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## Part 2A of Form ADV: Firm Brochure

### Trian Fund Management, L.P.

March 2019

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*This brochure (this “Brochure”) provides information about the qualifications and business practices of Trian Fund Management, L.P. (the “Adviser” or “Trian” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Howard M. Felson, Chief Compliance Officer, at 212-451-3000 and/or [compliance@trianpartners.com](mailto:compliance@trianpartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*The 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 Trian is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2 – Material Changes**

The date of this brochure is March 2019. It is an amendment to Trian's previous brochure dated March 2018. While this amended brochure contains certain changes since the previous brochure, we do not believe that any such changes are material. This brochure should be reviewed in its entirety as some changes to the document may be considered material to some readers and immaterial to others.

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## Item 4 – Advisory Business

### A. General Description of Advisory Firm

Trian Fund Management, L.P. (the “Adviser” or “Trian” or the “Firm”), a Delaware limited partnership, is an alternative investment management firm, founded in 2005 by Nelson Peltz, Peter May and Ed Garden (the “Principals”). Trian Fund Management GP, LLC serves as the general partner of the Adviser and is controlled by the Principals. The Adviser has offices in New York, New York.

Trian Investors Management, LLC, a wholly owned subsidiary of Trian formed in 2018, is an investment adviser registered with the SEC that provides investment management services to an affiliate of Trian Investors 1 Limited, a publicly-traded entity listed on the Specialist Fund Segment of the London Stock Exchange, which is expected to invest alongside other funds and investment vehicles managed by the Firm.

### B. Description of Advisory Services

Trian provides discretionary investment advisory services to a variety of domestic and offshore private investment partnerships and other investment vehicles (collectively, the “Funds” or each a “Fund”). As used herein, the term “client” generally refers to a Fund and “clients” generally refers to the Funds.

*This Brochure generally includes information about the 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 Investment Company Act of 1940, as amended. 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.*

#### 1. Investment Strategy

The Adviser typically invests in public companies with attractive business models that it believes trade significantly below intrinsic value primarily due to operating underperformance and/or under-management. The Adviser looks to work constructively with management and boards of directors to execute the Adviser’s strategic and operational initiatives

designed to increase the long-term earnings power of the company. The Adviser seeks to reach its price objective for each investment primarily by increasing earnings and cash flow (higher sales, lower expenses), and not by financial engineering (*e.g.*, leveraged recapitalization or “break-up” of the company) or assumed multiple expansion. Generally, the Adviser does not invest in companies that have a controlling shareholder, or in those companies that it believes are more susceptible to exogenous risk factors, such as technological obsolescence.

## 2. Types of Investments

Triant's Funds invest primarily in publicly-traded equity securities. However, under the terms of the offering documents the Funds are generally permitted to invest in a broad range of securities and instruments, including, without limitation, U.S. and non-U.S. equity and equity-related securities (including distressed investments), bonds, bank debt and other fixed income investments, futures, forward contracts, warrants, options, repurchase agreements, reverse repurchase agreements, bankruptcy and trade claims, swaps and other derivative instruments, currencies, commodities, money market securities and other cash equivalents. The Funds generally may take either long or short positions and many of the Funds may use leverage in connection with their activities. There can be no assurance that the investment objective of the Funds will be achieved.

## 3. Conflicts of Interest: Other Activities and Services, Co-Investment Opportunities

### *Other Activities and Services*

The Adviser may cause one of the Funds, either alone or together with other Funds, to acquire a position in the securities of a company, and/or may secure the appointment of designees selected by the Adviser to the company's management team or board of directors. In the event that material, non-public information is obtained with respect to such companies or in the event that the Funds become subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, the Funds may be prohibited for a period of time from purchasing or selling the securities of such companies, which prohibition may have an adverse effect on the Funds. To date, the Adviser's inability to trade during such times has not presented any significant obstacles to portfolio management or the execution of the Adviser's investment strategy.

In addition, in the event that one or more of the Principals and/or other members and employees of the Adviser serve as directors of, or in a similar capacity with, companies in which the Funds invest, such persons may acquire fiduciary duties to the company and to its other shareholders. These fiduciary duties may result in the Adviser taking actions that, while in the best interest of the company and/or its shareholders, may not be in the best interest of the Funds. Accordingly, the Adviser may have a conflict of interest as a result of the fiduciary duties (if any) that its director designees owe to such companies and their shareholders, on the one hand, and those that the Adviser owes to the Funds, on the other.

Currently, certain of the Adviser's Principals and Partners serve on the boards of directors of a number of public companies whose securities are owned by one or more of the Funds managed by the Adviser. Nelson Peltz and Peter May and certain of the Funds are significant shareholders of The Wendy's Company ("Wendy's") and Messrs. Peltz and May are the non-executive Chairman and Director and the non-executive Vice Chairman and Director, respectively, of Wendy's. Matthew Peltz, a Partner and Senior Analyst of the Adviser, is also a director of Wendy's.

Certain inherent conflicts of interest arise from the fact that the Adviser and/or its affiliates may provide certain administrative, investment management and other services to multiple clients and portfolio companies, including investment funds, client accounts and vehicles (such other clients, funds, accounts and vehicles, collectively, the "Other Clients"); the term Other Clients includes a Fund whose investors are comprised of one of Trian's Principals, certain of his family members and entities formed by or for the benefit of one or more of such persons (the "Parallel Affiliate Fund"). The provision of these services to the Other Clients may involve substantial time and resources of the Adviser and its affiliates. The respective investment programs of a particular Fund and the Other Clients may or may not be substantially similar. The portfolio strategies the Adviser and its affiliates may use for the Other Clients could conflict with the transactions and strategies employed by the Adviser in managing a particular Fund and affect the prices and availability of the securities and other financial instruments in which such Fund invests. The Adviser and its affiliates may give advice and recommend securities to the Other Clients that may differ from advice given to, or securities recommended or bought for, a particular Fund, even though their investment objectives may be the same or similar to those of such Fund. See also Item 6 below for a further discussion of potential conflicts regarding side-by-side management of Funds with different fee structures.

From time to time, a particular Fund and the Other Clients may make investments at different levels of an issuer's capital structure or otherwise in different classes of an issuer's securities. Such investments may inherently give rise to conflicts of interest or perceived conflicts of interest between or among the various classes of securities that may be held by such entities. For example, a Fund may make an investment in the capital structure of an issuer that is junior relative to the security held by an Other Client, and in such circumstances the existence of an actual conflict of interest depends upon, among other things, the current financial status of the issuer in which the investments were made.

The Adviser and its respective members, partners, officers and employees will devote as much of their time to the activities of a particular Fund as they deem necessary and appropriate. By the terms of the governing documents of the Funds, the 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 a particular Fund and/or may involve substantial time and resources of the Adviser. In the event the Adviser or any of its affiliates decides to engage in such activities in

the future, the Adviser or its respective affiliates, as applicable, will undertake to do so in a manner that is consistent with its fiduciary duties and contractual obligations to the Funds. Nevertheless, these activities could be viewed as creating a conflict of interest in that the time and effort of the Adviser and its officers and employees will not be devoted exclusively to the business of a particular Fund but will be allocated between the business of such Fund and the management of the monies of other advisees of the Adviser.

#### *Co-Investment Opportunities*

The Adviser and its affiliates may, in their sole discretion, from time to time, offer one or more investors in the Funds and/or other third-party investors the opportunity to co-invest with the Funds in particular investments. The Adviser and its affiliates are not obligated to arrange co-investment opportunities for investors, and no investor will be obligated to participate in such an opportunity if arranged and offered. The Adviser and its affiliates have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to such investors and/or third-party investors. Co-investment opportunities may be offered to certain investors in the Funds in priority to other potential co-investors based on contractual obligations of the Adviser and the Funds, including as a result of an investor's participation in the initial closings of certain of the Funds. If the Adviser determines that an investment opportunity is too large for the Funds, the Adviser and its affiliates may, but will not be obligated to, make proprietary investments therein. The Adviser or its affiliates may receive fees and/or incentive allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or incentive allocations borne by the other Funds.

The Adviser seeks to fairly allocate expenses among the Funds. Generally, Funds that own an investment will share in expenses related to such investment. However, it is not always possible or reasonable to allocate or re-allocate expenses to a co-investor in a Fund, depending upon the circumstances surrounding the applicable investment (including the timing of the investment) and the financial and other terms governing the relationship of the co-investor to the Funds with respect to the investment, and, as a result, there may be occasions where co-investors do not bear a proportionate share of such expenses. In addition, where a potential co-investment is contemplated but ultimately not consummated, potential co-investors generally will not share in any expenses related to such potential co-investment, including expenses borne by any Fund with respect to such potential co-investment.

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

As Triam provides investment advisory services to private investment vehicles, its advisory services take into account, among other things, the particular strategies of the Funds as well as the legal and/or tax implications of investing in certain securities. The 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 its offering documents. From time to time, Triam and/or its affiliates, including the Funds, may enter into agreements, commonly known as "side letters," with certain investors under

which it may agree to waive or modify the application of certain investment terms applicable to such investor, without obtaining the consent of any other investor in the Funds (other than such an investor whose rights would be materially and adversely changed by such waiver or modification).

The types of provisions to which the Funds have agreed with such investors in side letters or similar written agreements include terms pertaining to: (a) “most favored nations” rights; (b) consent to transfers by the applicable investor to certain affiliates of that investor, subject to satisfaction of certain specified conditions; (c) different fee and compensation terms, including for a large investor if such investor's aggregate investments in one or more Funds exceed certain specified thresholds that are higher than those set forth in a particular Fund's partnership agreement or other constitutional document; (d) representations by a Fund and/or the Adviser pertaining to the exercise of discretion, compliance with laws and regulations (including U.S. federal laws, such as the Investment Advisers Act of 1940, as amended (the “Advisers Act”)), anti-money laundering, and other customary representations set forth in side letters (including representations with respect to the accuracy or preparation of offering documents and the modification of certain terms set forth in a Fund's Subscription Agreements); (e) the provision of certain notices, certifications, information and access to information; (f) certain other rights that a particular investor may require due to the laws, rules, regulations or policies applicable to such investor; (g) confidentiality and investor-specific disclosure requirements; (h) tax related matters; and (i) various other rights.

A Fund and the Adviser may in the future enter into side letters or similar written agreements with the same or other types of investors, which side letters or other agreements may include provisions similar to or different from, and pertaining to different subject matter than, those identified above, as determined by the Fund and the Adviser in their sole discretion.

In addition, in response to questions and requests and in connection with due diligence meetings and other communications, a Fund and the Adviser may provide additional information to certain investors and prospective investors that is not distributed to other investors and prospective investors. Such information may affect a prospective investor's decision to invest in the Fund or an existing investor's decision to stay invested in a Fund. Each investor is responsible for asking such questions as it believes are necessary to make its own investment decisions and must decide for itself whether the information provided by the Adviser and the relevant Fund is sufficient for its needs.

#### **D. Wrap Fee Programs**

Triam does not participate in wrap fee programs.

#### **E. Assets Under Management**

As of December 31, 2018, the Firm had approximately \$8,917,429,000 of assets under management managed on a discretionary basis and \$337,858,135 of assets under management managed on a



non-discretionary basis. AUM includes assets managed by Trian as well as assets managed by one of its subsidiaries, Trian Investors Management, LLC.

*The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the 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.*

## Item 5 – Fees and Compensation

### A. Management Fee and Performance-Based Compensation

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees and compensation is provided below.

Each Fund will typically pay the Adviser a quarterly management fee (the "Management Fee"), in advance, which is generally equal to a percentage within the range of 1.0% - 2.0% per annum of the applicable Fund's net asset value, calculated and payable as of the beginning of each quarter. In the case of Trian's long-only, drawdown style equity funds, other than the co-investment opportunities fund described below, the Management Fee is equal to a percentage within the range of 1.25% - 1.5% per annum of the portion of each investor's capital commitment that has been called or the investor's committed capital for the first three years of the Fund's term, and thereafter equal to a percentage of the balance of each investor's capital account. Affiliates of the Adviser who invest in a Fund, including a Fund whose only investors are affiliates of the Adviser, are not subject to a Management Fee. To the extent a Fund is permitted to have "segregated investments," the Adviser would charge Management Fees on those investments based on the lower of cost or fair value.

In the event that a client's net asset value is reduced in connection with a withdrawal or redemption by an investor of such client other than as of the last day of a quarter, the Adviser will return to such client an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days remaining in such quarter, and such client will distribute such amount to the applicable investor.

Each Fund (in the case of certain Funds, through their investment in the applicable master fund), except for the Adviser's long-only, drawdown style equity funds and the co-investment opportunities fund (described below), will typically be subject to an annual incentive allocation (the "Incentive Allocation") that is allocated to the general partner of the applicable Fund equal to a range of 15% - 20% of the realized and unrealized net profits (if any) allocated to a capital account of each investor or a series of shares, as the case may be, in the applicable Fund for the fiscal year subject to a "high water mark" provision and excluding unrealized profits on segregated investments, if any. Investors are permitted to elect to invest in options of interests or shares for which the Incentive Allocation is measured over one-year, three-year and five-year performance periods. For the three-year (in certain cases) and five-year options, the Incentive Allocation is subject to a preferred return (*i.e.*, 6% or 8%, as applicable) and a catch-up provision and, in all cases for such options, a portion of the Incentive Allocation that has been allocated to the applicable general partner remains subject to a "clawback." As such, certain amounts of the Incentive Allocation attributable to such interests may not be withdrawn by the applicable general partner until a determination of the net capital appreciation or net capital depreciation is made at the end of the applicable three-year or five-year performance periods for the three-year and five-year options, respectively. In the event there is net capital depreciation attributable to such interests for

the applicable performance period, a portion of such net capital depreciation will be reallocated from such investors to the applicable general partner. Affiliates of the Adviser who invest in a Fund, including a Fund whose only investors are affiliates of the Adviser, are not subject to an Incentive Allocation. From time to time, certain of the Funds that feed into other Funds may be subject to an annual incentive fee (the "Incentive Fee"), rather than an Incentive Allocation, equal to a range of 15% - 20% of the net realized and unrealized appreciation in a series of shares for the fiscal year subject to a "high water mark" provision and excluding unrealized profits on segregated investments, if any, to the extent permitted by a specific Fund.

Certain of the Adviser's long-only, drawdown style equity funds will typically be subject to a carried interest distribution (the "Carried Interest Distribution" and, together with the Incentive Allocation and the Incentive Fee, the "Performance Compensation") that is distributed to the general partner of these Funds equal to 15% - 20% of distributions made by this Fund after capital is returned to each investor in this Fund (net of such investor's portion of any losses incurred on previously realized investments or written-off investments and certain expenses incurred by the Fund) subject in certain cases to a preferred return and catch-up provision.

The Adviser has established a multi-investor co-investment opportunities Fund that will from time to time, in the Adviser's discretion, co-invest with other of the Adviser's Funds in certain investment ideas. This Fund is open only to investors that have invested in certain of the Adviser's other Funds, including single investor funds. The Management Fee charged to this Fund is equal to a percentage within the range of 0% - 1.0% per annum of the portion of each investor's capital commitment that has been called and invested by the Fund; provided that if certain conditions are not met by an investor, the Management Fee paid in respect of such investor may increase to 1.50% per annum. The Incentive Allocation that is allocated to the general partner of this Fund is equal to 10% of the distributions made by this Fund in respect of an investment made by the Fund after capital is returned to each investor in the Fund that participated in such investment (in each case, net of any losses incurred by such investor on previously realized investments or investments that have been written-off and certain expenses incurred by the Fund that have been allocated to such investor); provided that if certain conditions are not met by an investor, the Incentive Allocation that is allocated to the general partner in respect of such investor may increase to 15% of such distributions.

From time to time, the Adviser establishes special purpose vehicles to co-invest with the Adviser's Funds in a single investment idea as well as single-investor Funds that invest alongside the Adviser's Funds. The Management Fees and Performance Compensation charged or allocated with respect to such special purpose vehicles and single-investor Funds may vary from the Management Fees and Performance Compensation described above.

Upon the complete or partial withdrawal or redemption by an investor of a Fund other than at the end of a fiscal year, the Performance Compensation, if any, will be charged or allocated with respect to the amount being withdrawn or redeemed, as applicable.

The Adviser and a Fund's general partner, if applicable, reserve the right to waive or modify any fee arrangements or performance compensation for any investor or to impose different terms and conditions on future investors, which the Adviser has done from time to time.

## **B. Fund Expenses and Other Costs**

The expenses identified below may not be applicable to all of the Funds. To the extent permitted under the applicable offering documents, each Fund generally bears its own operating and other expenses (and in the case of a feeder fund, its *pro rata* share of the applicable master fund's expenses), including, without limitation, expenses relating to the cost of purchasing investments, the actual or proposed acquisition, financing, holding, monitoring, hedging or disposition of investments (*e.g.*, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, clearing and settlement charges, finders' fees, interest expenses, travel expenses, brokerage commissions (see Item 12 below) and trading costs), fees of the administrator (or to the extent any services typically provided by an administrator are provided by the Adviser, a Fund's general partner or managing general partner, as applicable, the cost of such services in amounts not to exceed those that would typically be payable to administrators engaged to perform such services as reasonably determined by such Fund's general partner or managing general partner or the board of directors, as applicable, in good faith), organizational expenses, the management fees, expenses relating to the offer and sale of shares or interests, as applicable, financing fees, prime brokerage fees, filing fees, taxes, registration fees and similar fees, audit and tax return preparation fees, fees in respect of consulting, custodial, accounting, investment banking, appraisal and financial advisory services relating to investments or prospective investments (and to the extent consulting, accounting, investment banking, appraisal and financial advisory services are provided by employees of the Adviser, a Fund's general partner or managing general partner, a sub-adviser or any of their respective affiliates, the cost of such services in amounts not to exceed those that would typically be payable to outside professionals or consultants engaged to perform such services as reasonably determined by such Fund's general partner or managing general partner or the board of directors, as applicable, in good faith), due diligence expenses and fees relating to investments or prospective investments, travel expenses relating to investments or prospective investments, conduct of proxy contests and tender offers, litigation expenses and legal expenses (including the cost of in-house counsel of the Adviser, a Fund's general partner or managing general partner, a sub-adviser and their respective affiliates in amounts not to exceed those that would be payable to outside counsel engaged to perform such services as reasonably determined by such Fund's general partner or managing general partner or the board of directors, as applicable, in good faith) incurred in connection with the making or administration of investments (to the extent not borne by companies in which the Fund has an investment and regardless of whether consummated), costs of pricing services, servicing and special servicing fees, liability insurance covering a Fund's general partner and managing general partner, the Adviser, certain other service providers and their respective affiliates, members, directors, officers, partners, employees and agents, the cost of fidelity bonds intended to comply with the requirements of Section 412 of ERISA with respect to the assets of any "ERISA Fund," extraordinary expenses and

other similar expenses related to each Fund as a Fund's general partner or managing general partner or the board of directors, as applicable, determines in its sole discretion.

Any expenses common to more than one client generally will be paid *pro rata* by such clients based on their respective amounts of capital under management or the relative total amounts invested or expected to be invested in the company in which such clients have invested, or are expected to invest, as appropriate, as determined by the Adviser.

Item 12 further describes the factors that the Adviser considers in selecting or recommending broker-dealers for Fund transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

### **C. Other Compensation**

With respect to certain of the Funds, 100% of all broken deal fees and 50% of all transaction and advisory fees (or in the case of certain of the Funds, 100% of all such fees) received by the Adviser or its affiliates in connection with a Fund's share of an actual or prospective investment made or to be made by the Fund will be applied to reduce future management fees payable by the Fund, as reasonably determined by the Adviser based on the proportion of the actual or prospective investment in the applicable security made or to be made by each Fund versus that made by other funds and accounts managed by the Adviser and/or its affiliates (collectively, "Other Compensation") and with respect to each Fund investor based on such investor's percentage interest in the Fund (calculated based on net asset value or capital account, as applicable to each Fund) as of the date the management fee reduction is applied as set forth in the immediately succeeding paragraph (the "Reduction Amount"); provided, however, that the Reduction Amount will be decreased by out-of-pocket expenses incurred by the Adviser and its affiliates in connection with the transactions out of which such Other Compensation arose. The Other Compensation will be applied to reduce the management fee next payable after receipt of the applicable Other Compensation (but not to an amount below zero) and to the extent not so applied will be carried forward for application against future installments of the management fee.

To the extent management fees are waived or reduced for a Fund investor, the portion of Other Compensation that would have been used to offset management fees that would otherwise have been borne by such investor will not be applied to reduce management fees borne by other investors in such Fund.

It is also the policy of the Adviser to offset management fees paid by a Fund, in the manner provided above, by 100% of the "directors fees" (including proceeds from the sales of stock awarded to a member of a board of directors) received by the Adviser and its affiliates in connection with the Fund's share of an actual or prospective investment in entities other than with respect to Wendy's (to the extent provided by applicable Fund documents) where service of certain affiliates of the Adviser on the board of directors of Wendy's predates the establishment of the Adviser.

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

**D. Prepayment of Fees**

Fees and compensation paid to the Adviser or its affiliates by the Funds are generally deducted from the assets of such clients. As discussed above, Management Fees are generally deducted on a quarterly basis, in advance, and Performance Compensation is generally deducted on an annual (or multi-year) basis as set forth under Item 5.A above.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

As described above in Item 5.A, the Adviser and its affiliates accept Performance Compensation from all Funds except Funds whose only investors are affiliates of the Adviser. In addition, even among Funds that all pay Performance Compensation, some investors will bear higher rates than others.

When the Adviser is concurrently managing Funds that have different fee structures, it may face a potential conflict of interest. For example, the Adviser may have an incentive to favor Funds that pay Performance Compensation over the Fund that does not, or favor Funds with higher Performance Compensation rates over those with lower rates. However, the Adviser may also have an incentive to favor the Fund that does not pay Performance Compensation because its investors are primarily affiliates of the Adviser.

The Adviser is committed to allocating investment opportunities on a fair and equitable basis and has established policies and procedures to address the conflicts of interest described above. Please see “*Co-Investment Opportunities*” disclosure in Item 4.B.3 above as well as Item 11 and Item 12.E. below for a discussion of certain of the Adviser’s policies and procedures designed to address such conflicts of interest.

## **Item 7 – Types of Clients**

The Adviser generally provides investment advice to Funds as described above. The Adviser may in the future provide investment advice to separately managed accounts for institutional and other investors.



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

*The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to clients, and investment strategies pursued and investments made by the Adviser on behalf of its clients, should not be understood to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the 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.*

### **A. Analysis, Sources of Information and Valuation**

The Adviser employs fundamental analysis, including equity valuation analysis and credit analysis. The Adviser's sources of information also include investment banking contacts, corporate contacts and original analysis and research (financial, legal and other). The Adviser typically prices securities using readily available market quotations it receives from independent, third-party sources. In the event such market quotations are unavailable, or the Adviser determines in good faith that such quotations may be unreliable, or when an active market for a security does not exist (such as during periods of extreme market uncertainty), the Adviser may price the securities with the assistance of an independent valuation expert or other third party in accordance with the Adviser's procedures. These prices will be estimates of fair value as of the valuation date, and the Adviser makes no representation or warranty that a security can be sold at the estimated price.

### **B. Investment Strategies**

Please see Item 4.B above for a description of the Adviser's investment strategies and types of investments. No assurance can be given that the Funds' respective investment objectives will be achieved or that investors will receive a return of their capital. Investing in securities involves risk of loss that clients should be prepared to bear. Please see Item 8.C below for further information regarding the risk of loss.

### **C. Risk of Loss**

*The following risk factors may not be applicable to all of the Funds. Investments in a Fund are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment in such Fund. Prospective investors should carefully consider the risks of investing, which include, without limitation, those set forth below which are more fully described in the applicable Fund's offering documents. These risk factors include only those risks the Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Adviser and do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Adviser.*

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

Investment and Trading Risks in General. An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. The Funds invest in and trade securities and other financial instruments using strategies and investment techniques with significant risk characteristics, including the risks of short sales, the risks of leverage, the potential illiquidity of derivative instruments, the risk of loss from counterparty defaults and the risk of borrowing to meet withdrawal requests. The investment program of the Funds may utilize such investment techniques as margin transactions, option transactions, short sales, substantial leverage, securities lending, uncovered options transactions, forward transactions, futures and options on futures transactions, foreign currency transactions and highly concentrated portfolios, which practices involve substantial volatility and can, in certain circumstances, substantially increase the adverse impact to which a Fund may be subject. All investments made by the Funds risk the loss of capital. No guarantee or representation is made that a Fund's investment program will be successful, that a Fund will achieve its targeted returns or that there will be any return of capital invested, and investment results may vary substantially over time.

The Funds' Investment Strategy. The success of a Fund's investment strategy may require, among other things, that: (i) the Adviser properly identify companies whose securities prices can be improved through the Adviser's active influence on, and involvement in, the operations of such companies or through other corporate and/or strategic actions; (ii) the Fund acquire sufficient securities or other instruments of or relating to such companies at a sufficiently attractive price; (iii) the Fund avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) management of such companies and other security holders respond positively to the Adviser's proposals; and (v) the market price of such companies' securities increases in response to any actions taken by such companies. There can be no assurance that any of the foregoing will succeed.

Successful execution of an investment strategy with respect to a particular company may depend on the actions of other security holders and others with an interest in such company. Some security holders may have interests that diverge significantly from those of the Fund and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Adviser believes are fundamentally under-valued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates, even if the Fund's strategy is successfully implemented. Even if the prices for a company's securities have increased, there is no assurance that the Fund will be able to realize any increase in the value of its investment. A Fund's investment strategy may also prove ineffective for other reasons, including: (i) opposition of the management or investors of the subject company, which may result in litigation and may erode, rather than increase, the value of the subject company; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in the prices of securities; (v) the presence of corporate governance mechanisms such as staggered boards,

poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws.

Concentration of Holdings. At any given time, a Fund's assets may become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In that event, the Fund's portfolio will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company, industry, asset category, trading style or economic market, than a less concentrated portfolio would be. As a result, the Fund's aggregate return may be volatile and may be affected substantially by the performance of only one or a few holdings. The Adviser is not obligated to hedge its positions.

Highly Volatile Markets. The prices of a Fund's investments, including, without limitation, common equity and related equity derivative instruments, high yield securities, convertible bonds, and other derivatives, including futures and option prices, can be highly volatile. Price movements of forward, futures and other derivative contracts in which a Fund'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 government bonds, currencies, financial instruments, futures and 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. The Funds are also subject to the risk of the failure of any exchanges on which its positions trade or of its clearinghouses.

Non-U.S. Investments. A Fund may invest a portion of its capital outside the United States in non-dollar denominated securities and instruments, including in securities and instruments issued by non-U.S. companies and the governments of non-U.S. countries and in non-U.S. currency. These investments involve special risks not usually associated with investing in securities of U.S. companies or the U.S. federal, state or local government. Because investments in securities and instruments issued by non-U.S. issuers may involve non-U.S. dollar currencies and because a Fund may temporarily hold funds in bank deposits in such currencies during the completion of its investment program, the Fund may be affected favorably or unfavorably by changes in currency rates (including as a result of the devaluation of a non-U.S. currency) and in exchange control regulations and may incur transaction costs in connection with conversions between various currencies. In addition, because non-U.S. entities are not subject to uniform accounting, auditing, and financial reporting standards, practices and requirements comparable with those applicable to U.S. companies, there may be different types of, and lower quality, information available about a non-U.S. company than a U.S. company. There is also less regulation, generally, of the securities markets in non-U.S. countries than there is in the United States. Some non-U.S. securities markets have a higher potential for price volatility and relative illiquidity

compared to the U.S. securities and capital markets. With respect to certain countries there may be the possibility of expropriation or confiscatory taxation, political, economic or social instability, limitation on the removal of funds or other assets or the repatriation of profits, restrictions on investment opportunities, the imposition of trading controls, withholding or other taxes on interest, dividends, capital gain, other income, gross sale or disposition proceeds, import duties or other protectionist measures, various laws enacted for the protection of creditors, greater risks of nationalization or diplomatic developments which could adversely affect the Fund's investments in those countries.

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

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

In general, the potential use of short-term margin borrowings would result in certain additional risks to a Fund. For example, should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call," pursuant to which the Fund would either be required to 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 the Fund's assets, the Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

A Fund may enter into repurchase and reverse repurchase agreements. When a Fund enters into a repurchase agreement, it "sells" securities issued by the U.S. or a non-U.S. government, or agencies thereof, to a broker-dealer or financial institution, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, the Fund "buys" securities issued by the U.S. or a non-U.S. government, or agencies thereof, 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 the Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Fund involves certain risks. For example, if the seller of securities to a Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Fund will seek to dispose of

such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Fund's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Fund 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, the Fund may suffer a loss to the extent 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.

If the Adviser determines to leverage a Fund's portfolio, the financing used by the Fund will be extended by securities brokers and dealers in the marketplace in which the Fund invests. While the Fund will attempt to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so will be limited. The Fund 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 the Fund. Because the Funds currently have no alternative credit facility that could be used to finance their portfolio in the absence of financing from broker-dealers, a Fund could be forced to liquidate its portfolio on short notice to meet its financing obligations. The forced liquidation of all or a portion of a Fund's portfolio at distressed prices could result in significant losses to the Fund.

Portfolio Company Leverage. While investments in leveraged companies offer the opportunity for capital appreciation, such investments also involve a higher degree of risk. A Fund's portfolio companies may make use of varying degrees of leverage, as a result of which recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability or survival of such companies. Moreover, any rise in interest rates may significantly increase a portfolio company's interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Fund may suffer a partial or total loss of capital invested in the portfolio company.

Short Selling. Short selling involves selling securities that may or may not be owned by the seller and borrowing the same securities 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 declines in the value of securities. 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 of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Securities may be sold short by a Fund to hedge a long position, or to enable the Fund to express a view as to the relative value between the long and short positions. There is no assurance that the objectives of these strategies will be achieved, or specifically that the long

position will not decrease in value and the short position will not increase in value, causing the Fund losses on both components of the transaction. In addition, when a Fund effects a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

Counterparty Risk. A Fund has established or expects to establish relationships and may establish additional relationships in the future to obtain financing, derivative intermediation and prime brokerage services that permit the Fund to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Fund will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Fund's trading activities, create losses, preclude the Fund from engaging in certain transactions or prevent the Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Fund's business due to the Fund's reliance on such counterparties.

A Fund may effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, a Fund enters into a contract directly with dealer counterparties which may expose the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not *bona fide*). In addition, a Fund may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Fund had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that the Fund post collateral.

Collateral that a Fund posts to its counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, the Fund may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

If there is a default by a counterparty, a Fund under most normal circumstances will 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 the Fund being less than if the Fund 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. In such case, the recovery of the Fund's securities from such counterparty or the payment of claims therefor may be significantly delayed and the Fund may recover substantially less than the full value of the securities entrusted to such counterparty. In addition,

there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether the Fund may terminate its agreement with an insolvent counterparty.

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

Currency. A Fund's assets may be invested by the Adviser in debt and equity securities denominated in various currencies and in other financial instruments, the price of which is determined with reference to such currencies. The Fund will, however, value its investments and other assets in U.S. dollars. To the extent unhedged, the value of a Fund's net assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Fund's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which a Fund makes its investments will reduce, all other economic factors being constant, the effect of increases and magnify the effect of decreases in the prices of the Fund's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Fund's non-U.S. dollar securities. Currency forward contracts and over-the-counter options may be utilized to hedge against any potential currency fluctuations, but the Fund is not required to hedge and there can be no assurance that such hedging transactions, even if undertaken, will be effective.

Hedging Transactions. A Fund 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 the Fund's investment portfolio resulting from fluctuations in the securities and commodity markets and changes in currencies and interest rates; (ii) protect the Fund's unrealized gains in the value of the Fund's investment portfolio; (iii) facilitate the synthetic sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Fund's portfolio; (v) hedge the interest rate or currency exchange rate on any of the Fund's liabilities or assets; (vi) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date; or (vii) for any other reason that the Adviser deems appropriate.

The success of any hedging activities by a Fund will depend, in part, upon the 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 Fund's hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund than if it had not engaged in such hedging transactions. For a variety of reasons, the 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 Fund from achieving the intended hedge or expose the Fund to risk of loss. The 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 the Fund's portfolio holdings.

Investments in Under-Valued Securities. Part of a Fund's investment strategy is to invest in securities that the Adviser believes are under-valued. The identification of investment opportunities in under-valued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in under-valued 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 Fund's investments may not adequately compensate for the business and financial risks assumed.

From time to time, a Fund may invest in bonds or other fixed income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. 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.

For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which a Fund invests may decline substantially. In particular, purchasing assets at what may appear to be "under valued" levels is no guarantee that these assets will not be trading at even more "under valued" levels at a time of valuation or at the time of sale.

Loans of Portfolio Securities. A Fund may lend its portfolio securities. The lending of securities is an attempt 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, the Fund could experience delays in recovering the loaned securities. To the extent that the value of the securities the Fund lent is not fully recovered, the Fund could experience a loss.



Trading in Securities and Other Investments That May be Illiquid. Certain investment positions in which a Fund may have an interest, including investment positions through which the Fund controls or seeks to control a company, may be illiquid. The Funds may own restricted or non-publicly traded securities and/or securities listed on non-U.S. exchanges. These investments could prevent a Fund from liquidating unfavorable positions promptly and subject the Fund to substantial losses. Such illiquidity could also impair the Fund's ability to distribute withdrawal/redemption proceeds to a withdrawing/redeeming investor in a timely manner.

Regulatory Restrictions. The investment strategies pursued by a Fund may be affected by U.S. state, U.S. federal or non-U.S. laws of any other applicable jurisdictions governing the beneficial ownership of securities in a public company, which may inhibit the Fund's ability to freely acquire and dispose of certain securities. Should a Fund be affected by such rules and regulations, it may not be able to transact in ways that would realize value for the Fund. In addition, any changes to government regulations could make some or all forms of corporate governance strategies unlawful or impractical. Accordingly, such changes, if any, could have an adverse effect on the ability of a Fund to achieve its investment objective.

Litigation Risk. Some of the tactics that the Adviser may use involve litigation. A Fund could be a party to lawsuits either initiated by it, or by a company in which the Fund invests, other shareholders, or U.S. state, U.S. federal and U.S. foreign governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the Fund.

Directorships on the Boards of Directors of Portfolio Companies. Certain of the Adviser's Principals, Partners, and designees may serve as directors of, or in a similar capacity with, companies in which the Funds invest. In the event that material, non-public information is obtained with respect to such companies or in the event that the Funds become subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, the Funds may be prohibited for a period of time from purchasing or selling the securities or other instruments of or relating to such companies, which prohibition may have an adverse effect on the Fund.

Minority Investments; Investments with Third Parties. The Funds will primarily invest in minority positions of companies and in companies for which the Funds have no legal right to appoint a director or otherwise exert significant influence or protect its position. In such cases, the Funds will be significantly reliant on the existing management and board of directors of such companies, which may include representation of other financial investors with whom the Funds are not affiliated and whose interests may conflict with the interests of the Funds. Consequently, the Adviser may not always be in a position to effectively protect the Funds' interests.

The Funds may co-invest with third parties through joint ventures or other entities. Such investments may involve risks in connection with such third-party involvement, including the possibility that a third party co-venturer may have financial difficulties, resulting in a negative

impact on such investment, may have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In addition, the Funds may in certain circumstances be liable for the actions of its third-party co-venturers. In those circumstances where such third parties involve a management group, such third parties may receive compensation arrangements relating to such investments, including incentive compensation arrangements.

## **2. Risks Associated with Particular Types of Securities**

Investments in Less Established Companies. While not its primary strategy, a Fund may invest a portion of its assets in the securities of less established companies, or early stage companies. Investments in such early stage companies may involve greater risks than generally are associated with investments in more established companies. To the extent there is any public market for the securities held by the Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss.

Stock Index Options. A Fund may also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objectives or for the purpose of hedging its portfolio. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Fund's portfolio correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Fund of options on stock indices will be subject to the Adviser's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Call Options. A Fund may engage in the use of call options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*i.e.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the

premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

Put Options. A Fund may engage in the use of put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*i.e.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option.

The buyer of a put option assumes the risk of losing its entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

OTC Derivative Agreements. The Adviser may enter into over-the-counter derivative agreements ("OTC Derivative Agreements") on behalf of a Fund. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, OTC Derivative Agreements may increase or decrease the Fund's exposure to, for example, equity securities. OTC Derivative Agreements can take many different forms and are known by a variety of names. The Fund is not limited to any particular form of OTC Derivative Agreement if consistent with the Fund's investment objective. Whether the Fund's use of OTC Derivative Agreements will be successful will depend on the Adviser's ability to select appropriate transactions for the Fund. Derivative transactions may be highly illiquid and may increase or decrease the volatility of the Fund's portfolio. Moreover, the Fund bears the risk of loss of the amount expected to be received under an OTC Derivative Agreement in the event of the default or insolvency of its counterparty. The Fund will also bear the risk of loss related to OTC Derivative Agreements, for example, for breaches of such agreements or the failure of the Fund to post or maintain required collateral. Many derivative markets are relatively new and still developing. It is possible that developments in the derivative markets, including potential government regulation, could adversely affect the Fund's ability to terminate existing derivative transactions or to realize amounts to be received under such transactions.

Total Return Swap Agreements. The Adviser may enter into total return swap agreements on behalf of a Fund (“TRS” or “TRS agreements”). TRS agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. TRS agreements may shift the Fund’s investment exposure from one type of investment to another. For example, if a Fund agrees to exchange payments in dollars for payments in non-U.S. currency, the TRS agreement would tend to decrease the Fund’s exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, TRS agreements may increase or decrease the overall volatility of a Fund’s portfolio. The most significant factor in the performance of TRS agreements is the change in the specific reference asset or financing or currency rate. If a TRS agreement calls for payments by the Fund, it must be prepared to make such payments when due. The reference asset may be any currency, interest rate, equity, debt, asset, index, or basket of assets. The TRS allows one party to derive the economic benefit of owning such reference asset without putting that reference asset on its balance sheet, and allows the other (which does retain that asset on its balance sheet) to buy protection against loss in its value.

The TRS counterparties may bear certain risks associated with the transaction, which include, for example, the possibility that the TRS beneficiary may default while the reference asset has declined in value. In addition, the TRS obligor may default, followed by default of the TRS receiver before payment of the depreciation has been made to the payer or provider.

Contracts for Differences. The Adviser may, on behalf of a Fund, enter into contracts for differences (“CFDs”), which are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument’s value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is subject to adjustment daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any financial instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse market movements in the underlying security will require the posting of additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If that were to occur, the value of the contract may be reduced. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Fund’s obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Fund’s financial risk.

Derivative Securities and Instruments Generally. Derivative instruments, or “derivatives,” include instruments and contracts that are derived from and are valued in relation to

one or more underlying assets, benchmarks or indices. A derivative allows an investor to hedge or speculate upon the price movements of a particular asset, financial benchmark or index that could be a fraction of the cost of acquiring, borrowing or selling short the underlying asset. The value of a derivative is linked to the price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset may also be applicable to derivatives trading. However, there are a number of additional risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Price movements of futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, the duration of the contract, 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. The value of futures, options and swap agreements also depends upon the price of the assets that are underlying them. In addition, the Fund's assets are also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties. Additional risks associated with derivatives trading include:

- Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative and the underlying investment sought to be hedged may prevent a Fund from achieving the intended hedging effect or expose the Fund to risk of loss. If a Fund invests in derivatives at inopportune times or incorrectly judges market conditions, the investments may lower the return of the Fund or result in a loss. A Fund also could experience losses if derivatives are poorly correlated with its other investments.
- Liquidity. Derivatives, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets a Fund may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which a Fund may conduct its transactions in derivatives may prevent profitable liquidation of positions, subjecting the Fund to the potential of greater losses. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.
- Leverage. Trading in derivatives can result in large amounts of leverage. Thus, the leverage offered by trading in derivatives may magnify the gains and losses experienced by a Fund and could cause a Fund's net asset value to be subject to wider fluctuations than would be the case if the Fund did not use the leverage feature of derivatives.
- Over-the-Counter Trading. Derivatives that may be purchased or sold by a Fund may include instruments not traded on an exchange. The risk of nonperformance by

the obligor or derivative counterparty on an instrument may be greater than, and the ease with which a Fund can dispose of or enter into closing transactions with respect to a security or instrument may be less than, the risk associated with an exchange traded security. In addition, significant disparities may exist between “bid” and “asked” prices for derivatives that are not traded on an exchange. Derivatives not traded on exchanges also may not be subject to the same type of government regulation as exchange traded securities, and many of the protections afforded to participants in a regulated environment may not be available in connection with the transactions.

- Exotic Options. An “exotic option” is an option that differs in structure from common American or European options and is generally much more complex than plain vanilla options, such as calls and puts that trade on an exchange. Exotic options are typically, but not always, traded over-the-counter (“OTC”). OTC contracts may not trade in a liquid market and pricing may be opaque. The illiquidity of these markets can be exacerbated in times of market stress. A Fund may incur substantial costs entering into and exiting positions that could have a material impact on performance. Exotic options may be subject to a higher degree of pricing risk as demonstrated by instances in which different counterparties in the market employ different valuation and pricing methodologies to the same exotic option. Because exotic options can often be highly customized, there is lower visibility with respect to the pricing and valuation of these instruments. Exotic options may be subject to high levels of price volatility. For example, in the case of barrier options, as the price of the asset underlying the option trades closer to a barrier level, the delta of the option (i.e., the ratio of the change in the price of the underlying asset to the corresponding change in the price of the option) and the gamma of the option (i.e., the rate of change of the delta with respect to the underlying asset’s price) may become very high. Exotic options may be subject to higher levels of model risk than commonly traded options because standard models are not able to adequately capture or predict the risks associated with the exotic options. Exotic options may be “path dependent.” This means that their terminal value (at exercise or expiration) depends upon the value of the underlying asset, not only at the time of exercise or expiration, but also at prior points in time. In this sense, the option’s terminal value depends upon the “path” taken by the underlying asset over the life of the option. For example, a barrier option’s value at expiration depends upon both the value of the underlying asset at expiration and whether the past value of the underlying asset ever satisfied a barrier condition. In contrast, a vanilla option (e.g., a call option) is not path dependent. Its value at exercise or expiration depends on the value of the underlying asset only at that point in time. The additional features incorporated by exotic options require additional judgments regarding the likelihood of certain conditions being satisfied, any one of which can result in loss if made incorrectly. An OTC option may be closed out only with the

counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

A Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are deemed by the Adviser to be consistent with the investment objective of the Fund. Special risks may apply to instruments that are invested in by a Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by a Fund.

Forward Contracts. A Fund may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The participants who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts 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. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Fund. In its forward trading, a Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the counterparties with which the Fund trades. A Fund's assets on deposit with such counterparties will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Adviser may order trades for a Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject a Fund to the risk of loss.

Speculative Nature of Investments in Distressed Debt. A Fund may invest in distressed debt securities and instruments. Investments in distressed debt securities and instruments are inherently speculative and are subject to a high degree of risk. Companies experiencing financial distress are often those operating at a loss or with substantial variations in operating results from period to period. Companies experiencing financial distress may be involved in insolvency proceedings and have the need for substantial additional capital to support continued operations or to improve their financial condition and may have very high amounts of leverage. Distressed companies may have further inability to service their debt obligations during an economic downturn or periods of rising interest rates, may not have access to more traditional methods of financing and may be unable to repay debt by refinancing.

The value of distressed debt securities and instruments tends to be more volatile and may have increased price sensitivity to changing interest rates and adverse economic and business developments than other securities and instruments. Distressed debt securities and

instruments are often more sensitive to company-specific developments and changes in economic conditions than other securities and instruments. Furthermore, distressed debt securities and instruments are often unsecured and may be subordinated to senior debt.

Investment in Restructurings. A Fund may make investments in restructurings which involve portfolio companies that are experiencing or are expected to experience severe financial difficulties, which may never be overcome and may cause a portfolio company to become subject to bankruptcy proceedings. Such investments could, in certain circumstances, subject the Fund to certain additional potential liabilities, which may exceed the value of the Fund's original investment therein. For example, under certain circumstances, a lender who has inappropriately exercised control of the management and policies of a debtor may have its claims subordinated, or disallowed or may be found liable for damages suffered by parties as a result of such actions. In addition, under certain circumstances, payments to the Fund and distributions by the Fund to the Limited Partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment or a similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.



## **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 Adviser's advisory business or the integrity of the Adviser's management.

## Item 10 – Other Financial Industry Activities and Affiliations

- A. Broker-Dealer Registration Status. Neither Trian nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status. Neither Trian nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Material Relationships or Arrangements with Industry Participants.

Related persons of Trian serve as general partners of each of the Trian Funds that have been structured as a limited partnership, which include master funds as well as domestic and offshore feeder funds that invest solely in such master funds. For more information about such related persons, please see Section 7.A of Schedule D on Trian's Form ADV, Part 1A, published on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Where permitted by applicable laws and the governing instruments of the respective Funds, Trian may purchase securities or other assets on behalf of the Funds in which more than one Fund holds the same securities or other assets, subject to Trian's Code of Ethics and other applicable policies and procedures. For more information regarding trade aggregation and allocation, see Item 12.E below.

From time to time, certain of the Adviser's related persons receive fees in connection with serving on the board of directors of one or more of the Funds' portfolio companies. It is the policy of the Adviser to offset management fees paid by a Fund, in the manner provided in Item 5.C above, by 100% of the "directors fees" (including proceeds from the sales of stock awarded to a member of a board of directors) received by the Adviser and its affiliates in connection with the Fund's share of an actual or prospective investment in entities other than with respect to The Wendy's Company (to the extent provided by applicable Fund documents) where service of certain affiliates of the Adviser on the board of directors of Wendy's predates the establishment of the Adviser.

- D. Material Conflicts of Interest Relating to Other Investment Advisers. Trian does not recommend or select other investment advisers for its clients.

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

### **A. Code of Ethics**

The Adviser has adopted a code of ethics (the “Code of Ethics”) that establishes the standard of business conduct that its employees and certain other designated persons (together, “supervised persons”) must follow. The Code of Ethics requires supervised persons to avoid (i) placing personal interests ahead of the Funds’ interests; (ii) creating actual and potential conflicts of interest between personal activities and Fund activities; and (iii) taking advantage of their position to misappropriate investment opportunities from the Funds.

The Code of Ethics also includes provisions relating to the confidentiality of the Adviser and client information, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. In particular, the Code of Ethics: (i) requires our “access persons” to submit to the Chief Compliance Officer, or his designee, upon request, reports disclosing all personal securities holdings and/or transactions and (ii) imposes certain restrictions on personal securities trading. The Adviser’s supervised persons are required to acknowledge that they have reviewed and understand the Code of Ethics (as well as the Adviser’s other policies and procedures), and that they have complied with and agree to comply with the Code of Ethics (including any revisions or updates).

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

### **B. Participation or Interest in Client Transactions**

The Code of Ethics as well as other of Trian’s policies and procedures relating to, among other things, portfolio management and trading practices, personal securities transactions and insider trading are designed to assure that the personal securities transactions, activities and interests of Trian’s supervised persons will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing supervised persons to invest for their own accounts. Nonetheless, because the Code of Ethics in some circumstances would permit supervised persons to hold the same securities as clients, there is a possibility that supervised persons might benefit from market activity by a client in a security held by a supervised person.

From time to time, supervised persons and Principals of the Adviser or any related person(s) may invest or otherwise have an interest in securities owned by or being considered for investment by the Funds. Additionally, such persons may invest or otherwise have an interest, either directly or indirectly, in private funds managed by third parties, which in turn, may invest in securities held in other client accounts. Personal trading is monitored under the Code of Ethics in order to

reasonably prevent conflicts of interest between Trian and its clients. For more information regarding Trian's policies and procedures regarding Personal Trading see Item 11.C below.

Certain affiliated Funds or accounts, such as the Parallel Affiliate Fund (as defined in Item 4.B.3 above), may trade in the same securities with other unaffiliated Trian Funds on an aggregated basis when consistent with Trian's obligation of best execution. In such circumstances, the affiliated and unaffiliated accounts will share commission costs equally and receive securities at a total average price. Trian will retain records of the trade activity (specifying each participating account) and its allocation. See also Item 12.E below for more information on Trian's trade aggregation and allocation policies.

From time to time, Trian may transfer a security from one Fund to another ("cross trade"), either on a principal or agency basis, if it determines that such a transaction is in the best interests of two or more of the Funds for tax purposes, liquidity purposes, regulatory reasons or to reduce transaction costs that may arise in an open market transaction. Trian does not permit cross trades involving its ERISA Funds.

The Adviser has adopted procedures with respect to cross trades, which include the following provisions:

- The transaction will be a purchase or a sale, for no consideration other than cash payment against prompt delivery of a security for which market quotations are readily available.
- The transaction will be consistent with the objectives, policies and restrictions of each party to the transaction.
- Except for customary transfer fees, no brokerage commission, fee or other remuneration will be paid in connection with the transaction.
- The transaction will be effected at the then-current market price of the security, which may at times be the closing price at the end of the trading day.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and an unaffiliated fund managed by the adviser. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

To the extent that a cross trade may be viewed as a principal transaction due to the ownership interest in a client by the Adviser or its personnel, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on

behalf of investors in such a client and approved or disapproved by (i) an advisory board comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by the Adviser (or its affiliate), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations.

### **C. Personal Trading**

#### **1. Investing in Securities that the Adviser or a Related Person Recommends to Clients**

The Code of Ethics places restrictions on personal trades by supervised persons and sets forth specific reporting obligations for such persons, including that they disclose their personal securities holdings and transactions to the Adviser on a periodic basis, and requires that supervised persons pre-clear certain types of personal securities transactions. In addition, the Adviser maintains a “Restricted List” of companies about which a determination has been made that it is prudent to restrict trading activity by the Adviser and/or its supervised persons. The list includes those companies in which the Adviser is actively considering building a position (long or short), those companies in which Funds already have a position and those companies about which the Adviser may have obtained material, non-public information.

Supervised persons who wish to conduct personal securities transactions in “reportable securities” for their “personal accounts” (as each term is defined in the Code of Ethics) are required to obtain pre-approval. Pre-approval may be requested by logging in to the Firm’s Compliance Web Portal and entering the particular trade request in the personal trading section of the Portal. In the event the Compliance Web Portal is unavailable for any reason, supervised persons must obtain pre-approval from the Adviser’s Chief Compliance Officer (or his designee) or, in his absence, the Adviser’s General Counsel. As a general rule, a supervised person may not trade securities of an issuer included on the Restricted List, however, exceptions may, under certain limited circumstances, be granted by the Chief Compliance Officer or the General Counsel.

The Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for 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 Adviser and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The 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 but not limited to the restrictions placed on personal trading as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

## 2. Procedures to Prevent and Detect Misuse of Material, Non-Public Information

The Adviser has established policies and procedures intended to prevent the misuse of material, non-public information by its supervised persons and to prevent, detect and correct any violations of the prohibition on insider trading. Under applicable law, the Adviser and its related persons are prohibited from disclosing or using such material, non-public information for their personal benefit or for the benefit of another person, including the Funds. The Adviser and its related persons may, from time to time, come into possession of material, non-public information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Accordingly, the Adviser's policies provide that if the Adviser or its related persons obtain material, non-public information concerning an issuer of securities, they are prohibited from communicating such information to, or using (including trading) such information for the benefit of, the Funds and such issuer is placed on the Restricted List.

In addition, pursuant to the Adviser's procedures to prevent and detect misuse of material, non-public information, whenever an Adviser's employee is meeting or having conversations with third parties in connection with its due diligence regarding an industry or specific public companies in which the Funds are, or are considering, building a position, they are instructed to inform such persons that they do not wish to receive material, non-public information in the course of the meeting or discussion and to contact the Adviser's General Counsel or Chief Compliance Officer immediately if they believe that they may have received material, non-public information. Should the Adviser receive material, non-public information regarding a company, the company is immediately added to the Adviser's Restricted List (if not already on the Restricted List) and the Adviser and its supervised persons are prohibited from trading any securities of that company until, in the case of the Adviser's supervised persons, such issuer is removed from the Restricted List or, in the case of the Adviser, such time as the information that it received no longer constitutes material, non-public information.

## **Item 12 – Brokerage Practices and Trade Error Policy**

### **A. Brokerage Execution**

As noted previously, the Adviser has full discretionary authority to manage the Funds, 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 Adviser's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Adviser and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Adviser may consider, among other things, the following: execution capability, ability to maintain anonymity, commission rates, financial responsibility, comprehensiveness and frequency of available research services, capital introduction resources and responsiveness to the Adviser.

From time to time, brokers may assist the Funds in raising additional funds from investors, and representatives of the Adviser may speak at conferences and programs sponsored by such brokers for investors interested in investing in hedge funds. Through such "capital introduction" events, prospective investors in the Funds would have the opportunity to meet with representatives of the Adviser. Currently, neither the Adviser nor the Funds compensate any broker for organizing such events or for any investments ultimately made by prospective investors attending such events, nor do they anticipate doing so in the future. The Funds may accept subscriptions from investors who also provide services to the Funds, including brokers and their affiliates. Relationships such as these could be viewed as creating a conflict of interest that potentially could affect the Adviser's ability to seek best execution. While the Adviser's relationship with brokers may influence the Adviser in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds, the Adviser will not commit to allocate a particular amount of brokerage to a broker in any such situation. Furthermore, the Adviser conducts periodic best execution reviews in an effort to identify and mitigate compliance risks associated with brokerage relationships, and to determine that the Adviser is obtaining best execution for clients' accounts.

The Adviser does not select brokers solely on the basis of commission rates nor will it always seek in advance competitive bidding for the most favorable commission rate applicable to any particular transaction. As a result, the Adviser may not necessarily pay the lowest commission. Transactions may involve specialized services on the part of the brokers involved which may call for higher commissions than would be the case with other transactions requiring more routine services. The

Adviser will determine in good faith whether the amount of the commission is reasonable in relation to the overall quality of execution.

The Adviser has a Brokerage Committee that is responsible for approving brokers and dealers and providing oversight of the Adviser's best execution practices, which includes among other things a review of broker performance and compensation as well as the allocation of the Adviser's clients' brokerage business among the various brokers. The Adviser has adopted Best Execution Guidelines and accompanying procedures to assist the Brokerage Committee members in performing their oversight responsibilities in connection with best execution. In addition, in order to ensure best execution, senior members of the Adviser's investment team are responsible for developing, evaluating and changing, when appropriate, the Adviser's order execution practices. Please also refer to the Section 12.E below for additional information on execution and allocation practices.

## **B. Soft Dollar Arrangements**

Soft dollar arrangements arise when an investment adviser obtains products and services, other than execution of trades, from a broker in return for directing client securities transactions to the broker. Because soft dollar products and services, which can include research reports, financial models, access to corporate executives and industry or sector analysts and access to research conferences, etc., are purchased with brokerage commissions (or mark-ups or mark-downs in the case of permitted riskless principal transactions by dealers), an investment adviser has a fiduciary obligation to ensure that the commissions (or mark-ups and mark-downs) are used for the benefit of its clients and that its clients are fully informed of the adviser's use of brokerage commissions (or mark-ups or mark-downs) to purchase soft dollar products and services. The receipt of soft dollar products and services from brokers generally must be limited to research and brokerage services, if such practices are to fall within the safe harbor set out in Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Adviser utilizes soft dollar arrangements in that it receives proprietary and third-party research and other services directly from or through brokers that do business with the Adviser's clients. With respect to third-party research, the Adviser also utilizes soft dollar arrangements by directing that a portion of the brokerage commissions paid to a broker be used to purchase third-party products and services (*e.g.*, research reports).

The Adviser has adopted procedures ("Soft Dollar Procedures") for entering into and monitoring soft dollar arrangements with brokers, which are designed to ensure that the Adviser complies with the Section 28(e) "safe harbor" referenced above. As set forth in the Adviser's Soft Dollar Procedures, the Adviser limits the receipt of soft dollar products from brokers to research and brokerage services that it believes fall within the Section 28(e) safe harbor. The types of products and services the Adviser and its related persons acquire with client brokerage commissions (or markups or markdowns) are research products and services, such as research reports, meetings with corporate executives and industry or sector analysts, and access to research conferences.



The Adviser's Brokerage Committee meets several times each year to review trading volumes and allocations among brokers, commissions, and other transaction costs in order to evaluate the reasonableness of such amounts in light of the research and brokerage services received. Under the Adviser's Soft Dollar Procedures, no less than semi-annually, the Adviser shall consider the amount and nature of research and research services provided by brokers, as well as the extent to which such services are relied upon (this is sometimes done through an internal "Broker Vote"). Based in part on the results of the Broker Vote (or other process) and in part on Adviser's evaluation of the overall quality of execution of such brokers, a targeted level of brokerage volume is to be constructed and thereafter the Adviser will attempt to allocate the Funds' brokerage business on the basis of such targets, subject to liquidity constraints and other best execution considerations.

When an 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. An adviser, therefore, may have an incentive to select or recommend a broker-dealer based on the adviser's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution. However, the Adviser believes that obtaining products and services using soft dollars rather than by paying for them directly with "hard dollars" does not involve a conflict of interest for Trian because Trian's Funds otherwise would generally incur an equivalent amount of hard dollar costs and expenses associated with brokerage and research-related products and services. However, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more clients may be used by an adviser to service one or more other clients, including clients that may not have paid for the soft dollar benefits. Accordingly, soft dollar benefits will not be limited by Trian only to those Trian Funds that generated soft dollar credits and it is possible that a Trian Fund may benefit from soft dollar services that it did not directly contribute to and that a Trian Fund may contribute to soft dollar expenditures that it does not benefit from.

On occasion, the Adviser may engage in a "step-out" transaction in which it sends part or all of a transaction (and the related commission) to one broker from whom the Adviser may receive soft dollar products and services while the transaction is executed, cleared or settled by a different broker.

Brokers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker is not excluded from receiving business because it has not been identified as providing research products or services.

### **C. Brokerage for Client Referrals**

Neither the Adviser nor any related person receives client referrals from any broker-dealer or third party. However, as discussed above in Item 12.A, subject to best execution, the 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. See also Item 14 below for more information regarding the use of broker-dealers as placement agents to introduce the Funds to prospective investors.

### **D. Directed Brokerage**

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

### **E. Aggregation and Allocation of Trades**

The Adviser is committed to allocating investment opportunities on a fair and equitable basis, and in a manner that is consistent with the investment objectives of each of the Funds managed by the Adviser. Given that the Adviser's core investments are generally in mid-to-large cap, publicly-traded companies, the Adviser is typically able to acquire the full amount of its desired investment positions on behalf of the Funds. Moreover, to the extent that the Funds share similar investment objectives, they will generally invest and sell in parallel on a *pro rata* basis according to the protocols set forth in the Adviser's trade allocation procedures, except as may be otherwise advisable due to legal, tax, regulatory or other constraints or after taking into account certain other portfolio management considerations such as the relative amounts of capital available for new investments or rebalancing of the relative exposure to individual positions or net exposure to the market. Typically, in the case of purchasing positions, such *pro rata* determinations will be based on the net asset value and/or capital commitments of the relevant Funds (as applicable based on the structure of such funds), and when selling positions, such *pro rata* determinations will typically be based on the respective position size (*e.g.*, number of shares, options, etc.) held by such funds, as appropriate. Funds formed to co-invest with the Adviser's flagship funds in one or more investment ideas will generally be offered co-investment opportunities after the Adviser has completed building the particular investment position in the non-idea specific funds, accounts and investment vehicles that it manages.

Trades for more than one Fund are generally aggregated. When an aggregated order is executed at more than one price over the course of a day, the executed transactions are typically allocated so that the Funds participating in the trade (the "Participating Funds") receive the weighted average execution price per broker and bear their *pro rata* share of the commissions, fees and charges, to the extent reasonably practicable. With regard to securities purchased in block trades, the allocation of such securities among the Participating Funds is intended to be accomplished fairly and equitably in accordance with the Adviser's trade allocation procedures. Allocations for trades are generally made by the end of the day on which the trade was executed, absent extraordinary

circumstances.

When orders are not aggregated (for example, when one Fund is required to build a position through the use of derivatives at the same time that other Funds are acquiring cash shares) trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Adviser. As a result, certain trades in the same security for one Fund may receive more or less favorable prices or terms than another Fund, and orders placed later may not be filled entirely or at all.

To the extent that inflows and outflows of the Participating Funds' capital have the effect of varying the relative percentage of each Participating Fund that is invested in a particular security, subsequent purchases or sales of that security may be allocated so as to rebalance the holdings of that security among the Participating Funds. Decisions as to whether to rebalance the portfolios of the Participating Funds are generally made prior to each month that new interests are to be accepted by, or interests are to be redeemed from, the Participating Funds. Such decisions shall be made by the Adviser's Principals, in consultation with the Adviser's Head of Trading, the Chief Financial Officer and members of the Legal Department, as appropriate. To the extent practicable, any transactions made that would have the effect of balancing the Funds' ownership percentages in a security shall be conducted in market transactions with third parties and not by way of principal transactions.

#### **F. Trade Error Policy**

The Adviser may on occasion experience errors with respect to trades made on behalf of one or more of the Funds. The identification of "trade errors" and the proper method for resolving them in any particular circumstance can be complicated. Accordingly, the Adviser has adopted procedures designed to detect trade errors prior to settlement of the transaction and to correct and/or mitigate them in an expeditious manner.

Losses suffered by a Fund as a result of a trade error caused by the Adviser's gross negligence or willful misconduct (or by the Adviser acting in a manner that is not in accordance with any applicable exculpation and indemnification provisions of a relevant Fund disclosure document, investment management agreement, subscription agreement, or any similar agreement or undertaking) will be reversed, with the Adviser being responsible to make the affected Fund whole. Fund gains caused by trade errors will be retained by the affected Fund, and may not offset losses from trade errors, unless the underlying transactions constitute a single transaction or closely related series of transactions.

### **Item 13 – Review of Accounts**

The Adviser's Chief Investment Officer and Head of Trading, together with the General Counsel and Chief Compliance Officer, are primarily responsible for periodically reviewing portfolio holdings of the Funds and ensuring that the securities (or other financial instruments) held by the Funds are consistent with the respective Funds' investment objectives and disclosures set forth in the relevant offering documents. A review of a client account may be triggered by any unusual activity or special circumstances.

Investors in the Funds receive monthly statements from the Funds' administrator reflecting the net asset value of their respective investments and, if applicable, capital activity, although the Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Adviser. Investors in the Funds will also receive annual audited financial statements for any Fund in which they have invested within 120 days of the Fund's fiscal year end. While all investors generally receive similar information, to the extent the Adviser provides (on a confidential basis) an investor or prospective investor in a Fund and/or in a particular issuer additional information (that other investors have not received), including position-level information, which is in addition to information provided in a Fund's regular reports to investors, such information may provide such persons with greater insight into the Fund's activities. This may enhance such persons' ability to make investment decisions with respect to the applicable Fund and/or a particular issuer and possibly affect such persons' decision(s) to further invest in, or request a redemption from, a Fund. See also Item 4.C above regarding the availability of customized services for individual clients, which may include the provision of additional information to certain investors and prospective investors. In addition, see Item 15 below for more information regarding custody practices and statements by qualified custodians.

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

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

Neither the Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. However, the Adviser and the Funds do use the services of broker-dealers and other third parties as placement agents to introduce the Funds to prospective investors. A prospective investor solicited by a placement agent or other third party will be advised of any such arrangement, including payment arrangements to such parties, if any. Any such referral fee compensation will not be payable by or chargeable to any investor in a Fund or prospective investor in a Fund without such investor's consent, and any fees paid to placement agents that are paid by a Fund will offset the Management Fee or Performance Compensation otherwise payable or allocable to the Adviser.

## **Item 15 – Custody**

The Adviser is deemed to have custody of client funds and securities because it has the authority 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. Account statements related to the clients are sent by qualified custodians to the Adviser.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

## **Item 16 – Investment Discretion**

The Adviser has entered into an investment management agreement, or similar agreement, with each Fund pursuant to which the Adviser was granted discretionary trading authority. The 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 its offering or other underlying fund documents. Please refer to Item 4.B.3 and Item 6 above for a discussion of conflicts of interest involved in side-by-side management of multiple Funds by the Adviser.

## **Item 17 – Voting Client Securities**

The Adviser has authority to vote proxies relating to the securities in which it invests on behalf of the Funds. The Adviser votes (or, if not prohibited under Fund documents, refrains from voting) proxies in a manner that the Adviser, in the exercise of its independent business judgment, concludes is in the best economic interests of the Funds. The Adviser may determine that abstaining from voting or affirmatively deciding not to vote may be in the best economic interests of the Fund(s).

The Adviser reviews on a case-by-case basis each proposal submitted to a shareholder vote to determine its effect on the portfolio securities, based on relevant factors including, but not limited to: (i) the impact on the value of the securities; (ii) the anticipated economic and non-economic costs and benefits associated with the proposal; (iii) the effect on liquidity; (iv) customary industry and business practices; and (v) the effect on the Adviser's ability to implement its operations-centric investment strategy at the issuer on behalf of the Fund(s).

When voting a proxy, conflicts may arise between the interests of the investing Funds, on the one hand, and the interests of the Adviser or its affiliates, on the other hand. If the Adviser determines that it has, or may be perceived to have, a conflict of interest when voting a proxy, the Adviser will address the situation in accordance with its supervisory procedures in consultation with its Chief Compliance Officer and/or outside counsel. At the Adviser's discretion, the Adviser may, among other options, delegate the voting decision to an independent third party or notify clients as a further safeguard against potential conflicts of interest or as otherwise required by applicable law.

Clients may obtain a copy of the Adviser's Proxy voting policies and procedures by contacting the Adviser at the address or telephone number listed on the first page of this Brochure. Clients may also obtain information from the Adviser about how the Adviser voted with respect to the securities held by such Clients.



## **Item 18 – Financial Information**

The 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.