Transacting Parties may benefit Sensato Investors, Sensato Investors’ interests in allocating the clients’ securities transactional business may conflict with the clients’. For example, Sensato Investors may have an incentive, in order to induce brokers and dealers to provide it with services or benefits to, among other things, cause the clients to: (i) pay higher commissions and other compensation than it would otherwise pay broker-dealers that do not provide soft dollar services or products; (ii) place more trades than would be optimal for the clients’ investment strategy; (iii) use broker-dealers that do not obtain for the clients the best possible price on portfolio transactions; and (iv) use (and pay) broker-dealers in effect to act as intermediaries with other broker-dealers who actually execute transactions. Investors into the Funds or Separate Accounts authorize Sensato Investors to use the Clients’ soft dollars for a wide range of purposes, notwithstanding the conflicts of interest those uses may involve. The extent of the conflicts of interest arising out of the use of soft dollars depends in large part on the nature and uses of the services and products acquired with soft dollars. Sensato Investors may or may not use clients’ soft dollars to pay for services and products other clients’ pay for and, if they do, that use may not be in proportion to account size, transaction volume, or uses of those services and products. Sensato Investors may use client soft dollars to buy products or services that benefit other clients of Sensato Investors.

*“Research and Brokerage.”* The types of “research” Sensato Investors may receive from Transacting Parties include (but are not limited to): reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software; proxy analysis services and systems (to the extent used to assist in making investment decisions), quotation services; and other products or services that may enhance Sensato Investors’ investment decision-making. “Brokerage” services and products (beyond typical execution services) include (but are not limited to): computer systems and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing Transacting Parties and the Prime Broker, post-trade matching of trade information, communicating allocation instructions, and other clearance and settlement functions. Sensato Investors may use client soft dollars for “mixed use” products and services—products and services that are used in part for research or brokerage purposes and in part for other purposes. Even where Sensato Investors’ use of soft dollars to acquire research and brokerage services and products is protected by Section 28(e), Sensato Investors will have a conflict of interest in connection with that use because it might otherwise have to pay cash for those services and products and it may have an incentive to use Transacting Parties who provide those services and products more than it otherwise would.

*Fund or Separate Account Expenses.* The Clients may use soft dollars to pay its accounting and other ongoing expenses and to meet its obligation to reimburse the Investment Manager for expenses the Investment Manager has advanced. The Clients could also use brokerage commissions, markups and markdowns, and other transaction-related compensation (as well as interest the Prime Brokers receive on the Clients’ cash balances, margin borrowings and borrowings of securities to maintain short positions) to pay a Prime Broker for recordkeeping, custodial and related services provided to the Clients. Under the Investment Management Agreement, the Clients, and not Sensato Investors, would otherwise be obligated to bear all of these expenses. Sensato Investors therefore does not believe it would have a significant conflict of interest in selecting a Transacting Party in recognition of that party’s payment of them.

*Other Services and Products.* Sensato Investors has no formal arrangement with any party to use soft dollars to acquire services and products that provide benefits to Sensato Investors and that does not qualify as research or brokerage, and/or to pay expenses otherwise payable by Sensato Investors. However, certain services provided to the Clients may contain so-called “mixed-use items” – items that benefit both clients and Sensato Investors. Sensato Investors attempts to value the portions of these mixed-use items it benefits from, and pays for those portions directly. However, to the extent the value of any such benefit is deemed to exceed payments made by Sensato Investors, the difference could be considered soft dollars used outside the parameters of the safe harbor. Some examples of these products and services include order management systems consisting of safe harbor-eligible brokerage such as trading software used to route orders, and ineligible post-trade services such as recordkeeping, client reporting or portfolio management software. Sensato Investors will have a conflict of interest to the extent these services are paid for by Transacting Parties; it will have all the incentives described above (including to use those Transacting Parties regardless of whether using them would otherwise be in the Clients’ best interests, to pay higher compensation and to effect more transactions than otherwise optimal).

*Procedures.* Transacting Parties from which Sensato Investors obtains soft dollar services or products generally establish “credits” based on past transactional business (including markups and markdowns on principal transactions, such as transactions with market-makers for Nasdaq securities), which may be used to pay or reimburse Sensato Investors for specified expenses. In

some cases the process is less formal; a Transacting Party simply may suggest a level of future business that would fully compensate the broker or dealer for services or products it provides. The Clients' actual transactional business with a Transacting Party may be less than the suggested level but may exceed that level, and credits established may exceed the amounts used to acquire services and products. This may be in part because the Clients' investment activities generate aggregate commissions in excess of the levels of future business suggested by all Transacting Parties who provide services and products. And it may be in part because those Transacting Parties may also provide superior execution and may therefore be most appropriate for particular transactions. Sensato Investors may ask a Transacting Party who is executing a transaction for several accounts (*see* the discussion below regarding aggregation of orders) to "step out" of a portion of the transaction in favor of a Transacting Party who has provided or is willing to provide products or services for soft dollars. That is, the executing Transacting Party will allow a portion of the overall commissions or other compensation to be paid to the soft-dollar Transacting Party. This assists Sensato Investors in acquiring products and services with soft dollars while providing the benefits of aggregated transactions. It may result in a client paying additional commissions or other transaction compensation to the Transacting Party to whom the client's portion of an aggregated transaction is "stepped out" and therefore incurring higher transaction costs for that transaction than do other clients of Sensato Investors who are buying or selling the same security at the same time.

These procedures are generally consistent with the requirements of Section 28(e) when the products or services acquired constitute research and/or brokerage. However, Section 28(e)'s safe harbor is not available where transactions are effected on a principal basis, as most transactions with market-makers in over-the-counter securities are, with a markup or markdown paid to the Transacting Party. Sensato Investors may nonetheless determine to use such markups and markdowns as soft dollars with which to acquire services and products of the kinds described above.

### ***Referrals of Investors and Advisory Clients***

In selecting a Transacting Party, Sensato Investors may consider the Transacting Party's referrals of investors to the Funds, referrals of advisory clients to Sensato Investors, and the potential for future referrals. To the extent Sensato Investors would otherwise be obligated to pay for "finding" services, it has a conflict of interest in considering those services when selecting a Transacting Party. It also faces a conflict because it benefits from increases in the size of the Funds.

### ***Directed Brokerage***

Sensato Investors does not request or require that a client direct Sensato Investors to execute transactions through a specified broker-dealer (i.e. "direct brokerage"). Additionally, Sensato Investors does not permit a client to direct brokerage.

### ***Aggregation of Orders***

Sensato Investors may combine client orders. When it does, Sensato Investors will allocate the proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Sensato Investors believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a particular Fund or Separate Account than if that Fund or Separate Account had been the only account effecting the transaction or had completed its transaction before the other participants. Because of Sensato Investors' interest in the Clients, there may be circumstances in which the Funds' or Separate Accounts' transactions may not, under certain laws and regulations, be combined with those of some of Sensato Investors' and its affiliates' other Clients, and the Funds or Separate Accounts may obtain less advantageous execution than those other Clients.

Sensato Investors may place orders for the same security for different clients at different times and in different relative amounts due to, among other things, differences in investment objectives, cash availability, size of order and practicability of participating in “block” transactions. The level of participation by different clients in the same security may also be dependent upon other factors relating to the suitability of the security for the particular client. Sensato Investors has adopted policies and procedures intended to ensure that its trading allocations are fair to all its clients.

In addition, Sensato Investors and/or its related persons or funds may buy or sell specific securities for its or their own account that are not deemed appropriate for a client at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments for the client are made. Where execution opportunities for a particular security are limited, Sensato Investors attempts in good faith to allocate such opportunities among clients in a manner that, over time, is equitable to all its clients.

### ***Cross Transactions***

Sensato Investors may (but is not obligated to) cause Clients to effect “cross” transactions (*i.e.*, buy and sell securities from and to each other), subject to applicable law or regulation. Sensato Investors may do so, if Sensato Investors believes that the cross transaction will be beneficial to both parties. ERISA and other laws or regulations may prevent a client from engaging in “cross” transactions that could be beneficial to that Client.

### **Item 13 – Review of Accounts**

All managed portfolios will be reviewed weekly by Ernest Chow, Jonathan Howe, or a portfolio manager for overall adherence with the investment philosophy employed by Sensato Investors. Managed portfolio holdings will also be reviewed at any time changing market conditions warrant.

Investors in the Funds or Separate Accounts receive monthly unaudited capital statements and an annual report that will include audited financial statements as of the end of the fiscal year.

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

In addition to the arrangements discussed above in Item 12, in the *Referrals of Investors and Advisory Clients* section, Sensato Investors may compensate certain third party marketers with portion of the management and performance fee, pursuant to a written agreement, for investor referrals to the funds.

Except as discussed above in Item 12, in the “*Soft Dollars*” section, Sensato Investors does not receive any economic benefit from a person who is not a client for providing investment advice or other advisory services to Sensato Investors’ clients.

### **Item 15 – Custody**

The Clients obtain custodial, clearing and related services through what is known as a “prime brokerage” arrangement. Under this type of arrangement, a Prime Broker (i) maintains custody of the Clients’ assets (either directly or through affiliated companies or subcustodians); (ii) provides margin credit and locates securities to borrow to facilitate short sales; (iii) arranges for the receipt and delivery of securities bought, sold, borrowed and lent; (iv) makes and receives payments for securities; (v) tenders securities in connection with tender offers, exchange offers, mergers or other corporate reorganizations; (vi) provides Sensato Investors detailed portfolio and related

reports; and (vii) provides related services. The Clients' arrangements with a Prime Broker permits Clients to maintain a single custodial relationship, while using other brokers (in addition to the Prime Broker) to execute transactions. The arrangement permits the Clients to use not only the Prime Broker, but also other brokers to execute transactions, thereby permitting Sensato Investors to seek valuable research and to compare execution quality and commission rates. By using a Prime Broker rather than a bank or other institutional custodian for these functions the Clients also may avoid paying custodial fees that banks charge other institutional investors. The Clients compensate their Prime Broker through interest on credit balances, margin borrowings, stock loans and brokerage commissions. It is possible that a material amount of the Clients' capital will be treated by the Prime Broker as margin and collateral.

**Credit Suisse Securities (USA), LLC, Deutsche Bank Securities Inc., Goldman, Sachs & Co., Morgan Stanley & Co. LLC, and UBS Securities LLC** (each, a "*Prime Broker*") serve as the Clients' current Prime Brokers. In addition, First Republic Bank and State Street Bank and Trust Company serve as custodians to Sensato Investors' Clients. The Clients and Separate Accounts may change their Prime Brokers and/or custodians, use additional Prime Brokers and/or custodians, alter the terms of their arrangements with each Prime Broker and/or custodian, or make alternative arrangements to receive the services currently provided by the Prime Brokers, all in Sensato Investors' discretion. Notwithstanding their prime brokerage arrangements, there may be times when a portion of the Clients' assets will be deposited as collateral with financial institutions that serve as counterparties to derivative instruments to which the Clients are a party. The Prime Broker may appoint sub-custodians for portions of the Clients' assets held in prime brokerage accounts.

Although the Clients and Sensato Investors have no formal arrangement with the Prime Brokers to pay for its non-research and non-brokerage expenses with soft dollars, the Prime Broker may provide services to Sensato Investors distinct from the custodial, lending and related services the Prime Broker provides to the Clients. These services may include, among other things, consulting services with respect to various aspects of Sensato Investors' business and introducing Sensato Investors to prospective advisory clients. A Prime Broker may provide those services at prices that are lower than market prices for similar services or for no charge. The Prime Broker may also enter into financial transactions with Sensato Investors, including lending transactions and through providing initial or other investment capital for investment funds or products that Sensato Investors. These transactions may be on terms more favorable than the terms available to Sensato Investors from other counterparties.

To the extent Sensato Investors receives services from a Prime Broker at lower than market prices, enters into transactions on terms better than terms otherwise available in the market, or collects fees from a Prime Broker's investments in the Clients, conflicts may exist between Sensato Investors' interests and the Clients' interests. That is, the services and benefits Sensato Investors receives in connection with the Clients' accounts' relationship with a Prime Broker may give Sensato Investors an incentive to cause the Clients to accept less favorable pricing for prime brokerage services (including interest and similar charges on margin borrowings and short positions and including brokerage transaction volume and compensation rates) than might be available otherwise or to continue to use a Prime Broker when it would not otherwise cause the Clients to do so. Sensato Investors believes the compensation the Clients pay each Prime Broker is reasonable and competitive with rates charged by other prime brokers and service providers for services of comparable quality.

**Item 16 – Investment Discretion**

Generally, Clients give Sensato complete discretion over the selection and amount of securities to be bought or sold for Clients (within the parameters established by the agreement of limited partnership or investment management agreement in the case of the Clients, and the advisory agreements for individually-managed accounts) without obtaining any consent or approval of any client.

**Item 17 – Voting Client Securities**

Sensato Investors has adopted policies and procedures that address generally the guidelines it expects to follow in the exercise of its voting authority over proxies it receives from time to time on behalf of accounts. Sensato Investors will vote client proxies in the best interest of its Clients. Sensato Investors will consider a number of factors to determine whether exercising the clients' voting rights as to its securities is in the relevant Clients' best interest.

When voting a proxy, Sensato Investors will generally follow its voting guidelines. Sensato Investors attempts to identify conflicts of interest that may arise in the proxy decision making process. If a material conflict of interest over proxy voting arises between Sensato Investors and a client, Sensato Investors will seek to resolve the conflict and vote the proxies in a manner that is in the relevant Clients' collective best interests. Sensato Investors will provide, upon request, a copy of those policies and procedures and/or information concerning its voting record on account proxy matters. Such a request may be made either by contacting Sensato Investors at the telephone number or address on the cover page of this brochure.

**Item 18 – Financial Information**

Sensato Investors has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Sensato Investors has not been the subject of a bankruptcy petition.