

**ITEM 1  
COVER PAGE**

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

**CRD: 153582**

**LOMBARD ODIER ASSET MANAGEMENT (USA) CORP**

**March 2019**

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*This brochure (this “Brochure”) provides information about the qualifications and business practices of Lombard Odier Asset Management (USA) Corp (the “Investment Adviser”). If you have any questions about the contents of this Brochure, please contact us at 212-295-6200 or 1798legal@LombardOdier.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

*The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

*Additional information about the Investment Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**ITEM 2**  
**MATERIAL CHANGES**

The Investment Adviser is required to identify and discuss any material changes made to its brochure since the last annual update.

The following reflects material changes since the last annual update of this brochure on March 31, 2018.

Change of Chief Compliance Officer

Item 4 has been updated to (i) remove reference to Mr. Hugo Banziger after he stepped down as a member and chairperson of the Investment Advisor's Board of Directors and (ii) replace such references with Ms. Annika Falkengren.

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## ITEM 4

### ADVISORY BUSINESS

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

Lombard Odier Asset Management (USA) Corp (the “Investment Adviser” or the “Firm”), a Delaware corporation formed in 2000, commenced operations in its present form in 2007 with an office in New York, New York. Hubert Keller, Annika Falkengren, Peter Clarke, Stephen Fitzgerald and Jeremy Bailey serve as the board of directors of the Investment Adviser (the “Board of Directors”). Ms. Annika Falkengren is the chairperson of the Board of Directors. The Investment Adviser is owned by LO Holding SA, which is ultimately owned by Compagnie Lombard Odier SCmA.

#### B. Description of Advisory Services.

The Investment Adviser and its affiliates provide investment advisory services on a discretionary basis to (i) private pooled investment vehicles, the securities of which are offered to investors on a private placement basis (each, a “Fund” and collectively, the “Funds”) and (ii) investment advisory accounts (including separate vehicles set up for a single “investor” for a variety of purposes) for institutional clients (“Managed Accounts”). The Funds and Managed Accounts are referred to in this Brochure as “Clients”. Please see Item 8 for further information about the Investment Adviser’s advisory services.

The Funds are generally structured as non-U.S. corporations that are generally open-ended collective investment schemes (e.g., Cayman Islands Corporations), and non-U.S. public limited companies (e.g., Luxembourg, société d’investissement à capital variable as Undertakings for Collective Investment in Transferable Securities (UCITS)). All of the Funds are privately offered investment vehicles excepted from the definition of “investment company” under the Investment Company Act of 1940, as amended, (the “1940 Act”) and therefore are not required to register as an investment company.

The Investment Adviser’s advice with respect to the Funds and Managed Accounts is made in accordance with the investment objectives and guidelines as set forth in the applicable Fund’s offering memorandum or the Managed Account’s investment management agreement.

Affiliates of the Investment Adviser include: 1798 Global Partners (Cayman Islands) Ltd, a Cayman Islands company, Lombard Odier Asset Management (Switzerland) SA, a Swiss *société anonyme*, Lombard Odier Asset Management (Europe) Limited, a U.K. limited company, Lombard Odier Funds (Europe) S.A., a Luxembourg *société anonyme* and 1798 Global Partners LLC, a Delaware limited liability company. These affiliates, together with the Investment Adviser, are collectively referred to herein as Lombard Odier Investment Managers or “LOIM”.

Certain affiliated advisory firms are considered to be “Participating Affiliates” of the Investment Advisor (as that term is used in relief granted by the staff of the Securities and Exchange Commission (“SEC”)) allowing investment advisers registered with the SEC to use portfolio management, operations, and trading resources of advisory affiliates and personnel subject to the supervision of an SEC-registered adviser. Professionals from such Participating Affiliates render portfolio management, valuation, operations, research, due

diligence, risk management, trading or other related services to the Investment Adviser's Clients and/or the Investment Adviser as "Associated Persons" of the Investment Adviser and are subject to supervision by the Investment Adviser. In addition, the Investment Adviser provides portfolio management, risk management, research, due diligence or other services to the Participating Affiliates under separate services agreements. Fees are paid by and received from the parties under these arrangements.

Each Associated Person of the Participating Affiliates are subject to regulatory oversight, training and compliance with the Compliance Manual, including the Code of Ethics, of the Investment Adviser.

The Funds managed are generally structured as either "master feeder" funds whereby one or more 'feeder funds' are offered for investment by investors, which in turn invest in a 'master fund' that conducts the investment activities, each of which pursues a separate investment strategy or stand-alone direct investment vehicles. Some of the Funds managed by the Investment Adviser invest in more than one underlying master funds managed by the Investment Advisor (each, an "Underlying Master Fund") which provides investors with access to a diversified set of investment strategies pursued by the Investment Adviser.

*This Brochure generally includes information about the Investment Adviser and its relationships with its Clients and affiliates. While much of this Brochure applies to all such clients and affiliates, certain information included herein applies to specific clients or affiliates only.*

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Investors in the Funds generally must be both "accredited investors", as defined in Regulation D, and "qualified purchasers", as defined in the 1940 Act. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

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

The Investment Adviser's investment decisions and advice with respect to each Client are subject to each Client's investment objectives and guidelines, as set forth in its offering documents or investment management agreement. In general, the Funds' underlying investors may not impose restrictions on investing in certain securities or types of securities. However, the Investment Adviser provides advisory services to Managed Accounts according to investment objectives specified in the pertinent managed account agreements.

The Investment Adviser has full discretion in all investment decisions made on behalf of the Clients. The Investment Adviser may provide advice to Clients regarding foreign exchange, interest rates, sovereign credit, fixed income, equities, commodities, corporate credit, options, futures, swaps, other derivatives, and other investments. While

there are generally no material limitations on the instruments, strategies, markets or countries in which Clients may invest, the Investment Adviser may permit separately Managed Account Clients to impose restrictions on their accounts with respect to:

- the specific types of investments or asset classes that the Investment Adviser will or will not purchase for their account;
- the nature of the issuers of investments that the Investment Adviser will or will not purchase for their account (e.g., specific industries or sectors); or
- the risk profile of instruments the Investment Adviser will or will not purchase for their account, or the risk profile of the account as a whole.

D. Wrap Fee Programs.

The Investment Adviser does not participate in wrap fee programs.

E. Assets Under Management.

As of December 31, 2018, the Investment Adviser had regulatory assets under management of approximately \$2.8 billion.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees and Compensation.**

The advisory fees, allocations and expenses applicable to the Funds are set forth in detail in each Fund's respective offering documents. A summary of such fees, allocations and expenses is provided below (this summary is qualified in its entirety by the actual terms and conditions set forth in each Fund's respective offering documents). In addition, the Investment Adviser services Managed Account Clients that have fee arrangements that are generally similar to the Funds. Nonetheless, the Investment Adviser has, and in the future may, negotiate different terms and conditions (including different fee and redemption arrangements) with respect to specific investors in the Funds and/or any new separately managed account Clients. A decision regarding whether to allow a prospective client to open a Managed Account is based upon a variety of factors and is in the Investment Adviser's complete discretion.

##### **Management Fee**

The Funds generally pay Management Fees which range, depending on the Client and in certain instances, depending on the investor(s) in a Fund, from 0% to 2.5% payable monthly or quarterly in arrears.

Management Fees may be payable by one or more Funds at the master or feeder fund level, or a combination thereof, as set out in the applicable offering memorandum of such Fund.

##### **Performance Compensation**

Performance fees and allocations are equal to between 0% and 20% of any net realized and unrealized appreciation in the Net Asset Value of each Fund. Performance fees and allocations are generally payable annually and subject to a high water mark.

#### **B. Payment of Fees.**

Fees and compensation paid to the Investment Adviser by the Clients are generally deducted from the assets of such Clients. As discussed above, Management Fees are generally deducted on a quarterly or monthly basis and Performance Compensation is generally deducted on an annual basis. With respect to managed account Clients the Investment Adviser will invoice the Client directly on a monthly or quarterly basis.

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

The Funds pay the costs and expenses incurred in relation with their operation, which include, without limitation: (i) brokerage commissions and other costs of executing transactions, including externally incurred costs of establishing computer and systems connections with the Fund's brokers and counterparties; (ii) investment expenses and all other expenses (including, without limitation, all commissions, clearing fees, valuation and portfolio pricing, interest charges, financing charges, including on borrowing with Prime Brokers, and any applicable withholding and other taxes) related to the purchase, sale,



transmittal or custody of trading assets and related items, as well as costs and expenses associated with obtaining and maintaining regulatory licenses, exchange memberships, credit ratings and identification numbers; (iii) costs of trading, research (including investment research and other data not otherwise acquired though soft dollars) and/or data screens, as well as risk management and data services, IT programming and other IT systems applicable to the Funds' or the Underlying Master Funds' operations and risk management and systems (this includes fees and expenses of IT programmers hired to develop user interfaces and other tools to process the data acquired, as well as substantial costs in acquiring data from credit cards, web-scraping and other big data sources); (iv) legal, accounting, auditing, tax and other professional fees and expenses, including consulting and appraisal fees and expenses; (v) fees and expenses resulting from tax preparation and, if applicable, any Tax Matters Partner or Member fees and expenses; any taxes and duties payable in any jurisdiction in connection with the Fund's operations; (vi) fees in connection with the custody of the Fund's assets; (viii) insurance costs (including, without limitation, Errors & Omissions or other professional liability insurance, Directors & Officers and general liability insurance); (ix) external administrative costs (including the fees and out-of-pocket expenses of the Central Administration Agent and its agents as well as any other third-party administrator which the Board may select for the Fund), establishing computer and systems connectivity with the Central Administration Agent and other third-party service providers, paying agency, transfer agency, accounting verification (if any) and/or investor registrar services and the costs of middle-office and back-office support as provided by the Central Administration Agent; (x) any other operating or administrative expenses related to accounting, research, due diligence (including travel and related expenses associated with conducting due diligence), third-party consultants, "expert networks" and reporting; (xi) computer software licensing, development, purchasing, programming and operating costs; (xii) costs and expenses relating to the Fund's regulatory and self-regulatory filings, reporting, registrations and memberships, compliance, including, without limitation, costs associated with U.S. Form PF, the Alternative Investment Fund Managers Directive 2011/61/EU, as amended (the "AIFM Directive"), U.S. Foreign Account Tax Compliance Act ("FATCA") and other tax-related compliance, costs of compliance programs, third-party compliance consultation, actual and "mock" examinations, regulatory and governmental inquiries, subpoenas and proceedings (in each case, whether involving the Fund or the Manager in its capacity as manager of the Fund); (xiii) costs associated with possible reorganizations or restructurings of the Fund and/or related entities; (xiv) costs resulting from any entities used in the course of the Fund's trading and investing (*e.g.*, a "blocker" corporation); (xv) costs associated with the sale of the Shares; (xvi) any litigation and indemnification expenses and extraordinary expenses not incurred in the ordinary course of business; (xvii) the costs and fees attributable to any third-party proxy voting service or consultant; (xviii) costs associated with the listing of the Shares (if applicable) and publication (if any) of the Net Asset Value and all professional and other fees and expenses incurred in connection therewith; (xix) communication expenses with respect to investor services and all expenses of meeting of Shareholders and of preparing, printing and distributing financial and other reports, proxy forms, offering documents and similar documents; (xx) fees and expenses of any foreign representatives and paying agents appointed in relation with the offering of the Shares and costs associated with the registration/authorization of the Fund in any foreign jurisdiction; (xxi) the annual fees and expenses of the Directors; and (xxii) all other costs related to the Fund's investment in the Master Fund.

Generally, Client expenses are billed directly to the applicable Client; however, if more than one Client incurs a shared expense, the Investment Adviser allocates such shared expense among the applicable Clients (i) in proportion to the net asset value of

each applicable Client; (ii) in proportion to the size of the investment made by each Client to which the expense relates; or (iii) in such other manner as the Investment Adviser considers fair and reasonable.

D. Prepayment of Fees.

Clients do not pay fees to the Investment Adviser more than six months in advance. Please refer to Item 5.A. above for information on the payment of fees.

E. Additional Compensation and Conflicts of Interest.

Neither the Investment Adviser nor any of its Associated Persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Investment Adviser and its affiliates accept performance-based fees from some but not all Clients to which it provides investment advisory services.

Although the Investment Adviser and its affiliates accept performance-based fees from some of its Clients, the formula for calculating such fees may differ from one Client to the next, which creates a conflict of interest with respect to the allocation of investment opportunities among funds with the same or substantially similar strategies. The Investment Adviser is committed to allocating investment opportunities on a fair and equitable basis and has established order aggregation and allocation policies and procedures to address the potential conflict of interest. Please see Item 12 for a description of such policies and procedures.

The Investment Adviser's receipt of performance-based fees may motivate it to make investments that are riskier or more speculative than it would make if it did not receive performance-based fees. This incentive may be particularly acute when performance-based fees are payable only upon exceeding a hurdle rate or high water mark and performance of Client accounts is below any such hurdle or high water mark. The Investment Adviser has an incentive to favor one Client over another Client if performance-based compensation is likely to be paid sooner in one than in the other. In addition, if a Client's performance makes it unlikely to pay performance-based compensation, the Investment Adviser has an incentive to allocate desirable investment opportunities to a Client more likely to pay performance-based compensation. The Investment Adviser recognizes that it is a fiduciary and as such, must act in the best interests of the Clients. The Investment Adviser has adopted and implemented policies and procedures, including an allocation policy, intended to address conflicts of interest relating to the management of multiple Funds. Because net capital appreciation generally includes unrealized appreciation of Client assets, it may result in the Investment Adviser receiving more performance-based fees than if net capital appreciation were based solely on realized gains.

To the extent the Investment Adviser causes one Fund Client to invest in another, one of the Funds will waive all performance-based fees with respect to such investment to ensure that only one level of performance-based fees is charged in relation to such Client.

## **ITEM 7**

### **TYPES OF CLIENTS**

The Investment Adviser generally provides investment advice to Funds and Managed Accounts, as described above.

The investors in the Funds consist of endowments, foundations, insurance companies, high net worth individuals, funds of funds, public and corporate pensions, and other sophisticated investors. Investors must be either:

- both “qualified purchasers” as defined in the 1940 Act and “accredited investors” as defined in the Securities Act of 1933 or
- non-United States persons.

Generally the Funds require a minimum initial investment of \$100,000, which minimum may be waived in our discretion and subject to applicable law.

Although there is no specified minimum dollar value for establishing a Managed Account, the size of a Managed Account is subject to negotiation and typically is significantly in excess of the minimum investment required for the Funds. The beneficial owners of Managed Accounts generally receive more information (including portfolio composition information) and have more favorable liquidity rights than the investors in the Funds. This could disadvantage investors in the Funds because the Managed Accounts may act more quickly in liquidating the portfolio than investors in the Fund during volatile market conditions. Although certain investors in the Funds or Clients receive different material terms, the Investment Adviser generally will only offer such terms if they believe other investors in the Fund or Clients, as the case may be, will not be materially disadvantaged. We may also negotiate fees for Managed Accounts that may be more favorable than the fees in place for comparable Fund classes or tranches. Our decision on whether to allow a prospective client to open a Managed Account is made based on a variety of factors, and the decision to allow anyone to open a Managed Account is in our complete discretion.

## **ITEM 8**

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

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

*The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its Clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment for its Clients, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.*

The Investment Adviser conducts its own analyses and may also use the analyses of its affiliates as well as third parties. The Investment Adviser may use many sources of information in its analyses of financial instruments which may be obtained from its affiliates or third parties. These sources include but are not limited to: financial filings; business, economic, financial and other publications; trade journals; other money managers or financial services professionals; investment and commercial bankers; industry and turnaround specialists; media sources; information from brokers including, research, models, discussions with analysts, idea meetings, and other information provided by brokers; third-party data services; external research; inspections of corporate facilities; one-on-one conversations with company management teams, suppliers, customers, end users and sector specialists, as well as lawyers, bankruptcy attorneys; economists, strategists, lobbyists, academic specialists and expert networks. In addition, the Investment Adviser may employ third-party consultants to provide it with fundamental and technical research, including, but not limited to, information regarding various markets, industries and companies. The Investment Adviser may also utilize other sources of information which may exist from time to time.

Unless noted otherwise, the following is a list of the methods of analysis and investment strategies that may be used by the Investment Adviser on behalf of one or more (but not necessarily all) of the Clients. This list is qualified in its entirety by the actual terms and conditions set forth in each Fund's respective offering documents or a Managed Account's investment management agreement.

#### **Fundamental Long/Short Equity Strategies**

These fundamental long/short equity strategies involve purchasing securities that the Investment Adviser believes are undervalued or selling short securities that the Investment Adviser believes are overpriced. To determine whether a security is over- or under-valued, the Investment Adviser will conduct a bottom up analysis of the business, financial conditions and industry position of an issuer to determine the security's intrinsic value. The Investment Adviser will then establish a long or short position in securities whose trading values, by our calculations, deviate from their intrinsic value. The Investment Adviser employs a broad range of industry focus, including, but not limited to, long/short

equity in any of the following areas: (i) Consumer, (ii) Healthcare Services, (iii) Technology, Media and Telecom (“TMT”), (iv) Energy, (v) Basic Materials and (vi) companies demonstrating responsibility with regard to their Environmental, Social and Governance (“ESG”) impact.

#### UK Small and Mid-Capitalization Equity Strategies

These strategies focus on long and short positions primarily in UK listed securities with a market capitalization of less than £1 billion. The Investment Adviser uses a blend of long-term strategic positions and short-term tactical positions, with the objective of generating absolute positive returns with limited correlation to the equity markets. The strategy takes long positions in companies which the Investment Adviser believes will generate unexpected earnings growth over the long-term and shorts those stocks where earnings expectations appear to the Investment Adviser to be fully discounted in the price, where the Investment Adviser believes the actual earnings may disappoint as against those expectations and/or where the Investment Adviser perceives a structural weakness in the industry in which the company operates or in its franchise. The Company may also short those companies perceived by the Investment Adviser to have poor quality management or those that are in a weak financial position.

With respect to certain Funds and Managed Account Clients that pursue this strategy, the Investment Adviser seeks to acquire substantial large minority stakes (in each case no more than 30 per cent) in individual companies, and in such cases there will be, typically, a high level of interaction between the Investment Adviser and company management in connection with such holdings, which may involve a representative of the Investment Advisor taking a seat on the relevant company’s board.

In such instances, the Investment Adviser will aim to act as a catalyst for change to enhance shareholder value through active and constructive engagement with management and/or direct engagement with other stakeholders. The Investment Adviser aims to hold a stake in, or be party to an instrument, that permits it to exert a significant influence over the direction of the business of the relevant company. The Investment Adviser will seek to adopt an approach of constructive active engagement, leading strategic and managerial changes, where it deems it necessary, whilst working towards the sale of the relevant company.

#### Merger Arbitrage and Event Driven Strategies

These event driven strategies seek to exploit situations in which an announced or anticipated event creates inefficiencies in the pricing of securities. These situations may include (without limitation): announced mergers, unsolicited merger proposals, tender offers, recapitalizations, spin-offs, split-offs, liquidations, bankruptcies, changes in the regulatory environment and material litigation decisions. In response to or in anticipation of such an event, the Investment Adviser will conduct a detailed analysis of the business and financial conditions of the affected issuer, analyze the processes surrounding the event and determine how the anticipated outcome of the event may affect the trading prices of the issuer’s securities. Based on this analysis, the Investment Adviser may structure investments that seek to maximize potential returns. Such an investment may involve all aspects of an issuer’s capital structure, as well as derivative products.

### Special Situations Strategies

These strategies consist of both long and short investments in the distressed securities of an issuer in situations where the Investment Adviser believes, based on a fundamental analysis of an issuer's creditworthiness and the processes surrounding any possible restructuring of the issuer or the issuer's debt, that the trading value of the distressed securities does not reflect its intrinsic value. Investment decisions are mainly expressed through equity positions, but can also be expressed through a variety of distressed debt securities and derivatives, which collectively can include stock, options, bonds, bank debt, credit derivatives, trade or vendor claims, as well as other contractual and legal obligations. These strategies include, but are not limited to, issuers who are in financial distress or have filed for bankruptcy protection. At times, the Investment Adviser may proactively engage directly with companies or creditor committees to restructure debt obligations.

### Credit Convexity Strategies

Certain Clients are managed according to a strategy of relative value credit and volatility investing (the "Credit Convexity Strategy"). This strategy is based on the concept that markets are not fully efficient and therefore, by using a full range of credit, credit derivative, volatility and equity instruments the Credit Convexity Strategy may take advantage of pricing inefficiencies across segmented, global credit and volatility markets. The Investment Adviser seeks to employ a wide range of cash and derivative instruments on both the long and short side, in order to achieve the appropriate risk, return and diversification objectives. It seeks to find cheap option-like profiles to manage its risk and enhance returns.

### Event Convexity Strategies

Certain Clients are managed according to a strategy of combining securities across the capital structure of issuers to create asymmetric opportunities around events (the "Event Convexity Strategy"). The strategy aims to use leveraged long and short positions to generate consistent returns, irrespective of momentum, macro trends or market direction. This strategy is based on the concept that markets may not be fully efficient and therefore, the Event Convexity Strategy seeks to layer the optionality from traditional fundamental events, with perceived inefficiencies across multiple asset classes (product convexity), aiming to create a more predictable return profile.

The Investment Adviser believes that changes in market dynamics have created two anomalies which it seeks to take advantage of: (i) Fundamental optionality alone is no longer enough to be successful in event-driven investing, and (ii) Effects of crowding and liquidity concerns have created pricing dislocations which can impact performance. The Investment Adviser's investment philosophy is based on a differentiated approach which seeks to benefit from these dynamics by layering traditional fundamental optionality with product convexity, and taking advantage of the pricing dislocations surrounding events such as M&A activity, bankruptcies and reorganizations, business model and management changes and other corporate events.

### Big Data Fundamental Equities Strategies

These strategies are rooted in leveraging idea generation based on the latest breakthroughs in big data, predictive analytics, and cloud computing to identify key business trend inflections in a more accurate and timely manner. The strategies aim to use leveraged

long and short positions to create a market-neutral portfolio to generate returns, irrespective of momentum, macro trends or market direction. The strategies leverages the Investment Advisor's proprietary software platform to scan hundreds of millions of alternative data points across multiple geographies, sectors and sources - e.g., credit card transactions, digital receipts, web traffic, app activity, geolocation, shipping consignments – in order to gauge volume, market share, churn, pricing and a host of other fundamental earnings drivers in near real-time. These insights are overseen, curated and interpreted by a team of research analysts to validate these systematic, data-driven insights and construct a discretionary, market-neutral portfolio.

#### Alternative Risk Premia Strategies

These strategies are managed pursuant to a rule-based portfolio of long-short strategies, investing across multiple asset classes (including, but not limited to, equities, bonds, interest rates, currencies, commodities and credit indices) through liquid derivatives. The strategies invest in rule-based long/short ideas seeking to provide complementary sources of return and diversification to traditional asset classes with an objective is to extract a broad and diversified range of so-called alternative risk premia (including, but not limited to Carry, Value, Momentum, and Defensive) using both long and short positions across a large set of asset classes at an international level.

The strategies generally follow a risk-based methodology where risk is allocated between the various premia. By combining them using a proprietary risk-based methodology, the strategies target smoother returns in different market conditions, which are less exposed to drawdowns and to specific risks linked to individual strategies. Using proprietary quantitative models, the portfolio managers will determine the investment methodology for each strategy to allocate trades within pre-defined asset classes (including, but not limited to, equities, bonds, interest rates, currencies, commodities and credit indices) along with the respective financial derivatives instruments to be used to achieve the desired exposure.

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

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Investment Adviser. These risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser. Unless noted otherwise, the following is a list of risks that may be applicable to one or more (but not necessarily all) of the Clients.*

**An investment in a Fund or Managed Account involves a high degree of risk, including the risk that the entire amount invested may be lost. In addition, returns generated from a Client's investments may not adequately compensate for the business and financial risks assumed.** The Clients will invest in and actively trade financial instruments using a variety of strategies and investment techniques with significant risk characteristics, including the risks set forth below. No guarantee or representation is made that the investment programs of a Client will be successful or that a Client's returns will exhibit low correlation with an investor's traditional securities portfolio. A Client may utilize such investment techniques as option transactions, margin transactions, short sales, leverage, derivatives trading and futures and forward contracts, which practices can involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which a Client's investment portfolio may be subject.

Availability of Investment Strategies. The success of a Client's investment activities will



depend on the Investment Adviser's ability to identify investment opportunities as well as to assess the importance of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by a Client involve a high degree of uncertainty. No assurance can be given that the Investment Adviser will be able to locate suitable investment opportunities in which to deploy all of a Client's assets or to exploit discrepancies in the securities and derivatives markets.

No Material Limitation on Strategies. The Clients will opportunistically implement whatever strategies or discretionary approaches the Investment Adviser believes may be best suited to prevailing market conditions. There can be no assurance that the Investment Adviser will be successful in applying any strategy or discretionary approach to a particular Client's trading.

Discretion of the Investment Adviser; New Strategies and Techniques. The Investment Adviser has discretion with respect to the types of securities that a Client may trade and has the right to modify the trading strategies or hedging techniques of a Client without the consent of the investors. When adding a new security type it may not have been thoroughly tested in the market before being employed and may have operational or theoretical shortcomings that could result in unsuccessful trades and, ultimately, losses to a Client. In addition, any new investment strategy or hedging technique developed by a Client may be more speculative than earlier techniques and may increase the risk of an investment in a Client.

Affiliated Investors. The Investment Adviser, its affiliates or employees and/or certain Clients may subscribe directly or indirectly for shares in another Client. Such investments may be committed for an extended period and such investors may have additional information regarding the business and affairs of that Client and reporting not available to all investors, and may take actions (e.g., redeem their Shares) based upon information that is not generally known to other shareholders. In addition, such investors have preferential rights in respect of fees payable. Participation in the investment program will be achieved through direct investment and investment by the 1798 Fundamental Strategies Fund Ltd (a Client managed by the Investment Adviser) in affiliated Funds.

Arbitrage. A Client, with respect to its arbitrage investments, may incur significant losses when proposed transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or shareholders of the target company, which often results in litigation to enjoin the proposed transaction; (ii) intervention of government agencies; (iii) efforts by the target company to pursue a defensive strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) an attempt by a third party to acquire the offeror; (v) in the case of a merger, failure to obtain the necessary shareholder approvals; (vi) market conditions resulting in material changes in securities prices; (vii) compliance with any applicable legal requirements; and (viii) inability to obtain adequate financing.

Capital Structure Arbitrage. The success of any capital structure arbitrage strategy will depend on the Investment Adviser's ability to identify and exploit the perceived mispricing of different securities and instruments within an issuer's capital structure (e.g., bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock relative to each other). Capturing such mispricings by isolating the most under- or over-valued securities within an issuer's capital structure involves uncertainty, and, in the

event that the perceived pricing inefficiencies underlying an issuer's securities were to fail to materialise as expected by the Investment Adviser, a Client could incur a loss.

Merger Arbitrage. Merger or "risk" arbitrage strategies attempt to exploit merger activity to capture (or sell short) the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Merger arbitrage investments often incur significant losses when anticipated merger or acquisition transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed, or terms can be changed, as a result of a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political motivations; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Merger arbitrage positions also are subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. Merger arbitrage strategies also depend for success on the overall volume of merger activity, which historically has been cyclical in nature.

Event Driven Investing. Event driven investing requires the investor to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's financial instruments. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Investment Adviser had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to a Client of the security in respect of which such distribution was made. Because of the inherently speculative nature of event driven investing, the results of a Client's operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

Special Situations Investing. Special Situations investing generally involves investing in distressed securities which inherently carry substantial risk. Prices of these securities can be influenced by, among other factors:

- failure of the specific transaction, or another transaction, to be completed;
- changing supply and demand relationships;
- domestic and foreign policies of governments, particularly policies to do with trade or with fiscal and monetary matters;
- political events, for example elections and other events that may lead to a change in government; the outbreak of hostilities, including in areas in which a Client is not invested; and economic developments, for example in relation to balance of payments and trade, inflation, money supply, the issuance of government debt, changes in official interest rates, monetary revaluations or devaluations and modifications in financial market regulations.

UK Small and Mid-Cap Investing. Small and mid-cap companies generally have lower daily trading volume than companies with large capitalisation. This lower trading volume may

affect the Investment Adviser's ability to build, or reduce, the size of a position in a short time frame. In addition, it may sometimes be difficult to obtain price quotes in significant size for stocks of such small and mid-cap companies. Investments in small and mid-cap companies typically involve a higher degree of business and financial risk and can result in substantial losses due to special risk factors. For example, such companies are typically subject to a greater degree of change in earnings and business prospects than are companies with larger market capitalisations.

Concentration of Investments. Although it will be the policy of the Clients to diversify their investment portfolios, a Client may at certain times hold relatively few investments. A Client could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the issuer.

Leverage and Financing Risk. A Client may leverage its capital because the Investment Adviser believes that the use of leverage may enable a Client to achieve a higher rate of return. Accordingly, a Client may pledge its securities in order to borrow additional funds for investment purposes. A Client may also leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which a Client may have outstanding at any time may be substantial in relation to its capital.

While leverage presents opportunities for increasing a Client's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Client would be magnified to the extent a Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to a Client's investments could result in a substantial loss to a Client which would be greater than if a Client were not leveraged.

In general, the anticipated use of short-term margin borrowings results in certain additional risks to a Client. For example, should the securities pledged to brokers to secure a Client's margin accounts decline in value, a Client could be subject to a "margin call", pursuant to which a Client must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Client's assets, a Client might not be able to liquidate assets quickly enough to satisfy their margin requirements.

A Client may enter into repurchase and reverse repurchase agreements. When a Client enters into a repurchase agreement, it "sells" securities to a broker-dealer or financial institution, and agrees to repurchase such securities on a mutually agreed date for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, a Client "buys" securities from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by a Client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by a Client involves certain risks. For example, if the seller of securities to a Client under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, a Client will seek to dispose of such securities, which could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, a Client's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that a Client may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on

its obligation to repurchase securities under a reverse repurchase agreement, a Client may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller.

The financing used by a Client to leverage its portfolio will be extended by securities brokers and dealers in the marketplace in which a Client invests. While a Client will attempt to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so will be limited. A Client is therefore subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to a Client. Because the Clients currently have no alternative credit facility which could be used to finance their portfolios in the absence of financing from broker-dealers, they could be forced to liquidate their portfolios on short notice to meet financing obligations. The forced liquidation of all or a portion of a Client's portfolio at distressed prices could result in significant losses to a Client.

Highly Volatile Markets. The prices of financial instruments in which a Client may invest can be highly volatile. Price movements of forward and other derivative contracts in which a Client's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. A Client is subject to the risk of failure of any of the exchanges on which its positions trade or of its clearinghouses.

Counterparty Risk. Some of the markets in which a Client may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. The lack of evaluation and oversight of over-the-counter markets exposes a Client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing a Client to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Client has concentrated its transactions with a single or small group of counterparties. Subject always to the investment restrictions contained herein, a Client is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, a Client has no internal credit function which evaluates the creditworthiness of its counterparties. The ability of a Client to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by a Client.

Counterparty Default. The stability and liquidity of financing agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transaction. The Clients monitor on an on-going basis the creditworthiness of firms with which they have such arrangements. If there is a default by the counterparty to such a transaction, a Client will under most normal circumstances have contractual remedies pursuant to the agreements related to the

transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a Client being less than if a Client had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of a Client's counterparties were to become insolvent or the subject of insolvency proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of a Client's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, a Client may use counterparties located in jurisdictions outside the United States. Such local counterparties are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Client and its assets. Investors should assume that the insolvency of any counterparty would result in a loss to a Client, which could be material.

Prime Brokers. In relation to a Client's right to return of assets equivalent to a Client's investments legal and beneficial title to which has been transferred to a Prime Broker, a Client will rank as one of the Prime Broker's unsecured creditors and, in the event of the insolvency of that Prime Broker, a Client may not be able to recover such equivalent assets in full. In addition a Client's cash held with a Prime Broker will not be segregated from the Prime Broker's own cash and will be used by the Prime Broker in the course of its business and a Client will therefore rank as an unsecured creditor in relation thereto.

The Prime Brokers may encounter financial difficulties that impair the operational capabilities or the capital position of the Clients. Events in the financial markets over the past decade have challenged the financial stability of a number of established financial institutions, and have led to the bankruptcy of several such institutions, including Lehman Brothers Inc. and its affiliates. Accordingly, the Clients are at risk of the Prime Broker entering into an insolvency procedure. During such a procedure (which may last many years) the use by the Client of assets held by or on behalf of the relevant Prime Broker may be restricted and accordingly (a) the ability of the Investment Adviser to fulfil the Clients' respective investment objective may be severely constrained, (b) the Client may be required to suspend the calculation of the net asset value and as a result subscriptions for and redemptions of Client shares or interests, and/or (c) the net asset value may be otherwise affected. During such a procedure, the applicable Client is likely to be an unsecured creditor in relation to certain assets (including those in respect of which it had previously been a secured creditor) and accordingly the Client may be unable to recover such assets from the insolvent estate of the relevant Prime Broker in full, or at all. There can be no guarantee in the event of a Prime Broker's insolvency that the pool of customer property held by the Prime Broker pursuant to applicable law will be sufficient to satisfy all customer claims, including those of the applicable Clients. Further, even if the applicable Client does not lose the assets on deposit with one or more Prime Brokers (or other financial institutions with which the Client may deal), the Client could incur market losses as a result of financial difficulties at such institutions (including, but not limited to, in situations where such Client may be unable to access the assets of the Client and/or execute transactions through the Prime Brokers or other financial institutions in a timely manner).

Loans of Portfolio Securities. A Client may lend its portfolio securities. By doing so, a Client attempts to increase income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, a Client could experience delays in recovering the loaned securities. To the extent that the value of the securities a Client lent has increased, a Client could experience a loss if such securities are not recovered.

Global Economic and Market Conditions. The Investment Adviser may invest in currencies and securities traded in various markets throughout the world, including in emerging or developing markets, some of which are highly controlled by governmental authorities. Such investments require consideration of certain risks typically not associated with investing in currencies or securities of developed markets. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by governments, withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and social, economic or political instability in foreign nations. These factors may affect the level and volatility of securities prices and the liquidity of a Client's investments. Unexpected volatility or illiquidity could impair a Client's profitability or result in losses.

The economies of countries differ in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Certain Securities Markets. Stock markets in certain countries may have a relatively low volume of trading. Securities of companies in such markets may also be less liquid and more volatile than securities of comparable companies elsewhere. There may be low levels of government regulation of stock exchanges, brokers and listed companies in certain countries. In addition, settlement of trades in some markets is slow and subject to failure.

Some commodity exchanges are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has entered into a commodity contract and not of an exchange or clearing corporation. In such a case, a Client is subject to the risk of the inability of, or refusal by, the counterparty to perform with respect to such contracts. In addition, the trading of futures and forward contracts on certain commodity exchanges may be subject to price fluctuation limits.

Interpositioning. From time to time, a Client may execute trades on an agency basis rather than on a principal basis. In these situations, the broker used by a Client may acquire or dispose of a security through a market-maker (a practice known as "interpositioning"). The transaction may thus be subject to both a commission and a markup or markdown. The Investment Adviser believes that the use of a broker in such instances is consistent with its duty of obtaining the best price for a Client. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater

expertise or greater capability in connection with both accessing the market and executing a transaction.

Company Defining Litigation and Regulatory Events. A Client may seek investment opportunities created by company defining litigation and regulatory events that may significantly affect the business of a company. Predicting the outcome of litigation or future regulatory events is speculative by nature. Moreover, the outcome of litigation may be subject to unpredictable and lengthy delays following an appeal or an indirect attack on the outcome and the effect that a regulatory event may have is influenced, among other things, from its interpretation by enforcement agencies, which may be difficult to predict. Because of the inherently speculative nature of this activity, the results of a Client's operations may be expected to fluctuate from month to month and from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results which may be expected in future periods.

Currency Exchange Exposure. The Clients may invest in securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. However, the Clients generally value their securities in U.S. dollars. The Clients may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Clients wishes to use them, or that hedging techniques employed by the Clients will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

Furthermore, a Client may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a Client at one rate, while offering a lesser rate of exchange should a Client desire immediately to resell that currency to the dealer. A Client will conduct its currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. dollar currencies.

To the extent unhedged, the value of the Clients' positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Clients make investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Clients' securities in their local markets and may result in a loss to the Clients. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Clients' non-U.S. dollar investments.

Influence Over Investee Companies. The Investment Adviser may decide to invest in a company (an "Investee Company"), in the expectation that a Client's investment will allow the Investment Adviser to exert influence over that company, with a view to procuring changes in the operations of that Investee Company. In the event that the Investment Adviser is unable to exert such influence (for example, where the management of the relevant entity refuses to engage with the Investment Adviser, or where other stakeholders in the relevant

Investee Company do not co-operate with any proposals of the Investment Adviser), the Investment Adviser's ability to realise the relevant investment may be adversely affected.

In circumstances where the Client's interests diverge from those of other stakeholders in the relevant Investee Company who are able to exert such influence, the Investment Adviser's ability to implement successfully the investment approach and process in relation to the relevant investment may be similarly affected.

A Client may be subject to liability and litigation risks arising from its participation in the management of an Investee Company. For example, creditors of an Investee Company may argue on various theories that the Client should be responsible for debts of that Investee Company. In addition, the Client may be subject to claims by other investors in an Investee Company, who may, among other things, argue that the Client exercised its management participation rights in a way that violated the rights of, or otherwise disadvantaged, such other investors. Defending any such claims may be very costly and time-consuming. Further, if the Client designates directors to serve on the board of an Investee Company, the Client may become subject to claims alleging that those directors violated their fiduciary duties to the relevant Investee Company and its shareholders.

Material, Non-Public Information. From time to time the Investment Adviser and/or its affiliates may be in possession of material, non-public information ("MNPI") concerning the issuer of securities or other instruments in which a Client has considered investing, has invested or may consider investing. The possession of such information may limit the ability of the Investment Adviser to cause the Client to buy or sell such securities or other instruments. Accordingly, the Client may be required to refrain from buying or selling such securities or other instruments at times when the Investment Adviser might otherwise wish to cause the Client to buy or sell such securities or other instruments.

In view of (i) the considerably higher volume of MNPI which the UK small and mid-cap strategy team (the "Volantis Team") may receive when compared to other teams at LOIM; (ii) the fact that the market covered by the Volantis Team is not the focus of any other team at LOIM; and (iii) the strict legal requirements that apply to the maintenance of confidentiality in respect of MNPI under applicable market abuse laws and regulations, we believe that it is appropriate to isolate the business of the Volantis Team from those of the other investment teams at LOIM. To limit, as far as practicable, the transfer or potential abuse of MNPI, the Volantis Team and the rest of LOIM are physically and informationally separated from one another. In order to implement this separation, LOIM has instituted information barriers to limit the flow of MNPI.

LOIM's culture is one of collaboration among investment professionals which we believe amplifies research and adds value to the overall investment process. However, the establishment and maintenance of the information barriers discussed above means the Volantis Team will generally not be able to use, act on or otherwise be aware of confidential or other information otherwise known by or in possession of the rest of LOIM (and vice-versa). As a result, collaboration between the Volantis Team and the rest of LOIM will be limited.

In addition to members of the Volantis Team, certain other Associated Persons will be required to be granted restricted access to information and data related to the Volantis Team as part of their functions. As a precaution and given their ability to access such information,



those Associated Persons will be restricted from personal account trading in securities on the Volantis Team restricted list.

LOIM maintains a shared restricted list applicable to its Clients and personnel, including all Associated Persons of LOAM USA, except that a separate restricted list is maintained for Clients and personnel of the Volantis Team. Personnel who have access to information of the Volantis Team and the rest of LOIM, as described above, are subject to both restricted lists.

LOAM USA and its affiliates have established policies and procedures regarding the implementation and operation of these information barriers and trains its Associated Persons on such policies and procedures.

General Risk and Volatility of Emerging Markets. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less liquidity, less strict securities market regulation, less favourable tax provisions, and a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property than investments in securities of issuers based in developed countries. In addition, a Client's investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities. Issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

Taxation in Emerging Markets. Taxation of dividends and capital gains received by non-residents varies among emerging countries and, in some cases, tax rates are high compared to developed countries. In addition, developing countries typically have less well-defined tax laws and procedures. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds.

Investment and Repatriation Restrictions. Some emerging countries have laws and regulations that currently preclude direct foreign investment in the securities of their companies. However, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in these countries is permitted by certain emerging countries through investment funds which have been specifically authorised. A Client may invest in these investment funds. If a Client invests in such investment funds, the investors will bear not only the expenses of the Client, but also will indirectly bear similar expenses of the underlying investment funds.

In addition to the foregoing investment restrictions, prior governmental approval for foreign investments may be required under certain circumstances in some emerging countries. Repatriation of investment income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries.

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

Illiquid Portfolio Instruments. A Client may invest part of its assets in illiquid investments. A Client may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. An investment in a Client is suitable only for certain sophisticated investors who do not require immediate liquidity for their investments.

Where appropriate, positions in a Client's investment portfolio that are illiquid and do not actively trade will be marked to market, taking into account actual market prices, market prices of comparable investments and/or such other factors (e.g., the tenor of the respective instrument) as may be appropriate. To the extent that marking an illiquid investment to market is not practicable, an investment will be carried at fair value, as reasonably determined by the proper party under the valuation policy. There is no guarantee that fair value will represent the value that will be realized by a Client on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. As a result, an investor withdrawing from a Client prior to realization of such an investment may not participate in gains or losses there from.

Investments in Undervalued Securities. A Client will seek to invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from a Client's investments may not adequately compensate for the business and financial risks assumed. In addition, a Client may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a Client's capital would be committed to the securities purchased, thus possibly preventing a Client from investing in other opportunities. In addition a Client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Investments in Distressed Securities. A Client may invest in "below investment grade" securities and obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a Client's investment in any instrument, and a significant portion of the obligations and securities in which a Client invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in

companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Investment Adviser will correctly evaluate the value of the assets collateralizing a Client's investments in loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a Client invests, a Client may lose its entire investment, may be required to accept cash or securities with a value less than a Client's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from a Client's investments may not compensate the investors adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Client of the security in respect to which such distribution was made.

In certain transactions, a Client may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

Fixed Income Securities (including High Yield and Lower Grade Securities). A Client may invest in bonds or other fixed income securities, including, without limitation, commercial paper and "higher yielding" (including non-investment grade) (and, therefore, higher risk) debt securities. A Client will therefore be subject to credit, liquidity and interest rate risks. Higher-yielding debt securities are generally unsecured and may be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured on substantially all of the issuer's assets. The lower rating of debt obligations in the higher-yielding sector reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities may not be protected by financial covenants or limitations on additional indebtedness. In addition evaluating credit risk for debt securities involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Certain Derivative Investments. A Client 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. A call option is "covered" when the writer owns securities of the same class and amount as those to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount. A Client's option transactions may be part of a hedging strategy (*i.e.*, offsetting the risk involved in another securities position) or a form of leverage, in which a Client has the right to benefit from price movements in a large number of securities with a small commitment of capital. These activities involve risks that can be substantial, depending on the circumstances.

In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions a Client may enter into. When a Client buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the price of the underlying security in the case of a put, could result in a total loss of a Client's investment in the option (including commissions). A Client could mitigate those losses by selling short, or buying puts on, the securities as to which it holds call options, or by taking a long position (*e.g.*, by buying the securities or buying calls on them) in securities underlying put options.

When a Client sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered". If it is covered, a Client would forego the opportunity for profit on the underlying security should the market price of the security rise above the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss a Client might suffer as a result of owning the security.

Financial Derivative Investments. In addition to the risks mentioned hereinafter for some specific derivative instruments, the use of financial derivative instruments can involve risks different from, and, in certain cases, greater than, the risks presented by more traditional investments. The following is a general discussion of important risk factors and issues concerning the use of financial derivative instruments.

Market risk is a general risk that applies to all investments meaning that the value of a particular financial derivative instrument may change in a way which may be detrimental to a Client's interests.

Financial derivative instruments are highly specialized instruments that require investment techniques and risk analysis different from those associated with equity and fixed income securities. The use of derivative techniques requires an understanding not only of the underlying assets of the financial derivative instruments but also of the financial derivative instruments themselves, without the benefit of observing the performance of the financial derivative instruments under all possible market conditions. In particular, the use and complexity of financial derivative instruments require the maintenance of adequate controls to monitor the transactions entered into, the ability to assess the risk that financial derivative instruments add to a Client and the ability to forecast the relative price, interest rate or currency rate movements of the underlying assets correctly. There is no guarantee that a particular forecast will be correct or that an investment strategy which deploys financial derivative instruments will be successful.

Liquidity risk exists when a particular instrument is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

A Client may enter into transactions in over-the-counter markets, which will expose a Client to the credit risk of its counterparties and their ability to satisfy the terms of such contracts. In the event of a bankruptcy or insolvency of a counterparty, a Client could experience delays in liquidating the positions and significant losses, including declines in the value of their investments during the period in which a Client seeks to enforce its rights, inability to realize

any gains on their investments during such period and fees and expenses incurred in enforcing its rights. There is also a possibility that the above agreements and derivative techniques may be terminated due, for instance, to bankruptcy, supervening illegality or change in the tax or accounting laws relative to those at the time the agreement was originated.

Other risks in using financial derivative instruments include the risk of differing valuations of financial derivative instruments arising out of different permitted valuation methods and the inability of financial derivative instruments to correlate perfectly with underlying assets. Many financial derivative instruments, in particular OTC financial derivative instruments, are complex, difficult to value and often valued subjectively and the valuation may only be provided by a limited number of market professionals. Inaccurate valuations can result in increased cash payment requirements to counterparties or a loss of value to a Client.

Financial derivative instruments do not always perfectly or even highly correlate or track the value of the underlying assets they are designed to track. Consequently, a Client's use of financial derivative instruments techniques may not always be an effective means of, and sometimes could be counter-productive to, following a Client's investment objective.

Swap Agreements. A Client may enter into swap agreements. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease a Client's exposure to long-term or short-term interest rates, currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. A Client is not limited to any particular form of swap agreement if consistent with a Client's investment objective and approach.

Swap agreements tend to shift a Client's investment exposure from one type of investment to another. For example, if a Client agrees to exchange payments in Euros for payments in U.S. dollars, the swap agreement would tend to decrease a Client's exposure to Euro interest rates and increase its exposure to non-Euro currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Client's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from a Client. If a swap agreement calls for payments by a Client, a Client 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 a Client.

Credit Default Swaps. A Client may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the credit risk associated with a particular debt instrument as it relates to the issuer's failure to pay principal or interest on time in respect of such referenced debt instrument or files for bankruptcy. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default.

In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single bond or a portfolio of bonds and loans or for efficient portfolio management.

Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views.

Short Selling. Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a Client engages in short sales will depend upon the Investment Adviser's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to a Client of buying those securities to cover the short position. There can be no assurance that a Client will be able to maintain the ability to borrow securities sold short. In such cases, a Client can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by a Client due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of a Client. Market illiquidity or disruption could result in major losses to a Client.

Exchange-Traded Funds. Exchange-Traded Funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF's expenses, including management fees.

Hedging Transactions. A Client may utilize financial instruments, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of a Client's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect a Client's unrealized gains in the value of a Client's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a Client's portfolio; (v) hedge the interest rate or currency exchange rate on any of a Client's liabilities or assets; (vi) protect against any increase in the price of any securities a Client anticipates purchasing at a later date; or (vii) for any other reason that the Investment Adviser deem appropriate.

The success of a Client's hedging strategy will depend, in part, upon the Investment Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Client's hedging strategy will also be subject to the Investment Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Client than if it had not engaged in such hedging transactions. For a variety of reasons, the Investment Adviser may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Client from achieving the intended hedge or expose a Client to risk of loss. The Investment Adviser may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of a Client's portfolio holdings.

Highly Volatile Instruments. The prices of derivative instruments, including options, are highly volatile. Price movements of forward contracts and other derivative contracts in which a Client's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. A Client also is subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.

Investments in Unlisted Securities. A Client may invest in unlisted securities. Because of the absence of any trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by a Client. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

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

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

As part of the Adviser's routine compliance training and monitoring, all employees are asked to certify upon hire, and thereafter on at least an annual basis, whether they have been the subject of any disciplinary actions.



## ITEM 10

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

#### A. Broker-Dealer Registration Status.

The Investment Adviser, its management persons and its Associated Persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

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

The Investment Adviser and its Associated Persons are not registered as, and do not have any application to register as, futures commission merchants, commodity trading advisors or associated persons of the foregoing entities.

The Investment Adviser is registered as a commodity pool operator with the Commodities Futures Trading Commission. It has claimed exemptions with respect to the Funds under either CFTC Rule 4.13(a)(3) or CFTC Rule 4.7 from the obligations of a CFTC-registered commodity pool operator and, accordingly, is not subject to certain regulatory requirements with respect to such Funds (which are intended to provide certain regulatory safeguards to investors) that would otherwise be applicable absent such an exemption.

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

*Investments by Affiliates* – Investors in the Funds, who are involved in the management group, including the Principals, will be in possession of information relating to the Funds not available to all investors. It is also likely that an affiliate of the management group may hold a substantial portion, or even a majority, of the shares of a Fund, which can impact operations of such Fund, including anything requiring a shareholder vote. It should also be noted that some of the Directors of the Investment Adviser and its affiliates are also Directors of some of the Funds.

*Participating Affiliates* – See Item 4 for a description of the arrangement in place relating to affiliates of the Investment Adviser that provide certain services to the Investment Adviser.

*Other Global Affiliates* – The ultimate parent of the Investment Adviser has numerous other banking, brokerage and non-US Investment Adviser subsidiaries. The Investment Adviser does not generally engage in business transactions with such global affiliates either on its own or on behalf of its Clients and any such transactions will be approved in accordance with Firm Policy. Such global affiliates may make investments that are opposite or inconsistent with positions than that taken by the Investment Adviser on behalf of its Clients. The Investment Adviser generally has no visibility on the global affiliates transactions, and strict processes are in place to ensure the separateness of the investment activities conducted by each of the Investment Adviser and the global affiliates respectively.

*Other Funds* - The Investment Adviser and its members, officers and employees will devote as much of their time to the activities of the Clients as they deem

necessary and appropriate. The Investment Adviser and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with the existing Clients and/or may involve substantial time and resources of the Investment Adviser and its affiliates.

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

The Investment Adviser does not recommend or select other investment advisers for its Clients.

E. Securities Class Action Participation

The Investment Adviser has retained the services of Financial Recovery Technologies to monitor any securities class actions that the Investment Adviser's Clients may be eligible to participate in, to file appropriate claims and to monitor recovery of any such claims on behalf of the Investment Adviser's Clients.

F. Other Activities and Relationships

Associated Persons of the Investment Adviser and its affiliates may serve on the boards of directors of issuers in which Clients are invested. Serving in such capacity will give rise to conflicts of interest in the event that an Associated Person's obligations to the issuer as a director conflicts with the Associated Person's fiduciary duties to a Client or Clients.

In addition, members of the investment team or investment committee of a particular Client will work on other projects for the Investment Adviser. Conflicts may arise in allocating management time, services or functions, and the Investment Adviser's ability to access other professionals and resources within the Investment Adviser for the benefit of a particular Client may be limited. Such access may also be limited by the internal compliance policies of the Investment Adviser, including, without limitation, information barrier policies, or other legal or business considerations.

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

A. Code of Ethics.

The Investment Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Investment Adviser has adopted a Code of Ethics (the “Code”). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times comply with applicable Federal and state securities laws;
- employees must at all times place the interests of Clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee’s position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds’ investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Clients may request a copy of the Code by contacting the Investment Adviser at the address or telephone number listed on the first page of this document.

***Personal Trading*** – The Investment Adviser has adopted a Personal Trading Policy (the “Policy”) designed to prevent improper personal trading and identify conflicts of interest that may arise. The following is a summary of the restrictions placed on the Investment Adviser’s Associated Persons:

- no Associated Person may transact in the securities of any issuer on the Firm’s Restricted List;
- transactions in reportable securities, with the exception of ETFs, require pre-clearance by the Investment Adviser’s compliance personnel. Reportable securities include all securities (whether public or private, equity or debt) as is defined under Federal law and includes stocks, options, warrants, units, ETFs (unless excepted as provided herein), closed end funds and corporate bonds, any derivative on any security, but does not include: (i) interests in any Fund for which

LOIM serves as an investment adviser; (ii) U.S. Government obligations; (iii) bank certificates of deposit or similar instruments; (iv) money market instruments; or (v) interests in open end investment companies registered under the Investment Company Act of 1940 (i.e., mutual funds);

- a 30 day holding period is placed on both purchase and sales in covered accounts to prevent short term trading;
- no Associated Person may acquire any security in an initial public offering (IPO);
- no Associated Person may engage in more than 10 transactions across all of their covered accounts during any calendar month;
- Associated Persons may not invest in small and mid-cap securities that are held in the portfolios of the Clients of the Investment Adviser; and
- Associated Persons are required to submit quarterly transaction reports and provide annual certifications relating to the accuracy of information provided in relation to personal trading accounts.

Exceptions to the Policy may be granted in limited circumstances by the Investment Adviser's Chief Compliance Officer ("CCO"). These situations will be reviewed on a case by case basis and permission will only be granted in cases where such exception, in the judgement of Compliance, be in conflict with the intent of the Policy. Any waiver by Compliance shall not affect the obligation of all persons subject to the Policy to comply with the provisions of this Policy still in force, nor shall it relieve any such persons of the obligation to comply with the disclosure and reporting requirements.

**B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.**

**1. Cross Trades**

As a result of subscriptions or redemptions and the change in the value of a Client's assets in any month and the Investment Adviser's desired exposures, the Investment Adviser adjusts, to the extent practicable, the exposure levels of the relevant Clients and other accounts advised by the Investment Adviser or its affiliates which may follow the same investment strategy, to investments in their respective portfolios. Such adjustments may be effected by purchases and sales in the market or by a transfer between relevant Clients (a "Cross Trade"). Additionally, a Cross Trade also may be effected in certain other circumstances, including, without limitation, for liquidity purposes or to reduce transaction costs that may arise in an open market transaction, if the Investment Adviser determines the transaction to be in the best interests (and consistent with the investment program, risk management, best execution guidelines and other relevant considerations) of the relevant Clients. Generally, the relevant asset will be transferred via journal entry at a price determined by the valuation procedures of the relevant Clients. In most situations, the relevant asset will be transferred between Clients in the market with the assistance of a broker-dealer based on the current applicable price on the market.

## 2. Principal Transactions

The Investment Adviser does not engage in principal transactions.

### C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. The Investment Adviser, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, or may fall within, the investment guidelines of clients. However, the Firm's Personal Trading Policy restricts Associated Persons from investing in securities currently held in Client portfolios. Personal trade procedures also prohibit or restrict trading by employees in securities while in possession of confidential, or other proprietary information regarding an issuer, order or research idea.

The Investment Adviser, its affiliates and its employees may give advice or take action for their own accounts or for the accounts of some but not all of its Clients that may differ from, conflict with or be adverse to advice given or action taken for other Clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Investment Adviser and its personnel may have investments in some Clients but not in others or may have different levels of investments in the various Clients.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest.

Although the Firm's goal is to be fundamentally fair on an overall basis with respect to all Clients, there can be no assurance that on a trade-by-trade basis that one Client will not be treated differently from another. The allocation procedures will sometimes cause a Client to receive a different price or amount of assets than it would have otherwise received. For example, if the Firm did not manage multiple Client accounts each Client individually could be able to receive or sell a greater percentage of limited opportunity securities. Consequently, when multiple Clients participate in limited opportunity trades, each participating Client reduces the opportunity available to other participating Clients. Nonetheless, the Firm expects this conflict of interest to arise infrequently because the majority of the securities the Firm invests in are liquid and readily available investments.

### D. Conflicts of Interest Created by Contemporaneous Trading.

The Investment Adviser and its affiliates provide management services to the Clients. Portfolio managers employing certain strategies manage overall portfolios that are generally allocated to one or more Clients on a pari passu basis, such that the portfolio manager does not allocate specific positions to one Client or another. Rather investment decisions are generally made based on the portfolio as a whole. However, the portfolio

strategies employed for some Clients could conflict with the transactions and strategies employed in managing other Clients' portfolios and affect the prices and availability of the securities and instruments in which the other Clients invest. Conversely, participation in specific investment opportunities may be appropriate, at times, for more than one Client. In such case, participation in such opportunities will be allocated on an equitable basis, taking into account such factors as regulatory constraints, diversification requirements, gross exposures, the relative amounts of capital available for new investments, relative exposure to short-term market trends, and the respective investment programs and portfolio positions of the Clients. Accordingly, such considerations may result in allocations of certain investments on other than a *pari passu* basis.

E. Indemnification and Errors.

The Investment Adviser is liable for any loss incurred by the Clients arising out of any investment that is not in compliance with the provisions of the Investment Management Agreement and such Client's investment objectives, investment policies and investment guidelines. Notwithstanding the above, the Manager shall not be liable for trade errors (other than those resulting from the willful misconduct, bad faith or gross negligence on the part of the Investment Adviser) applicable to Clients that are private funds. Conversely, the Investment Adviser remains liable for all losses incurred as a result of trade errors for certain other Managed Accounts and other Clients, as set out in more detail in each applicable investment management agreement.

The Investment Adviser will indemnify the Clients that are private funds in respect of any and all liabilities, obligations, losses, damages, penalties, actions, judgements, suits, costs, expenses, or disbursements of any kind or nature whatsoever including, without limitation, losses incurred by reason of any claim made by any investor in such Clients, losses which may be imposed on, incurred by or asserted against such Clients, arising from the negligence (gross negligence in the case of trade errors), willful misfeasance, default, bad faith or fraud of the Adviser, its directors officers or employees.

Without limiting the generality of the foregoing, the Investment Adviser shall not be liable for any loss arising from its adherence to or compliance with the investment guidelines set forth in the Offering Documents of its Funds, instructions given by the Fund and with any additional investment guidelines communicated in writing from time to time by the Board.

Nothing contained in this paragraph or in any other part of this Form ADV Part 2A should be construed as limiting a Client's and/or Fund investor's rights under all applicable laws.

F. Side Letters and Agreements.

The Investment Adviser and its affiliates has, and in the future may from time to time, enter into letter agreements or other similar agreements (collectively, "Side Letters") with one or more investors that alter, modify or change the terms of the investment of such investor in a Fund. Side Letters may provide such investors with additional or different rights from other investors, which may include, among others, different fee arrangements, redemption rights, minimum and additional subscription amounts, informational rights and capacity rights, however, no side letter will provide an investor with both enhanced liquidity

and transparency rights. A Side Letter may grant an investor access to certain information regarding a Fund that may not be available to other shareholders. Such investor may make investment decisions with respect to their investment in a Fund based on such information, including, without limitation, requesting redemptions. In general, a Fund is not required to offer such additional or different terms to any or all of the other investors.

## **ITEM 12**

### **BROKERAGE PRACTICES**

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

As noted previously, the Investment Adviser has full discretionary authority to manage the Clients, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Client's investment guidelines.

The Clients' securities transactions can be expected to generate a substantial amount of brokerage commissions and other compensation, all of which the Clients, not the Investment Adviser, will be obligated to pay. The Investment Adviser will have complete discretion in deciding what brokers and dealers the Clients use and in negotiating the rates of compensation the Clients pay. Unless the Investment Adviser receives instructions from a Managed Account to use a specific broker-dealer, the Investment Adviser will generally have complete discretion to decide what broker-dealers or other counterparties will be used in executing transactions for Clients, and the Investment Adviser negotiates the rates of compensation that Clients will pay. In addition to transactions executed with brokers on an agency basis, the Clients expect to buy and sell securities directly from or to dealers acting as principal at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

Portfolio transactions for the Clients will be allocated to brokers by the Investment Adviser. The Investment Adviser will utilize various brokers to execute securities transactions for the Clients. In selecting brokers to effect portfolio transactions, the Investment Adviser considers such factors as price, the ability of the brokers and dealers to effect the transaction, the brokers' facilities, reliability and financial responsibility, commission rates, willingness to commit capital, and the brokers' provision of or payment for (or the rebate to the Clients for payment of) the costs of research and brokerage related services that are of benefit to the Clients, the Investment Adviser and related funds and accounts. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Accordingly, if the Investment Adviser determines in good faith that the amount of commissions charged by a broker are reasonable in relation to the value of the brokerage and research or investment management related services provided by such broker, the Clients may pay commissions to such broker in an amount greater than the amount another firm might charge.

The Investment Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals. As part of its procedures, the Investment Adviser established a Best Execution & Brokerage Committee (the "Committee") that is responsible for reviewing broker-dealer commissions, trade volume, and other transaction costs as well as the overall quality of execution to determine reasonableness in light of services received and consistency with these guidelines. The Committee is comprised of the Senior Trader, Chief Executive Officer, Chief Risk Officer,



Director of Operations, Compliance Officer, General Counsel/Chief Compliance Officer and LOIM's Chief Operating Officer. The Committee meets periodically, generally on a quarterly basis, to evaluate the performance of broker-dealers currently being used to effect Client trades.

#### B. Research and Other Soft Dollar Benefits.

Research and investment management services provided by brokers through which portfolio transactions for the Clients are executed, settled and cleared may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, on-line quotations, news and research services, and other services providing lawful and appropriate assistance to the Investment Adviser in the performance of its investment decision-making responsibilities on behalf of the Clients (collectively, "soft dollar items").

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, permits the use of soft dollar items in certain circumstances, provided that the Clients do not pay a rate of commissions in excess of what is competitively available from comparable brokerage firms for comparable services, taking into account various factors, including commission rates, financial responsibility and strength and ability of the broker to efficiently execute transactions. The Investment Adviser currently operates within the "safe harbor" under Section 28(e). Affiliates of the Investment Adviser also comply with Section 28(e) except to the extent that other foreign rules apply to their operations.

When the Investment Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services; except when applicable, the Investment Adviser must comply with the requirements proscribed by The European Union Markets in Financial Instruments Directive II, 2018, as amended (MiFID II). The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser's interest in receiving research or other products or services, rather than on its Clients' interest in receiving most favorable execution. Generally, the Investment Adviser seeks to allocate the benefits received from Client trades to research or other products and services utilized by such Client. However, this may not always be the case as research and other products and services cannot always be specifically allocated to one Client or another.

#### C. Brokerage for Client Referrals.

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

From time to time, representatives of the Investment Adviser may speak at conferences and programs for investors interested in investing in hedge funds which are sponsored by prime brokers. These conferences and programs may provide opportunities by which the Investment Adviser is introduced to potential investors in the Funds. Generally, the prime brokers are not compensated by the Investment Adviser, the Funds or the potential investors for providing such "capital introduction" opportunities. A prime broker may also provide capital introduction services whereby the Investment Adviser may be afforded the

opportunity to make a presentation regarding its services to certain qualified investors introduced by such prime broker. This could result in a conflict of interest between the Investment Adviser and the applicable Client. While a prime broker will receive commercially reasonable fees for its services as a prime broker, such prime broker generally would provide capital introduction services to the Investment Adviser at no additional cost.

From time to time, brokers may assist the Funds in raising additional capital from investors. In addition, from time to time, an investor may request that the Investment Adviser direct brokerage to a broker affiliated with an advisor to the investor who had recommended that the investor invest in the Funds. Subject to its obligation to seek best execution, the Investment Adviser may consider referrals of investors to the Funds, and requests by investors to direct brokerage, in determining its selection of brokers. However, the Investment Adviser will not commit to an investor or broker to allocate a particular amount of brokerage in any such situation.

E. Order Aggregation.

The Investment Adviser may open “average price” accounts with brokers. In an “average price” account, purchase and sale orders placed during a trading day on behalf of all accounts of the Investment Adviser, their affiliates and their clients are combined, and securities bought and sold pursuant to such orders are allocated among such accounts on an average price basis. Likewise, the Investment Adviser strives to use an average price for client trades executed contemporaneously.

F. Brokerage for Events and Introductions.

The Investment Adviser may execute Client transactions with broker-dealers (including prime brokers) that sponsor events, meetings or other communications between potential investors and the Investment Adviser. These capital introduction services are provided incidental to other brokerage services. The Investment Adviser is not compelled to engage broker-dealers that sponsor these capital introduction programs in order to be included at these events. However, these capital introduction events are typically sponsored by broker-dealers that provide necessary services to the Funds, and they may create the appearance of using the execution services of these broker-dealers in order to be invited to their capital introduction programs.

The Investment Adviser does not pay to participate in these programs and does not select broker-dealers based on the receipt or potential receipt of any client or investor referrals from these programs or services (although Clients will not necessarily pay the lowest possible commission when executing transactions through these broker-dealers as noted above in this Item 12). However, the Investment Adviser may pay to attend certain conferences, seminars, and other events that are attended by prospective investors, but are not specifically designed as capital introduction events. Furthermore, broker-dealers or their affiliates may introduce us to prospective investors and will continue to have business relationships with, and execute brokerage transactions on behalf of, Clients.

G. Directed Brokerage.

The Investment Adviser may permit Managed Account Clients to select their own counterparties and direct the Investment Adviser to execute transactions through a specified broker-dealer or broker-dealers. However, when acting pursuant to these instructions, the Investment Adviser may be unable to achieve most favorable execution, which can result in

additional costs and expenses for the Client. For example, such Clients may pay higher brokerage commissions and may receive a less favorable price when buying or selling if they cannot participate in an aggregated trade along with other Client orders executed through broker-dealers selected by the Investment Adviser.

The Investment Adviser does not recommend, request or require that a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

H. New Issues. The Investment Adviser will only allocate appreciation and depreciation from “new issues,” as defined under Rule 5130 of the Financial Industry Regulatory Authority, as amended, supplemented and interpreted from time to time, and other restricted investments, to investors in a Fund and to Managed Accounts in which beneficial owners are eligible to participate therein.

I. Trade Errors. As described above, in the course of carrying out trading and investing responsibilities on behalf of Clients, the Investment Adviser may make “trading errors” in executing specific trading instructions (e.g., the purchase or sale of a security in the wrong amount, or contrary to Client investment guidelines). The Investment Adviser has established policies and procedures regarding the handling of trading errors in Client accounts under which all trading errors, including those which result in losses and those which result in gains, are treated as for the account of Clients, unless they are the result of conduct on the part of the Investment Adviser which is inconsistent with the standard of care set forth in the Clients’ material contracts, as applicable. The Investment Adviser will have a conflict of interest in determining whether a trading error has occurred, and in determining how to deal with such trading error.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

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

The Investment Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of each Client's portfolio. Such reviews are conducted by the portfolio managers, risk and research associates, and compliance personnel.

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

Risk management triggers are employed in the case of portfolio and/or position loss, gain, increase and decrease outside of each Client's guidelines. Compliance with those thresholds are monitored daily and where appropriate, intra-day.

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

Investors in the Funds receive a monthly letter from the Investment Adviser documenting the performance of their Fund, along with a commentary by the Investment Adviser, although the Investment Adviser provides certain investors with information on a more frequent and detailed basis if agreed to by the Investment Adviser. In addition, the Investment Adviser issues investors tax reports and audited financial statements concerning their respective Funds within 120 days of the end of a Fund's fiscal year. While all investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into such Fund's activities. This may enhance such investor's ability to make investment decisions with respect to the Fund and possibly affect such investor's decision to request a redemption from such Fund.

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

A. Economic Benefits for Providing Services to Clients.

The Investment Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services.

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

The Investment Adviser has entered into, and in the future may enter into additional, placement agreements with one or more distributors or placement agents (each a “Placement Agent”), pursuant to which the Investment Adviser will pay the Placement Agent a placement fee, for introducing potential Clients. Such fees may also generally be a percentage of the management fees and/or performance based compensation earned by the Investment Adviser or its affiliates or such other amount as agreed to by the parties.

If a Managed Account Client is introduced to the Investment Adviser by a solicitor, the Firm may pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940. Further, in order to receive a referral fee from our Firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. Any such referral fee is paid solely from the Firm’s investment management fee and does not result in any additional charge to the Client.

## **ITEM 15**

### **CUSTODY**

The Funds for which the Investment Adviser is deemed to have custody maintain their assets with independent qualified custodians. The Investment Adviser is deemed to have custody of certain client funds and securities because it has the authority, in those instances, to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. These Funds are pooled investment vehicles that are audited by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Financial Statements with an unqualified audit opinion are distributed to all of these Funds' for which the Investment Adviser is deemed to have custody within 120 days of such Fund's fiscal year-end. Account statements related to such Clients are sent by independent qualified custodians to the Investment Adviser.

The Investment Adviser does not currently have custody of the assets of Managed Accounts, and certain other Funds.

## **ITEM 16**

### **INVESTMENT DISCRETION**

The Investment Adviser and, in certain cases, its advisory affiliates have full discretionary trading authority over each Client.

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in their respective offering documents.

Also, the Investment Adviser generally has full discretionary trading authority with respect to the Managed Accounts, although such Clients may impose limitations on this authority with respect to:

- the specific types of investments or asset classes that the Investment Adviser will or will not purchase for their account;
- the nature of the issuers of investments that the Investment Adviser will or will not purchase for their account; or
- the risk profile of instruments the Investment Adviser will or will not purchase for their account, or the risk profile of the account as a whole.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. These policies and procedures are reasonably designed to ensure that the Firm votes proxies in the best interest of each respective Client and addresses how the Firm resolves any conflict of interest that may arise when voting proxies.

In case of voting, a systematic vote will take place on 100% of the position, except for the equities issued by a country with shareblocking requirements, in which case the Funds will not vote.

To this end, the Investment Adviser utilizes the services of ISS to assist in voting proxies on behalf of the Investment Adviser's Clients. Voting is generally in accordance with ISS recommendations with the exception of "material events", (i.e., mergers, IPOs, liquidations, spin-offs, etc.) which typically require input from the relevant portfolio manager that is then presented to an internal committee within the Investment Advisor and its affiliates to review to ensure any conflicts of interests are known and addressed. In these circumstances, ISS will designate a cut off time. If the portfolio manager does not submit the required information by the cut off time the automatic vote following ISS's recommendations will be generated.

Upon a request by a Client, we will disclose to Clients or investors how we voted securities it owned. Clients and investors may also contact the Investment Adviser via e-mail or telephone shown on the Cover Page to request a copy of the Firm's proxy voting policies and procedures.



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

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.

A. Balance Sheet.

Not applicable.

B. Financial Conditions Likely to Impair Ability to Meet Contractual Commitments to Clients.

Not applicable.

C. Bankruptcy Filings.

Not applicable.