

ITEM 1

COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE



FRM INVESTMENT MANAGEMENT (USA) LLC

March 29, 2019

FRM Investment Management (USA) LLC

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This brochure (this “Brochure”) provides information about the qualifications and business practices of FRM Investment Management (USA) LLC (“FRM USA”). If you have any questions about the contents of this Brochure, please contact us at (212) 649-6600 and/or compny@man.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

FRM USA 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 FRM USA also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2
MATERIAL CHANGES

FRM USA's last update to the Brochure was dated March 29, 2018. Since this update, FRM USA has not made any material changes to the Brochure.

Even though a concerted effort is made to keep clients/investors informed of notable changes to FRM USA's business throughout the year, clients/investors are encouraged to review this update, much like all of FRM USA's reports and communications, in its entirety.

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Item 4 ADVISORY BUSINESS

A. General Description of Advisory Firm.

FRM USA is a Delaware limited liability company with its place of business located in New York. FRM USA provides investment advisory services and sub-advisory services to U.S. and non-U.S. affiliated pooled investment vehicles (including private investment funds and closed-end investment companies registered under the Investment Company Act of 1940, as amended (the “1940 Act”)) on a discretionary or non-discretionary basis (each, a “Fund” and collectively, the “Funds”). Funds include a fund that FRM USA, affiliates or employees have seeded or invested over 25% of the capital of such Funds. The closed-end registered investment companies advised by the FRM USA may be individually referenced herein as the “RIC Funds”. FRM USA may also offer investment advisory and/or sub-advisory services, on a discretionary or non-discretionary basis, to separately managed account clients, which may employ a variety of different strategies.

FRM USA is wholly owned by Man Principal Strategies Corp. (“MPS”), which is ultimately owned by Man Group plc, which is listed on the London Stock Exchange and is a component of the FTSE 250 Index. Man Group plc, through its investment management subsidiaries (collectively, “Man”), is a global active investment management business and provides a range of fund products and investment management services for institutional and private investors globally. As of December 31, 2018, Man had approximately \$108.5 billion of funds under management.

FRM USA was formerly known as Pine Grove Asset Management LLC (“PGAM”). PGAM was formed in 2011 to succeed the business of Pine Grove Associates, Inc. (“PGA”) and its affiliates. PGA was formed in 1994. Effective August 1, 2014 PGAM was acquired by MPS and MPS became the sole owner of PGAM. PGAM changed its name to FRM Investment Management (USA) LLC in February 2015. Effective March 31, 2015, FRM USA assumed the business operations of FRM Investments (USA) LLC, an affiliate of FRM USA and an indirectly wholly owned subsidiary of Man, which was established in 1987.

As used herein, the term “client” generally refers to each Fund and each Managed Account.

FRM USA provides its services according to the stated investment objectives, restrictions and policies of each Fund as set forth in the applicable operating document of such Fund.

Important information regarding each Fund, including investment objectives, strategy, applicable risks, fees, and other material information, including applicable conflicts of interest regarding relationships with affiliates is contained in each Fund’s offering documents and in each Managed Account’s investment management agreement, as the case may be.

Generally speaking, FRM USA acts as investment manager, sub-adviser, pool operator, risk manager, manager and/or managing member, to its clients. An affiliate of FRM USA serves as general partner to certain of its clients. With respect to its clients for which it has investment discretion, FRM USA allocates client assets to (i) pooled investment vehicles and/or (ii) separately managed accounts (collectively “Underlying Funds”). The Underlying Funds are managed and/or advised by investment advisers (“Advisers”), the vast majority of which are unaffiliated with FRM USA, but in some cases are affiliated or otherwise associated with FRM USA (“Affiliated Funds”). With respect to its clients for which it provides advisory services on a non-discretionary basis, FRM USA makes recommendations to such clients as to the allocation of client assets to Underlying Funds and/or Affiliated Funds. The non-discretionary client may accept or reject the investment recommendation from FRM USA and if accepted will, on behalf of FRM USA direct the relevant custodian to effect and implement the trade. From time to time, FRM USA also may make direct investments involving certain Fund assets primarily for cash management and hedging purposes. Proprietary assets of FRM USA or affiliates of FRM USA also may be directly or indirectly invested in the Funds.

In addition to the above, FRM USA may also provide advisory services on either a discretionary or non-discretionary basis with regards to portfolio workout/liquidation situations (“workout portfolios”) or where specifically instructed to do so by a client. Where such services are provided on a client by client basis, the investment process to be followed will be in accordance with that agreed with the client and may not fall within FRM USA’s standard investment process as described herein. A further description of both FRM USA’s standard investment process as well as the workout portfolio process can be found under Section 4.

The Underlying Funds (including Affiliated Funds) in which FRM US invests on behalf of its clients may invest in a wide variety of financial instruments, including, but not limited to, U.S. and foreign equity and debt securities, common and preferred stocks (including small-cap stocks), commodities and futures contracts, derivatives, options on securities and commodities, warrants, convertible securities, bonds, foreign currencies, residential and/or commercial mortgage-backed and mortgage-related securities, mortgages, collateralized loan obligations, other asset backed securities including securities backed by student loans, interests in other pooled investment vehicles, privately placed securities or other assets, real estate, structured products, U.S. and foreign government securities and other financial instruments and assets of investment grade or below investment grade.

Certain affiliated advisory firms are considered to be “Participating Affiliates” of FRM USA (as that term is used in relief granted by the staff of the Securities and Exchange Commission (“SEC”)) allowing investment advisers registered with the SEC to use portfolio management, operations, and trading resources of advisory affiliates and personnel subject to the supervision of an SEC-registered adviser. Professionals from such Participating Affiliates may render portfolio management, valuation, operations, hedge fund research, due diligence, risk management, trading, portfolio workouts or liquidations, or other related services to FRM USA’s clients and/or FRM USA as affiliated “associated persons” of FRM USA and are subject to supervision by FRM USA. In addition, FRM USA may provide portfolio management, risk

management, hedge fund research or due diligence to the Participating Affiliates under separate services agreements. Fees may be paid by and received from the parties under these arrangements.

Man provides a number of centralized functions to its investment manager subsidiaries, including FRM USA, which will include trading, research, operations, middle office accounting, finance, proxy voting (to the extent applicable), human resources, facilities, tax, legal, compliance, information technology, among other such services. FRM USA utilizes investment management, client servicing and marketing capabilities of its affiliates in providing services to its clients.

In addition, FRM USA's affiliates may utilize its investment management, research and risk management services in providing services to their clients.

B. Description of Advisory Services.

Please see Item 8 herein.

This Brochure generally includes information about FRM USA 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 which are "private funds" are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Shares in the non-US Funds are offered on a private placement basis to U.S. tax-exempt entities, and in accordance with Regulation S of the Securities Act with respect to non-U.S. persons, and subject to certain other conditions, which are fully set forth in the offering documents for the non-US Funds. The interests in the Funds are generally offered on a private placement basis, pursuant to Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "Company Act"), to persons who are "accredited investors" as defined under the Securities Act and "qualified purchasers" as defined under the Company Act, and subject to certain other conditions, which are set forth in the offering documents for the Funds. 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 an offering memorandum.

FRM USA's investment process for its fund of funds strategy is primarily defined by the following four key inputs:

1. Investment Committee: a group comprised of senior investment management, and risk management personnel who, together, are responsible for selecting and approving investments as well as investment managers, managing portfolios and managing and providing strategic guidance and oversight to the investment process as a whole.

2. Manager assessment and due diligence: bottom up process of selecting, monitoring, and recommending approval and redemption of investments and investment managers.
3. Portfolio construction and management: implementation of investment ideas and on-going assessment of strategy allocations.
4. Risk Management and monitoring: monitoring both hedge fund investments and portfolios to ensure that risks are adequately managed at all levels.

FRM USA considers a variety of factors in its investment process and utilizes a variety of proprietary and third-party informational sources (including from affiliates). Such factors include but are not limited to: past performance of an investment strategy, fees, experience of personnel, overall integrity and reputation, degree of market exposure, diversification and allocation characteristics, risk management, suitability for the prevailing market environment, as well as a client's portfolio, use of leverage, as well as organizational and operational criteria.

After identifying potential investment opportunities, FRM USA conducts extensive due diligence on each investment and the Adviser involved, which includes both quantitative and qualitative components. With each step of the due diligence process, FRM USA examines additional information and eliminates from consideration those investments/Advisers which do not meet FRM USA's selection criteria. Once an investment or Adviser is approved, there is ongoing monitoring, which includes ongoing investment and operational due diligence as well as risk management surveillance. The investment and Adviser selection process is designed to be both structured as well as flexible.

The above stated investment process does not apply to workout portfolios, and the underlying funds are not required to be approved by Investment Committee. However in some cases the workout portfolios invest in underlying funds that may have previously been approved by FRM USA's Investment Committee but have subsequently become illiquid. Under the workout/liquidation process, underlying funds may be subject to due diligence undertaken by FRM's Secondaries, Workout and Transitions Team (SWT Team). Any funds that fall into this category would only be available for investment by clients with an advisory workout portfolio strategy and not those with a fund of funds strategy.

C. Availability of Customized Services for Individual Clients

FRM USA's investment decisions and advice with respect to each client are subject to each client's investment objectives and guidelines, as set forth in the applicable governing documents, as well as any written instructions provided by the client.

Client accounts are reviewed on an ongoing basis to ensure compliance with such client's investment objectives as well as investment guidelines and restrictions. FRM USA's Portfolio Management Committee ("PMC") is responsible for strategy allocation decisions and for setting the research agenda. These decisions represent general guidance for portfolios from which portfolio managers can deviate due to unique circumstances of the portfolios that they

manage, such as portfolio-specific investment objectives. The PMC is chaired by the Chief Investment Officer. Please refer to item 13 for further details on the PMC.

FRM USA, in respect of a Fund, can enter into agreements with one or more investors which have the effect of altering or supplementing the terms of the offering to the specific investor. Such agreements grant certain investors fees, reporting (subject to appropriate confidentiality agreements) or liquidity, as well as other matters, that are more favorable than the terms given to other investors and are not subject to the approval of or specific disclosure to any investor or any other person.

FRM USA provides advisory services on either a discretionary or non-discretionary basis with regards to portfolio workout/liquidation situations pursuant to the client's investment strategy. Underlying funds that are deemed to be workout/illiquid funds are not subject to the same due diligence process as described above. The FRM SWT Team are responsible for monitoring illiquid investments in FRM USA fund of funds and assisting in the sale of such investments for the fund of funds. Such workout/illiquid fund investments are not deemed to be an 'approved' fund and may only be offered to clients of FRM with a specific investment strategy to make such investments.

In addition, FRM USA provides portfolio consulting or platform infrastructure type services to institutions commonly referred to as its "Dedicated Managed Account Platform" ("DMAP"). Under such Platform Services Agreements, FRM USA provides services such as: providing clients with assistance in aspects of a pooled investment vehicle's company set up and organization; preparing, reviewing and negotiating investment management agreements with third party investment managers selected by the client; third party manager on-boarding; assistance with service provider selection; investment manager guideline monitoring; providing information, manager research and due diligence on potential or existing Underlying Managers; assistance with any regulatory or required filings; as well as on-going reporting among other services as agreed with the client. In such cases, the institutional investor is responsible for making its own assessment and investment decisions with regards to any investment with the underlying managers.

D. Wrap Fee Programs.

FRM USA does not participate in wrap fee programs.

E. Assets Under Management.

FRM USA manages approximately \$ 859.2 million in regulatory assets under management on a discretionary basis and \$ 197 million on a non-discretionary basis as of December 31, 2018.

The regulatory assets under management do not include the assets of the DMAP clients to which FRM USA provides services.

Item 5
FEES AND COMPENSATION

FRM USA's fee schedule is omitted because this brochure is being delivered only to qualified purchasers, as defined in section 2(a)(51)(A) of the Investment Company Act.

FRM USA does not maintain a basic fee schedule. Fees for each client are determined and negotiated on a case-by-case basis. The following is a general overview of the types of fees FRM USA charges its clients:

A. Advisory Fees and Compensation.

FRM USA does not have a standardized fee schedule. The Funds may have different share classes which may have different fee schedules. Fees may be negotiable or waivable depending upon a variety of factors, including, among other things, type and extent of advisory services offered, amount of assets under management, the overall relationship with the investor, and other services offered to the Fund or investor.

FRM USA generally receives an annual management fee or fixed fee in a range of 0.9% up to 2% of the Funds' assets under management, payable monthly, quarterly or semi-annually in arrears. Fees vary by Fund and by class. With respect to certain non-discretionary account clients, FRM USA may receive a service fee which may consist of a share of the management and performance fees paid to an affiliate. FRM USA (or one of its affiliates) may receive incentive or performance-based compensation of generally up to 10% of net profits, realized and unrealized, generally payable or allocated annually but may also be payable or allocable semi-annually, quarterly or monthly in arrears. The incentive or performance based fees may be subject to a high water mark or in some cases, a hurdle rate which is typically based upon a specified interest rate. As applicable, FRM USA's performance-based compensation complies with SEC Rule 205-3 under the Investment Advisers Act of 1940. FRM USA's fees and compensation may be shared with affiliates of FRM USA.

Advisers to whom FRM USA or its affiliates allocate client assets charge management fees and/or performance-based compensation which may be in addition to compensation charged by or allocated to FRM USA.

FRM USA may also fully or partially waive, reduce or rebate management fees and/or performance-based fees. FRM USA has established Funds and may establish additional Funds in which it does not charge performance-based fees.

FRM USA may also allocate a client's assets to an Affiliated Fund which an affiliate of FRM USA may receive management and/or performance based compensation.

In addition, FRM USA or an affiliate of FRM USA may act as the risk manager of an Underlying Fund in which a client may allocate to, and receive a quarterly risk

management fee of up to 0.50% annually of the gross asset value of such Underlying Funds. Such risk management fees may under certain circumstances be rebated or waived.

FRM USA may also invest client assets in investments that may charge additional fees.

Clients/investors therefore indirectly bear (i) advisory fees or an allocation (including management, performance, administrative, brokerage, custodial, overhead, operational or other fees or a performance allocation) to FRM USA or its affiliates and (ii) fees charged by the underlying investment. Investments that charge additional fees include, but are not limited to, money market funds, short-term investment vehicles, exchange traded funds, pooled investment vehicles, special purpose investment vehicles and alternative investment vehicles.

Certain investors in the Funds are also subject to withdrawal/redemption fees, as described in the Funds' offering documents.

Generally, the investment management agreements can be terminated by either party in accordance with the terms and notice period described in each investment management agreement. FRM USA's investment management agreements are generally terminable upon 60 to 90 days prior written notice, without penalty, or upon a breach, and/or also may be automatically renewed.

In respect to DMAP clients, there is no standard fee schedule and fees are agreed for each client on a client-by-client basis, taking into account among other factors: the services to be provided; the assets under management; the relationship with the client and the provision of other services by FRM or its affiliates.

B. Payment of Fees.

Fees and compensation paid to FRM USA or its affiliates are generally paid by the client from its assets. With regards to the Funds, the fees are calculated by the Fund's administrator and are paid directly from the Fund's assets. Management fees or fixed fees are generally paid on either a monthly or quarterly basis in arrears and the performance compensation (if applicable) are deducted on a monthly, quarterly, semi-annual or annual basis, or at the time of redemption or withdrawal, as applicable, or more frequently as agreed with the client. With regards to Managed Accounts, fees are negotiated and agreed upon with the client directly and include a management fee or a combination of management fee and performance compensation. Management fees and performance-based compensation are pro-rated for partial periods. In the event that an agreement is terminated, any fees that have been pre-paid will be reimbursed on a pro rata basis.

FRM USA's employees may invest in one or more Funds and/or Underlying Funds. FRM USA's employees may or may not be subject to a management fee or performance based compensation by these Funds and/or Underlying Funds. FRM USA reserves the right to charge a discounted fee in its sole discretion. In addition, FRM USA's employee investments are not be subject to the same liquidity terms or fees as those of other investors in such funds.

C. Additional Fees and Expenses.

Not all of FRM USA's clients bear all of the expenses set forth below, however the following sets forth the expenses that FRM USA's clients generally bear. Fund investors should refer to the Fund's governing documents for details relating to specific expenses relating to the Fund.

To the extent permitted under the applicable documents, each client bears all costs and expenses incurred in its business and operations other than those specifically required to be borne by FRM USA pursuant to the applicable advisory agreement, (and the clients' pro rata share of the master fund's expenses, if applicable), which include, without limitation all expenses incurred in connection with its organization and the continuing offering of the shares or interests, as applicable, including, without limitation, legal, accounting, audit and tax preparation fees and expenses, administrative fees and expenses, non-recurring legal and accounting fees; third-party administrative fees; printing, filing and mailing expenses, government filing fees (including, annual return and mutual fund filing fees payable to the applicable authorities and any other regulatory and governmental charges and duties), any sales charges that the client account may charge and out-of-pocket expenses incurred by FRM USA in connection with the offering; all investment related expenses (including any brokerage commissions, mark-ups, mark-downs and spreads on securities and other transactions, costs related to any direct investments or hedging transactions), interest expense on borrowings (including repurchase agreements); costs to FRM USA related to research services, subscriptions, Bloomberg terminals (used by investment professionals only) and market data services; insurance (including premiums for any required directors' and officers' insurance) and custody costs and expenses; third-party fees and expenses incurred in connection with the evaluation of prospective investments; the fees and expenses for the client's directors; the fees and expenses of a valuation agent; all costs and expenses directly related to portfolio transactions and positions for the clients' account, including, but not limited to, commitment fees on loans and debit balances, borrowing charges on securities sold short, dividends on securities sold but not yet purchased, margin fees, transfer taxes and premiums, taxes withheld on foreign dividends and indirect expenses from investments in the clients; all costs and expenses associated with the registration of the clients under, and compliance with, any applicable Federal or state laws; expenses associated with updating the clients' registration statement, prospectus and other offering related documents; including supplements to the offering documents, the costs of printing those materials and distributing them to prospective investors; and attorneys' fees and disbursements associated with the preparation and review thereof; the costs and expenses of holding meetings of the clients' board of directors and any meetings of interest holders of the clients, including legal costs associated with the preparation and filing of proxy materials; the fees and disbursements of the clients' counsel, legal counsel to the independent managers, if any, independent accountants for the clients and other consultants and professionals engaged on behalf of the clients; the management fee; asset- and performance-based compensation charged by the Advisers, the fees payable to various service providers pursuant to the clients administration agreement and other agreements; the costs of a fidelity bond and any liability insurance obtained on behalf of the clients or FRM USA; all costs and expenses of preparing, setting in type, printing and distributing reports and other communications to interest holders of the clients; all expenses of computing the client's net asset

value, including any equipment or services obtained for these purposes; all charges for equipment or services used in communicating information regarding the clients' transactions among FRM USA and any custodian or other agent engaged by the client; and such other types of expenses as may be approved from time to time by the clients' board of managers, if applicable, government fees, and taxes (if any); and extraordinary expenses, including, without limitation, expenses related to litigation, administrative proceedings or regulatory examinations and indemnification expenses. FRM USA or its affiliates may pay certain of the aforementioned expenses and may therefore be entitled to be reimbursed by a Fund in respect of such expenses.

The client accounts also pay their allocable share of the operating costs and other expenses of the Underlying Funds (including any Underlying Funds organized by FRM USA through which the client accounts access Advisers), including any subscription charges imposed by the Underlying Funds in which they invest which may include any or all of the types (and possibly additional types) of expenses listed above.

Each Managed Account will bear certain of the fees and expenses described above. The expenses borne by a managed account are set forth in the Managed Account's investment management agreement or as otherwise agreed with the Managed Account.

The Funds and the Underlying Funds each have multiple layers of expenses and management costs that will be borne, directly or indirectly, by each Fund. By way of example, an investment in a Fund may entail the payment of certain expenses, plus management fees and performance compensation to the general partner of each Underlying Fund in which the Fund invests, and the payment of certain expenses, plus management fees and performance compensation to FRM USA or one of its affiliates.

Item 6
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

FRM USA accepts performance-based fees for some, but not all clients to which it provides investment advisory services, as described above. FRM USA may face a conflict of interest by managing accounts that are subject to a performance-based fee or allocation and accounts that are not subject to a performance-based fee or allocation, including that FRM USA may have an incentive to favor accounts for which it receives performance-based fees or allocations. FRM USA also may have an incentive to favor accounts from which FRM USA will receive a performance fee or allocation calculated at a higher rate over accounts from which FRM USA will receive a performance fee or allocation calculated at a lower rate. Generally, FRM USA addresses these conflicts of interest through the adoption of conflicts of interest policies and procedures that are designed to ensure that the services provided or activities conducted are carried out with integrity and an appropriate degree of independence to protect the interests of clients. FRM USA utilizing an investment allocation policy designed to treat all accounts fairly and equitably. Please see Item 11.B below. In addition, to manage such conflicts, FRM USA has policies and procedures that are designed to ensure that the services provided or activities conducted are carried out with integrity and an appropriate degree of independence to protect the interests of clients. These policies and procedures include the prevention or control of information exchange, appropriate organizational structures and supervisory roles (to prevent inappropriate influence of one person over another, or the involvement of a person where such involvement could impair the proper management of conflicts of interest).

Performance-based fee compensation may create an incentive for FRM USA or its affiliates to make riskier or more speculative investments than would be the case in the absence of such performance fees. The Underlying Funds in which the Funds invest may also have similar performance fee arrangements and similar conflicts, and an Adviser of an Underlying Fund may be entitled to a performance-based fee even if a Fund's overall returns are negative.

Item 7
TYPES OF CLIENTS

FRM USA provides advisory or sub-advisory services, as well as DMAP platform services primarily to Funds and institutional Managed Accounts on a discretionary or non-discretionary basis. In addition, FRM USA provides advisory services on a discretionary basis to two investment companies registered under the Investment Company Act of 1940. The securities of the Funds are not registered under the Securities Act of 1933 and may or may not be continuously offered. Redemption rights with respect to each Fund are set forth in the confidential private placement memorandum for each Fund. Termination rights with respect to each Managed Account are set forth in the investment management agreement for each Managed Account. Investments in the Funds may be subject to a minimum investment requirement which under certain circumstances may be waived as set forth in the Fund's confidential private placement memorandum.

Item 8
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies.

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

Additional affiliated and non-affiliated sources of information used by FRM USA include but are not limited to: recommendations from other investment professionals, knowledge obtained through current and past investment activities of potential managers who may or may not manage proprietary capital of FRM USA's affiliates or who are employed by other financial entities. In addition, FRM USA obtains information from articles, publications, performance measurement services and reviews of offering documents, limited partnership agreements, and performance records.

Portfolio management of each client is based on investment parameters and objectives such as investment aim, return, risks, correlations and diversification. FRM USA periodically adjusts allocations in accordance with the client's investment objectives among Underlying and/or Affiliated Funds and investment strategies based on a variety of factors, including, but not limited to, changes in strategic or tactical allocations; comparison of an Underlying and/or Affiliated Fund's performance relative to its peer group; a change in an Underlying and/or Affiliated Fund's investment strategy, risk levels or exposures; and changes in circumstance with respect to an Adviser's and/or Affiliated Adviser's operations such as the departure of key personnel. Furthermore, FRM USA may utilize other sources of information which may exist from time to time.

FRM USA's clients may invest in Underlying and/or Affiliated Funds such as limited partnerships, limited liability companies, separately managed account vehicles, offshore corporations, offshore exempted companies or other structures where it believes that such investments are suitable and appropriate investments pursuant to each client's investment strategy. Advisers and/or Affiliated Advisers will invest the assets of such Underlying and/or Affiliated Funds in various financial instruments including but not limited to, U.S. and foreign equity and debt securities, common and preferred stocks (including small-cap stocks), commodities and futures contracts, derivatives, options on securities and commodities, warrants, convertible securities, bonds, loans, foreign currencies, residential and/or commercial mortgage-backed and mortgage-related securities, mortgages, collateralized loan obligations, other asset backed securities including securities backed by student loans, interests in other pooled investment vehicles, privately placed securities or other assets, real estate, structured products,

U.S. and foreign government securities and other financial instruments and assets of investment grade or below investment grade. FRM USA may also directly invest certain clients' assets in any of the foregoing financial instruments. In addition, FRM USA may invest in co-investment opportunities offered by the Underlying Fund's Adviser or may appoint an Adviser or Affiliated Adviser to trade specific financial instruments on its behalf or to manage a tailored portfolio of financial instruments.

FRM USA implements client diversification policies by allocating client capital among a number of Underlying and/or Affiliated Funds and across a variety of investment strategies selected by FRM USA.

FRM USA may invest directly in financial instruments on behalf of certain of its clients (other than Underlying and/or Affiliated Funds) for hedging purposes, or in connection with the liquidation of securities or other investment assets distributed to a client in-kind, but considers its primary responsibility to be the selection of Advisers and allocation of client assets to Underlying and/or Affiliated Funds.

Investment strategies implemented by the Advisers to which a client allocates capital involve a wide range of investment techniques as further described below. The below descriptions are not intended to be complete explanations of the strategies described or a list of all possible investment strategies or methods which may be used by the Advisers, and the strategies of the Advisers to which FRM USA allocates client assets may evolve or change over time. There is no formal limitation on the strategies, markets or instruments in which FRM USA may trade or invest on behalf of its clients. Further, certain of the strategies referenced below may not be applicable to all FRM USA's clients; certain clients may focus more on particular strategies than others or exclusively on particular strategies, as set forth in the respective client's investment management agreement or Fund's confidential private placement memoranda as applicable. Clients may have specific investment guidelines and restrictions which may impact the implementation of their investment strategy. The RIC Funds must adhere to the restrictions set forth in the 1940 Act which will impact the implementation of the RIC Fund's investment strategy and in some cases may also impact other similarly managed Funds or clients to the extent that such Funds or clients investment in the same Underlying Funds. FRM USA may invest in a number of different investment strategies including but not limited to the following:

- J **Relative Value:** Relative Value strategies focus on spread relationships between financial assets or commodities. They generally seek to minimize outright market risk, although spread risk and tail risk may be significant.
- J **Credit:** Credit strategies seek to invest in credit-sensitive (generally below investment-grade, including distressed or bankrupt) issuers in the corporate, sovereign and asset-backed markets. The investment edge typically comes from the manager's ability to perform a detailed due diligence and to take advantage of what the manager discerns to be relatively expensive or inexpensive securities. The securities may be inexpensive due to regulatory anomalies or other constraints on traditional lenders (e.g. speed of decision-making process or disclosure rules). There may be a high degree of complexity in these issues including a variety of structured credit products (e.g. pools of mortgages, loans or corporate securities with varying cash flows and pay outs in a default scenario) with a

corresponding lower level of liquidity than in other asset classes, though this should in practice be compensated by a risk premium.

-) **Equity Long-Short:** Equity Long-Short strategies combine long positions and short sales with the aim of benefiting from the manager's ability in selecting investments while attempting to offsetting systematic market risks. Market exposure can vary substantially, leading to a wide range of risk and return profiles.
-) **Global Macro:** Global Macro strategies are based upon a manager's view of the market direction of currency, commodity, equity, interest rate and credit instruments prices in the derivatives and cash markets and includes both fundamental and technical managers.
-) **Overlays:** Hedge overlays strategies are focused on striving to produce large returns in extreme market conditions possibly at the expense of making any returns at all in normal market conditions.
-) **Idiosyncratic:** The Idiosyncratic classification includes any style of trading that is not captured by the above categorisation system, and is designed to create flexibility to include new styles or interesting managers that do not fit elsewhere. An example of a manager style which offers idiosyncratic risk is trading catastrophe bonds. Idiosyncratic managers do not form a coherent strategy group in their own right and may well trade niche markets.
-) **Multi-Strategy:** The Multi-Strategy classification comprises funds which practice a strategy whereby a single investment process does not generally account for a significant majority of the risk capital deployed. Although gradual shifts may occur over time, in response to economic or market trends, these funds tend to have relatively stable allocations to a combination of styles.
-) **Event:** Event driven strategies seek to profit by trading around corporate events such as bankruptcies, mergers, acquisitions and spinoffs. The investment edge typically comes from the manager's ability to perform due diligence taking into account changes in the corporate structure by a thorough understanding of the legal, corporate, trading and fundamental changes around events different from the normal course of business (the latter would include quarterly earnings announcements while the former could include a potential addition of a company to a major index, for example). Events can be hard (driven by a specific catalyst with a pre-determined time line e.g. a merger announcement with a completion date) or soft (a potential management change with no definite horizon).
-) **Private Markets:** Private market strategies comprise investments that are not traded on a public exchange or market. They are highly illiquid strategies often with multi- year investment time frames. The underlying investments include equity and fixed income investments made directly in or to private companies. Private market strategies span real estate, private equity, infrastructure, real assets and private credit.

FRM USA's investment programs are speculative and entail investment and market-related risks. There can be no assurance that client's investment objectives will be

achieved. The client's activities could result in substantial losses under certain circumstances. Investing in securities involves risk of loss that clients should be prepared to bear.

The investment strategies for the Managed Accounts may be similar to those set forth above and are set forth in the client's investment management agreement, as well as any written instructions provided by the client to FRM USA.

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

The investment strategies FRM USA pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in a Fund or Managed Account managed by FRM USA. The term "Accounts" refers to Managed Accounts and the Funds.

The following risk factors may not be applicable to all the Accounts. Investments in an Account are speculative and involve a substantial degree of risk, including the risk that an investor could lose some or all of its investment in an Account. 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 FRM USA believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by FRM USA.

To the extent that an Account invests directly as opposed to through an Underlying Fund, the below discussed risk factors will also apply to such direct investments.

Investments in Other Accounts/Activities of Advisers. When FRM USA on behalf of the Accounts invests in Underlying Funds such as private funds, it has no control of the trading policies or strategies of such entities and does not have the same ability as with separate accounts to react quickly to changing investment circumstances due to the limited liquidity of these types of investments.

Investment decisions of the Underlying Funds are made by the Advisers independently of each other. Consequently, at any particular time, one Underlying Fund may be purchasing interests in an issuer that at the same time are being sold by another Underlying Fund. Investing by the Underlying Funds in this manner could cause the Accounts to indirectly incur certain transaction costs without accomplishing any net investment result. Possible lack of transparency regarding such Underlying Fund positions may lead to lack of intended diversification in the applicable Account.

There is a risk of misconduct by the Advisers. When FRM USA invests an Account's assets with an Adviser, the Account does not have custody of the assets or control over their investment. Therefore, there is always the risk that the Adviser could divert or abscond with the assets, inaccurately or fraudulently report the value of the securities, fail to follow agreed

upon investment strategies, provide false reports of operations, or engage in other misconduct. The Advisers with whom FRM USA invests the Account's assets are generally private and have not registered their securities under federal or state securities laws. This lack of registration, with the attendant lack of regulatory oversight, may enhance the risk of misconduct by the Advisers. There also is a risk that regulatory actions may be taken by governmental or other authorities against Advisers, which may expose investors, such as the Fund, that have placed assets with such Advisers to losses.

Each Adviser generally charges its respective Underlying Fund an asset-based fee, and some or all of the Advisers receive performance or incentive allocations. The asset-based fees of the Advisers are generally expected to range from 0% to 2.5% annually of the net assets under their management and the performance or incentive allocations to the Advisers are generally expected to range from 15% to 50% of net profits annually, but this may be higher on occasion. The receipt of a performance or incentive allocation by an Adviser may create an incentive for an Adviser to make investments that are riskier or more speculative than those that might have been made in the absence of such an incentive. Also, incentive fees may be paid to an Adviser who shows net profits, even though the Fund, as a whole, may incur a net loss. In addition, because a performance or incentive allocation generally is calculated on a basis that includes unrealized appreciation of an Underlying Fund's assets, these allocations may be greater than if they were based solely on realized gains. Generally, the Advisers' compensation is determined separately for each year or shorter period; whenever possible, agreements are obtained to carry forward losses to subsequent years in determining the fee for such years.

The Account's fees and expenses and the Underlying Fund compensation of the Advisers result in two levels of fees and greater expense than would be associated with direct investment in Underlying Funds. The Account's expenses thus may constitute a higher percentage of net assets than expenses associated with other types of investment entities.

Each Underlying Fund, may, at any time and without notice, change the Underlying Fund's investment objectives, policies, or strategies. This may adversely affect the Account's allocation among investment strategies and may adversely affect the Account's overall risk.

FRM USA, on behalf of an Account, may make additional investments in, or withdrawals from, the Underlying Funds only at certain times specified in the governing documents of the Underlying Funds. FRM USA, on behalf of an Account, from time to time may, in turn, have to invest some of the applicable Account's assets temporarily in high quality fixed income securities and money market instruments or may hold cash or cash equivalents pending the investment of assets in the Underlying Funds or for other purposes.

The Advisers trade independently of each other and may place orders for the benefit of the applicable Account that "compete" with each other for execution or that cause the Account to establish positions that offset each other (in which case the Account would indirectly incur commissions and fees without the potential for a trading profit).

Reliance on Information Received from the Advisers. Although FRM USA receives detailed information from each Adviser regarding the Adviser's historical performance and investment strategy, FRM USA often is not given access to information regarding the actual investments made by the Advisers and will receive only such information concerning the Underlying Funds as the respective Advisers are willing to provide. At any given time, FRM USA may not know the composition of an Underlying Fund's investment portfolio with respect to the degree of hedged or directional positions, the extent of concentration risk or exposure to specific markets. Furthermore, FRM USA will generally have no means of independently verifying the information provided to it by the Advisers, including estimated net asset values (and subsequent revisions to such estimates) and final net asset values. The net asset values received by FRM USA from such Advisers are typically estimates only, subject to revision through the end of each Underlying Fund's annual audit, and no net asset value figure of the Accounts can be considered final until each Underlying Fund's annual audit is completed. FRM USA may not learn of significant structural changes, such as personnel changes, manager withdrawals or capital growth, until after the fact and it will be difficult, if not impossible, for FRM USA to protect the Accounts from the risk of Adviser fraud, misrepresentation or material strategy alteration. If an Underlying Fund does not operate in accordance with its stated investment strategy or guidelines or the information furnished by the Underlying Fund or Adviser is not accurate, the Accounts might sustain losses with respect to its investment in such Underlying Fund despite FRM USA's attempts to monitor such Underlying Fund and the Advisers. The effectiveness of FRM USA's initial and ongoing due diligence and risk management analyses is limited by the amount and accuracy of the information received from the Advisers.

Dependence on Advisers. The Accounts will be highly dependent upon the expertise and abilities of the Advisers who will have investment discretion over the Accounts' assets and, therefore, the death, incapacity or retirement of any Adviser or its principals may adversely affect investment results. The Accounts also can be negatively affected by adverse price movements of significant positions held by one or more of the Underlying Funds in which the Accounts invest.

Valuation Risk. The valuation of each Account's investments in the Underlying Funds is ordinarily determined based upon valuations calculated by such Account's administrator, in most cases based on information provided by the Advisers or third party administrators of such Underlying Funds. Certain securities in which the Underlying Funds invest may not have a readily ascertainable market price and will be valued by the Advisers or their administrators. In this regard, an Adviser may face a conflict of interest in valuing the securities, as their value will affect the Adviser's compensation. Some of the Accounts have established a Valuation Committee which oversees the actions of FRM USA with regard to fair valuation of assets.

Certain members of the Valuation Committee may face conflicts of interest in overseeing the value of the Account's investments, as the valuation of the applicable Account's investments will affect FRM USA's compensation. Although the Valuation Committee reviews the valuation procedures used by the Advisers, none of the Valuation Committee, the applicable

Account's administrator, neither FRM USA nor the board of managers, if applicable, can confirm or review the accuracy of valuations provided by the Advisers or their administrators.

If an Adviser's valuations are consistently delayed or inaccurate, FRM USA generally will consider whether the Underlying Fund continues to be an appropriate investment for an Account. An Account may be unable to redeem or otherwise dispose of interests in such an Underlying Fund quickly, and could therefore be obligated to continue to hold such interests for an extended period of time. In such a case, such interests would continue to be valued without the benefit of the Adviser's valuations, and the Valuation Committee will determine the value, and may discount the value of the interests, if deemed to be the estimated fair value of such holding in keeping with the Account's valuation procedures.

Valuation Risk – Illiquid Assets and ERISA Accounts. As explained above, in general, FRM USA and each Account will rely on valuations provided to it by the Advisers in determining the valuations of the Account's investments. However, except during any time when the assets of an Account are subject to ERISA, FRM USA has the right to determine that some other valuation is more appropriate. Independent pricing information may not at times be available with respect to certain of an Account's securities and other investments, particularly illiquid investments. Accordingly, certain investments may be difficult to value and may be subject to varying interpretations of value. During any time that the assets of the Fund are subject to ERISA, the Investment Manager may not exercise any discretion in the valuation of such assets. Instead, during any such time, such assets will be valued by other suitable independent sources, independent brokers, market makers, other intermediaries or any third parties as reasonably appointed by the Account's administrator, in consultation with FRM USA, based upon fair value.

Use of Third Party Risk Manager and Assessment of Risk. For certain Accounts, FRM USA uses a third party risk management service provider ("Third Party Risk Manager") to assist it with its risk analysis program. A number of Advisers report to the Third Party Risk Manager their portfolio positions and other financial data, and the Third Party Risk Manager in turn uses this information to produce risk and exposure evaluation reports for FRM USA. Neither the Third Party Risk Manager nor FRM USA independently verifies the information provided by Advisers. In addition, not all Advisers provide full position transparency to the Third Party Risk Manager. For Advisers that provide less than or no position transparency, the Third Party Risk Manager may use other available information such as performance returns to calculate risk. To the extent that any information provided or used is inaccurate or incomplete or the models are not suitable for measuring the risk for an Adviser's strategy, this could affect the risk evaluations contained in the reports. The Third Party Risk Manager risk estimates contained in the reports are generated using quantitative models and no such models can predict actual losses in future real world scenarios. The estimates of losses contained in the reports are based upon calculations made by the Third Party Risk Manager and may not track the actual losses incurred. The applicable Accounts (and investors in the applicable Funds) may experience actual losses that are significantly worse than those estimated in the Third Party Risk Manager reports.

Managed Account Allocations. The Adviser may place assets of certain Accounts with Advisers through opening managed accounts rather than investing in pooled investment vehicles. Managed accounts expose the Accounts to theoretically unlimited liability, and it is possible, given the leverage at which certain of the Advisers trade, that the Accounts could lose more than the capital allocated to an Adviser through a managed account. FRM USA attempts to insulate the Accounts from such risk by allocating assets through a subsidiary company or other special purpose vehicle, but it will not always be possible to do so and FRM USA may elect not to do so.

Adviser Misconduct. When FRM USA invests an Account's assets with an Adviser, the Account does not have custody of the assets or control over their investment. Therefore, there is always the risk that the Adviser could divert or abscond with the assets, fail to follow agreed upon investment strategies, provide false reports of operations or engage in other misconduct. Many Advisers with whom FRM USA invests the Account's assets are private and may have not registered their securities or investment advisory operations under federal or state securities laws. Lack of registration, with the attendant lack of regulatory oversight, may enhance the risk of Adviser misconduct and there can, of course, be no assurance that registration itself will prevent misconduct by an Adviser. There is also a risk that regulatory actions may be taken by government or other authorities against Advisers, which may expose the Account to losses.

No Formal Investment Restrictions or Allocation Limits. Although diversification is a principal investment policy of the Accounts, FRM USA is not subject to any formal diversification requirements or restrictions in constructing each Account's portfolio. There are no limitations on the minimum or maximum number of Advisers or investment strategies, or on the absolute or relative percentage of capital which may (or must) be allocated to any Adviser or investment strategy. Certain Advisers and investment strategies may be allocated substantially larger portions of an Account's capital than others.

Investment Types and Techniques. The Underlying Funds may invest and trade in a wide range of securities and other financial instruments. Although the Underlying Funds will primarily invest and trade in equity and debt securities, they may also invest and trade in currencies, financial futures, and other equity- and debt-related instruments (*i.e.*, instruments that may derive all or a portion of their value from equity or debt securities). An Underlying Fund is generally not limited in the markets, either by location or type, such as large capitalization, small capitalization, or non-U.S. markets, in which it invests or in the investment discipline that it may employ, such as value or growth or bottom-up or top-down analysis. The Underlying Funds may use various investment techniques for hedging and non-hedging purposes. The Underlying Funds may, for example, sell securities short, purchase and sell option and futures contracts and engage in other derivative transactions, subject to certain limitations described in its prospectus. The use of these techniques may be an integral part of an Underlying Fund's investment strategy, and may involve certain risks, including the risk that an Account will lose all or part of its investment in the Underlying Funds.

Speculative Trading Strategies. Some of the Advisers may use high-risk strategies, such as selling securities short and futures trading. Short selling exposes the seller to unlimited risk due to the lack of an upper limit on the price to which a security may rise.

Commodity futures prices can be highly volatile. Because of the low margin deposits normally required in futures trading, an extremely high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Like other leveraged investments, a futures transaction may result in substantial losses to the Accounts. No guarantee or representation is made that any individual Adviser will be successful.

Activist Investing. The underlying Funds may invest in debt and equity securities of companies that the Portfolio Funds believe are undervalued by the marketplace and are likely to appreciate, including as a result of a change in ownership, corporate direction or management, or as a result of operational improvements. Activist investment strategies may require, among other things: (i) that the underlying Funds properly identify companies whose securities prices can be improved through corporate and/or strategic action; (ii) that the underlying Funds acquire sufficient securities of such companies at a sufficiently attractive price; (iii) that the underlying Funds avoid triggering anti-takeover and regulatory obstacles while aggregating their positions; (iv) that management of such companies and other security holders respond positively to the underlying Funds' proposals; and (v) that the market price of a company's securities increases in response to any actions taken by companies. There can be no assurance that any of the foregoing will succeed.

Certain underlying Funds using activist investing strategies may face heightened litigation risk. This risk may be greater where a Portfolio Manager exercises control or significant influence over a company's direction. The expense of defending against claims and paying any amounts pursuant to settlements or judgments would be indirectly borne by the Fund through its investments in such underlying Fund. Further, ownership of companies over certain threshold levels involves additional filing requirements and substantive regulation on such owners, and if the underlying Funds or Portfolio Managers fail to comply with all of these requirements, they may be forced to disgorge profits, pay fines, or otherwise bear losses or other costs from such failure to comply.

Trend Following. The trading decisions of the Trading Advisers will be based in part on trading strategies which utilize mathematical analyses of technical factors relating to past market performance. The buy and sell signals generated by a technical, trend-following trading strategy are based upon a study of daily, weekly and monthly price fluctuations, volume variations and changes in open interest in the markets. The profitability of any technical, trend-following trading strategy depends upon the occurrence in the future of significant, sustained price moves in some of the markets traded. The Fund may incur substantial trading losses during periods: when markets are dominated by fundamental factors that are not reflected in the technical data analyzed by the program; without sustained moves in one or more of the markets traded; or with “whip-saw” markets, in which potential price trends start to develop but reverse before actual trends are realized. Historically, there have been prolonged periods without sustained price moves in various markets. Presumably, such periods will recur. A series of volatile reverses in price trends may generate repeated entry and exit signals in trend-following systems, resulting in unprofitable transactions and increased brokerage commission expenses. At times, the use of technical trading systems may result in traders attempting to initiate or liquidate substantial positions in a market at or about the same time, alter historical trading patterns, obscure developing price trends and/or or affect the execution of trades.

Emerging Markets Risk. The Underlying Funds may invest in securities of companies based in emerging markets or issued by the governments of such countries. Securities traded in certain emerging markets may be subject to risks due to the inexperience of financial intermediaries, the lack of modern technology, the lack of a sufficient capital base to expand business operations, and the possibility of temporary or permanent termination of trading. Political and economic structures in many emerging markets may be undergoing significant evolution and rapid development, and emerging markets may lack the social, political and economic stability characteristics of more developed countries. As a result, the risks relating to investments in foreign securities described above, including the possibility of nationalization or expropriation may be heightened. In addition, certain countries may restrict or prohibit investment opportunities in issuers or industries deemed important to national interests. Such restrictions may affect the market price, liquidity and rights of securities that may be purchased by the Underlying Funds. Settlement mechanisms in emerging securities markets may be less efficient and less reliable than in more developed markets and placing securities with a custodian or broker-dealer in an emerging country may also present considerable risks. The small size of securities markets in such countries and the low volume of trading may result in a lack of liquidity and in substantially greater price volatility. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates and corresponding currency devaluations and fluctuations in the rate of exchange between currencies and costs associated with currency conversion have had and may continue to have negative effects on the economies and securities markets of certain emerging market countries. In addition, accounting and financial reporting standards that prevail in certain emerging market countries are not equivalent to standards in more developed countries and, consequently, less information is available to investors in companies located in such countries.

Business and Regulatory Risks of Hedge Funds. Legal, tax and regulatory changes are likely to occur during the term of the Funds and some of these changes may

adversely affect the Funds, perhaps materially. The financial services industry generally, and the activities of hedge funds and their managers, in particular, have been subject to intense and increasing regulatory scrutiny. Such scrutiny may increase the Funds' exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight may also impose additional administrative burdens on FRM USA and affiliates, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may direct FRM USA's and affiliates' attention and resources from portfolio management activities.

In addition, futures and securities markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions.

In July 2010, the U.S. President signed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which aims to reform various aspects of the U.S. financial markets. The Dodd-Frank Act covers a broad range of market participants including banks, non-banks, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders, broker-dealers and investment advisers. The Dodd-Frank Act directly affects FRM USA and affiliates by mandating additional new reporting requirements, including, but not limited to, position information, use of leverage and counterparty and credit risk exposure. The new reporting requirements will impose additional burdens on FRM USA's and affiliates' time, attention and resources. The Dodd-Frank Act may also affect the Funds in a number of other ways. The Dodd-Frank Act creates the Financial Stability Oversight Council (the "Council") that is charged with monitoring and mitigating systemic risk. As part of this responsibility, the Council would have the authority to subject banks and other financial firms to regulation by the Federal Reserve Board, which could limit the amount of risk-taking engaged in by the Funds.

It is impossible to predict what, if any, changes in regulation applicable to the Funds, FRM USA or affiliates, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. The effect of any future regulatory change on the Funds could be substantial and adverse.

Investors should understand that the Funds' business is dynamic and is expected to change over time. Therefore, the Funds may be subject to new or additional regulatory constraints in the future. This document cannot address or anticipate every possible current or future regulation that may affect FRM USA, affiliates, the Funds or their respective businesses. Such regulations may have a significant impact on the Shareholders or the operations of the Funds, including, without limitation, restricting the types of investments the Funds may make, preventing the Funds from exercising its voting rights with regard to certain financial instruments, requiring the Funds to disclose the identity of their investors, its positions or otherwise. FRM USA or affiliates may cause the Funds to be subject to such regulations if it believes that an investment or business activity is in the Funds' interest, even if such regulations

may have a detrimental effect on one or more shareholders. Prospective shareholders are encouraged to consult their own advisors regarding an investment in the Funds.

Event Driven Strategies. The success of event driven strategies depends on the successful prediction of whether various corporate events will occur or be consummated. The consummation of mergers, exchange offers, tender offers and other similar transactions can be prevented or delayed, or the terms changed, by a variety of factors. If a proposed transaction appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the securities purchased by FRM USA may decline sharply and result in losses to the Accounts.

A significant portion of the portfolio of an Adviser implementing such strategy may be invested in restricted securities that may not be registered and for which a market may not be readily available. Therefore, a significant portion of the portfolio may not be freely traded. Even if there is a limited market for such securities, an Adviser's position in such securities may be substantial in relation to the market for the securities. Advisers may invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial financial needs or negative net worth, facing special competitive or product obsolescence problems, or issuers that are involved in bankruptcy or reorganization proceedings. Investments of this type involve substantial financial business risks that can result in substantial or total losses. Among the problems involved in investments in troubled issuers is the fact that information as to the conditions of such issuers may be limited, thereby reducing the Adviser's ability to monitor the performance and to evaluate the advisability of continued investments in specific situations. The market prices of such securities are also subject to abrupt and erratic market movements and above-average price volatility, and the spread between the bid and ask prices of such securities may be greater than normally expected. It may take a number of years for the market price of such securities to reflect their intrinsic value.

FRM USA, on behalf of the Accounts, is permitted to invest with Advisers that may make particularly risky investments that also may offer the potential for correspondingly high returns. As a result, the Accounts may lose all or substantially all of its investment in any particular instance. In addition, there is generally no minimum credit standard that is a prerequisite to an Adviser's investment in any security. The debt securities in which an Adviser is permitted to invest may be rated lower than investment grade and hence may be considered to be "junk bonds" or distressed securities.

Global Macro Strategy Risks. Global macro-based trading strategies are highly speculative and often employ significant leverage. The underlying Funds' strategies generally are based on predicting medium- to long-term commodity and currency price movements. In certain market conditions, the Portfolio Managers may have significantly reduced likelihood of being able to capitalize on such price movements. For example, in "whipsaw" markets in which price trends appear to develop, but then frequently reverse, a number of the Portfolio Funds' strategies are likely to be unprofitable.

The particular or general types of market conditions in which the Portfolio Funds (and therefore, the Fund) may incur losses or experience unexpected performance volatility cannot be predicted,

and the Portfolio Funds and the Fund may materially underperform other investment funds with substantially similar investment objectives and approaches.

Relative Value. The success of any relative value trading in which any Adviser engages will involve the Adviser's attempt to exploit relative mispricings among interrelated instruments. These mispricings are typically small in absolute terms, so that such Adviser is likely to use substantial leverage in these strategies in order to have a realistic opportunity to generate the targeted levels of return. Although relative value positions are considered to have a lower risk profile than directional trades as the former attempt to exploit price differentials not outright price movements, relative value strategies are by no means without risk. Mispricings, even if correctly identified, may not converge within the time frame within which the Accounts are practically able to maintain its positions. Even transactions or strategies defined as pure "riskless" arbitrage — which is rare — can result in significant losses if the arbitrage cannot be sustained (due, for example, to margin calls) until expiration. Each Account's relative value strategies, on behalf of the Accounts, are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of its or third-party valuation models. Market disruptions may also force FRM USA on behalf of the Accounts, or an Underlying Fund, to close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing relative value strategies.

A major component of relative value trading typically involves spreads between two or more positions. To the extent that the price relationships between such positions remain constant, no gain or loss may occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably and, due to the leveraged nature of such trading, result in increased losses. Changes in the shape of the yield curve can cause significant changes in the profitability of relative value strategies due to the highly leveraged nature of such strategies. Increased competition among market participants seeking to exploit the same perceived mispricings would generally reduce the profitability of relative value trading.

Non-Diversified Status. Some of the Accounts are considered to be "non-diversified" investment companies. This means that a greater percentage of those Accounts' assets may be invested in the securities of any one issuer. FRM USA will follow a general policy of seeking to invest the Accounts' capital broadly among multiple Underlying Funds. As a consequence of a potential large investment in a particular Underlying Fund, losses suffered by such an Underlying Fund could result in a higher reduction in the Underlying Fund's capital than if such capital had been more proportionately allocated among a larger number of Accounts.

Use of Leverage. FRM USA, on behalf of certain Accounts, may engage in bank borrowing to leverage its investments in an amount not expected to exceed 20% of gross assets of such Account, which would increase any loss incurred. FRM USA may be required to pledge assets when borrowing, which, in the event of an uncured default, could affect FRM USA's operations, including preventing FRM USA from conducting a repurchase of its interests. In addition, the terms of any borrowing may impose certain investment restrictions on the Account. The Advisers may use leverage by purchasing instruments with the use of borrowed funds, selling securities short, trading options or futures contracts, using total return swaps or repurchase agreements and/or other means, which would increase any loss incurred. The more

leverage is employed, the more likely a substantial change will occur, either up or down, in the value of the instrument. Because of the relatively small intrinsic profits in “hedge” positions or in “arbitrage” positions, some Advisers may use leverage to acquire extremely large positions in an effort to meet their rate of return objectives. Consequently, it will be subject to major losses in the event that market disruptions destroy the hedged nature of such positions. Borrowings by FRM USA on behalf of the RIC Funds are subject to a 300% asset coverage requirement under the 1940 Act. Borrowings by the Underlying Funds are not subject to this requirement.

Insufficient Investment Opportunities. FRM USA may not be able to identify and obtain a sufficient number of investment opportunities to invest the full amount of capital that may be invested from time to time in the Accounts.

Limits on Hedged Strategies. While certain Advisers may use “market neutral” or “relative value” hedging or arbitrage strategies this in no respect should be taken to imply that the Accounts’ investments with such Adviser are without risk. Substantial losses may be recognized on “hedge” or “arbitrage” positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every market neutral or relative value strategy involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the price spread between different classes of stock for the same underlying firm. Further, many “market neutral” or “relative value” Advisers employ limited directional strategies that expose the Underlying Funds they manage to certain market risk.

Illiquid Investments. While many of the Underlying Funds invest primarily in marketable instruments, a few may invest in non-marketable securities. Such investments could limit the liquidity of the Underlying Fund's investment in such entities. In some circumstances, an Adviser may be unable or unwilling to provide liquidity, which could result in the Account being unable to redeem its investment in the Underlying Fund, even if the Underlying Fund otherwise invests in liquid instruments. In addition, certain Underlying Funds may use “side pockets” in which certain illiquid investments are placed. Such side pockets may be difficult to fair value and may increase risks relating to illiquidity of the Underlying Fund and inaccuracy in the Underlying Fund's reported valuation. FRM USA may invest certain Accounts in Underlying Funds that may use side pockets. As may be required, the FRM USA will notify the Accounts’ boards regarding any Underlying Funds participating in side pocket investments.

Designated Investments. With respect to certain Accounts, in the event that FRM USA determines, at any time, that it has become impracticable or inappropriate to value or dispose of an investment held by an Account, FRM USA may, in its discretion, elect to classify such investment as a “Designated Investment” and defer valuation of such Designated Investment until it is liquidated and the corresponding funds are received, by the Account. If FRM USA classifies an investment as a Designated Investment, only investors in the Account as of the date such investment is so classified shall continue to participate in such investment, and shall do so until the Account liquidates such investment.

Indirect Designated Investments. Certain Underlying Funds managed by the Advisers may invest a material percentage of their capital in investments that they classify as Designated Investments. In order to accommodate such Designated Investments, in certain instances with respect to certain Accounts, upon an investor's withdrawal/redemption from such Account, the Account will effectively buy-out such investor's residual interests in the Designated Investments in which such investor is indirectly invested through its investment in the relevant Account at "fair value." Such "fair value" may be substantially below actual or realizable value, likely benefiting the continuing investors; however, any such buy-outs will increase such continuing investors' exposure to designated investments in the underlying funds. Such "fair value" may also be substantially above actual or realizable value, likely hurting the continuing investors, if a withdrawal/redemption is paid out based on such higher value.

Credit Crisis Liquidity Risk. Certain types of credit instruments, such as investments in CDOs, high-yield bonds, debt issued in leveraged buyout transactions, mortgage- and asset-backed securities, and short-term asset-backed commercial paper, became very illiquid in the latter half of 2007. General market uncertainty and consequent re-pricing of risk led to market imbalances of sellers and buyers, which in turn resulted in significant valuation uncertainties in mortgage and credit-related securities and other instruments. These conditions resulted, and in many cases continue to result in, greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many instruments remaining illiquid and of uncertain value. Such market conditions and the above factors may make valuation for the Accounts uncertain and/or result in sudden and significant valuation increases or declines in the Accounts.

Financing Arrangements. The use of leverage is an integral part of many strategies used by the Advisers, and such Advisers depend on the availability of credit in order to finance their trading and investment activities. There can be no assurance that any particular Adviser will be able to secure or maintain adequate financing. As a general matter, the banks and dealers that provide financing to the Underlying Funds have considerable discretion in setting and changing their margin, haircut, financing, and collateral valuation policies. Changes by banks and dealers in any of the foregoing policies may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that any particular Underlying Fund will be able to secure or maintain adequate financing, without which an investment in the such Underlying Fund may not be a viable investment.

Institutional and Counterparty Risk. The Accounts are subject, either directly or indirectly through investments in Underlying Funds, to the risk of the insolvency of its and the Underlying Funds' counterparties, such as broker-dealers, futures commission merchants, banks or other financial institutions, exchanges or clearinghouses. The Underlying Funds' assets could be lost or impounded during a counterparty's bankruptcy or insolvency proceedings and a substantial portion or all of the Underlying Funds' assets may become unavailable to it either permanently or for a matter of years. Were any such bankruptcy or insolvency to occur, FRM USA (or an Adviser) might decide to liquidate the Account (or the affected Underlying Fund) or

suspend, limit or otherwise alter trading, perhaps causing the Account (or Underlying Fund) to miss significant profit opportunities.

There are increased risks in dealing with offshore brokers and unregulated trading counterparties, including the risk that assets may not benefit from the protection afforded to “customer funds” deposited with regulated brokers and dealers. An Underlying Fund may be required to post margin for its non-U.S. exchange transactions with non-U.S. exchange dealers who are not required to segregate customer funds. In the case of a counterparty's bankruptcy or inability to satisfy substantial deficiencies in other customer accounts, an Underlying Fund may recover, even in respect of property specifically traceable to such Underlying Fund, only a *pro rata* share of all property available for distribution to all of such broker's or dealer's customers.

The markets in which the Underlying Funds effect their transactions may be “over-the-counter” or “inter-dealer” markets. The participants in these markets typically are not subject to the type of strict credit evaluation and regulatory oversight applicable to members of “exchange-based” markets, and transactions in these markets typically are not settled through exchanges or clearinghouses that guarantee the trades of their participants. Rather, the responsibility for performing under a particular transaction rests solely with the counterparty to such transactions. To the extent an Underlying Fund invests in swaps, derivatives or synthetic instruments or other over-the-counter transactions in these markets, the Underlying Fund is subject to the credit risk of the parties with which it trades and deposits collateral. An Underlying Fund is also subject to the risk that a counterparty may not settle a transaction because such counterparty is unwilling or unable to do so, potentially resulting in significant losses — perhaps in respect of an offsetting position on which the Underlying Fund remains obligated to perform.

FRM USA generally has no control over selection of counterparties by the Advisers, and Underlying Funds are generally not restricted from dealing with any particular counterparty (regulated or unregulated) or from concentrating any or all of their transactions with a single counterparty or limited number of counterparties. In addition, FRM USA has no ability to assess the extent to which Underlying Funds maintain their assets in unregulated accounts subject to the bankruptcy of the counterparties holding such assets.

Tandem Markets. FRM USA's approach is designed to achieve broad allocation of assets across global capital markets (equities, fixed income, commodities, foreign currencies, listed securities and over-the-counter instruments, across numerous markets worldwide) and thus limit the Account's exposure to any single market. However, from time to time multiple markets can move in tandem against the Account's positions and the Account can suffer substantial losses.

Strategy Risk. The Accounts are subject to strategy risk. Strategy risk is associated with the failure or deterioration of an entire strategy (such that most or all Advisers in the strategy suffer significant losses). Strategy specific losses can result from excessive concentration by multiple Advisers in the same investment or broad events that adversely affect

particular strategies (*e.g.*, illiquidity within a given market). Many of the strategies employed by FRM USA on behalf of the Accounts and the Underlying Funds are speculative and involve substantial risk of loss.

Litigation and Enforcement Risk. The Advisers might accumulate substantial positions in the securities of a specific company and engage in a proxy fight, become involved in litigation or attempt to gain control of a company. Under such circumstances, the Account or Underlying Fund, as applicable, conceivably could be named as a defendant in a lawsuit or regulatory action. There have been a number of widely reported instances of violations of securities laws through the misuse of confidential information, diverting or absconding with fund assets, falsely reporting fund values and performance, and other violations of the securities laws. Such violations may result in substantial liabilities for damages caused to others, for the disgorgement of profits realized and for penalties. Investigations and enforcement proceedings are ongoing and it is possible that the certain Advisers with which FRM USA invests may be charged with involvement in such violations. If that were the case, the performance records of the Adviser would be misleading. Furthermore, if the entity in which the Account was invested engaged in such violations, the Account could be exposed to losses.

Trading Suspensions. Securities or commodities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchanges. A suspension could render it impossible for an Adviser to liquidate positions and thereby expose the Accounts to losses.

Turnover Rate. Some of the investment strategies employed by FRM USA on behalf of the Accounts may require a high volume of trading. Therefore, turnover and brokerage commissions may be greater than for other investment entities of similar size. Some of the Advisers may utilize aggressive trading strategies, which may involve engaging in substantial short-term trading. Accordingly, the annual portfolio turnover rate of some of the Underlying Funds may be substantially in excess of 200%. A high rate of portfolio turnover involves corresponding greater trading expenses than a lower rate.

Structured Investments. FRM USA on behalf of the Accounts may purchase or enter into structured investments, including structured notes linked to an Underlying Fund's performance and swaps or other contracts paying a return equal to the total return achieved by an Underlying Fund. Such investments may have the effect of magnifying the Account's investment in and risk exposure to a particular an Underlying Fund. The values of structured investments depend largely upon price movements in the underlying investment vehicles to which such structured investments are linked. Therefore, many of the risks applicable to investing directly with the Underlying Funds are also applicable to the structured investments. However, structured investments also expose the Accounts to the credit risk of the parties with which it deals. Non-performance by counterparties of the obligations or contracts underlying the structured investments could expose the Accounts to losses, whether or not the transaction itself was profitable. Structured investments may expose the Accounts to additional liquidity risks as there may not be a liquid market within which to close or dispose of outstanding obligations or contracts.

Inadvertent Concentration and Lack of Diversification. A number of Advisers might accumulate positions in the same or related investments at the same time. Although FRM USA attempts to monitor the Advisers, information regarding the actual investments made by Underlying Funds is generally treated as confidential by their Advisers or otherwise unavailable, and FRM USA will be unable to determine whether such accumulations have taken place. In addition, the Underlying Funds may hold a few relatively large investments (in relation to their capital) with the result that a loss in any such position could have a material adverse impact on their capital. The Accounts' investment portfolio may not constitute a balanced investment plan.

Hedging Transactions. FRM USA may enter into hedging transactions on behalf of the Accounts with the intention of reducing or controlling risk. Even if FRM USA is successful in doing so, such hedging transactions may reduce returns. Furthermore, it is possible that FRM USA's hedging strategies will not be effective in controlling risk, due to unexpected change in correlation between the hedging instrument and the position, strategies or markets being hedged, increasing rather than reducing both risk and losses.

To the extent that FRM USA engages in hedging transactions, its hedges may not be static but rather may need to be continually adjusted based on FRM USA's assessment of market conditions, as well as the expected degree of non-correlation between the hedges and the portfolio being hedged. The success of FRM USA's hedging strategy may depend on FRM USA's ability to implement this dynamic hedging approach efficiently and cost effectively, as well as on the accuracy of FRM USA's ongoing judgments concerning the hedging positions to be acquired by the Accounts.

Temporary Defensive Positions. In anticipation of or in response to adverse market or other conditions, or atypical circumstances such as unusually large cash inflows or redemptions, FRM USA on behalf of the Accounts or the Underlying Funds may temporarily hold all or a portion of its assets in cash, cash equivalents or high-quality debt instruments. As a result, FRM USA may not achieve its investment objectives.

Delay in Use of Proceeds. Although FRM USA and the Advisers intend to invest the proceeds of any sales of units as soon as practicable after the receipt of such proceeds, such investment of proceeds may be delayed if suitable investments are unavailable at the time or for other reasons. As a result, the proceeds may be invested in cash, cash equivalents, high-quality debt instruments, or other securities pending their investment in the Underlying Funds. Such other investments may be less advantageous, and, as a result, FRM USA may not achieve its investment objectives.

Custody Risk. Custody of the RIC's assets is held in accordance with the requirements of the Company Act and the rules thereunder. However, the Underlying Funds are not required to, and may not, hold custody of their assets in accordance with those requirements. Institutions, such as brokerage firms, banks, or other financial institutions will have custody of the Fund's assets. Often these assets will not be registered in the name of the Fund or, in certain cases, the name of the investment vehicle in which the Fund has an interest. As a result,

bankruptcy or fraud at institutions, such as brokerage firms or banks, or administrators, into whose custody those Accounts have placed their assets could impair the operational capabilities or the capital position of the Account or an Underlying Fund and may, in turn, have an adverse impact on the applicable Account. FRM USA attempts to limit its direct investment transactions to well-capitalized and established banks and brokerage firms in an effort to mitigate such risks. In addition, the banks from which the Fund may borrow money could in certain circumstances force a liquidation of the Fund's positions. A forced liquidation could result in substantial losses.

Estimates. FRM USA on behalf of the Accounts has no ability to assess the accuracy of the valuations received from the Advisers with which FRM USA invests (on behalf of an Account). Furthermore, the net asset values received by FRM USA from the Advisers are typically estimates only and, unless materially different from actual values, are generally not subject to revision. Revisions in financial statements provided by the Advisers may require the Accounts' financial statements to be revised.

Currency Risks. The investments of Accounts that are denominated in various currencies are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. The Advisers retained by the Accounts may try to hedge these risks by investing in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof, but there can be no assurance that such strategies will be effective.

Foreign Currency Transaction and Exchange Rate Risk. The Underlying Funds and the Accounts may invest in equity and equity-related securities denominated in foreign currencies and in other financial instruments, the price of which is determined with reference to such currencies. Underlying Funds may engage in foreign currency transactions for a variety of purposes, including to "lock in" the U.S. dollar price of the security, between the trade and the settlement dates, the value of a security an Underlying Fund has agreed to buy or sell, or to hedge the U.S. dollar value of securities the Underlying Fund already owns. The Underlying Funds may also engage in foreign currency transactions for non-hedging purposes to generate returns. The Accounts will, however, value their investments and other assets in U.S. dollars and transact business and maintain books and records in U.S. dollars; although certain share classes of certain Funds will be denominated in foreign currencies, as set forth the respective offering documents and private placement memoranda. To the extent unhedged, the value of an Account's net assets will fluctuate with U.S. dollar exchange rates as well as with price changes of an Underlying Fund's investments in the various local markets and currencies. Forward currency contracts and options may be utilized by Underlying Funds to hedge against currency fluctuations, but the Underlying Funds are not required to utilize such techniques, and there can be no assurance that such hedging transactions will be available or, even if undertaken, effective.

Short Sales. A short sale is effected by selling a security that an Adviser does not own, or selling a security which an Adviser owns but that it does not deliver upon consummation of the sale. In order to make delivery to the buyer of a security sold short, the Adviser must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Adviser must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must, unless the Adviser then owns or has the right to obtain, without payment, securities identical to those sold short, be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Adviser. In addition, purchasing securities to close out the short position can itself cause the price of such securities to rise further, thereby increasing any loss incurred by the Adviser. Furthermore, the Adviser may be forced to close out a short position prematurely if a counterparty from which the Adviser borrowed securities demands their return, resulting in a loss on what might otherwise have been a profitable position.

During the severe market disruptions following the bankruptcy of Lehman Brothers in September 2008, securities regulators in a number of countries imposed bans on the short-selling of financial sector equities. These limitations were typically imposed on an “emergency” basis, making it impossible for numerous market participants either to continue to implement their strategies or to control the risk of their open positions. Short selling constitutes an integral component of a number of strategies, and any additional regulatory limitations on short-selling could materially adversely affect an Adviser's ability to implement its strategies for the benefit of the Accounts. Short selling continues to be periodically subject to further regulatory restrictions, and/or even bans.

Distressed/Stressed Company Investing. Distressed and stressed investment strategies generally involve investing in the securities and other obligations of issuers that are in weak financial condition, perhaps having a negative net worth, experiencing poor operating results, needing substantial capital investment, facing special competitive or product obsolescence problems, or being involved in various stages of bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled companies is the fact that it is frequently difficult to obtain reliable information as to their true financial condition and prospects. The market prices of distressed and stressed securities are subject to abrupt and erratic market movements and excessive price volatility, and the “bid-ask” spreads for such securities may be greater than normally expected.

Investments in distressed securities also may be adversely affected by state and federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. In trading distressed securities, litigation is sometimes required. Such litigation can be time-consuming and expensive and can frequently lead to unpredicted

delays or losses. Moreover, to the extent that the Underlying Funds invest in distressed sovereign debt obligations, they will be subject to additional risks and considerations not present in private distressed securities, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which may be affected by world events, changes in U.S. foreign policy and other factors outside of the control of the Advisers. The market for distressed securities and instruments is generally thinner and less active than other markets, which can adversely affect the prices at which distressed securities can be sold.

Limited Availability of Information. The availability of information on companies is more limited in non-U.S. countries than in the United States. Generally, companies' public filings contain less information than their counterparts in the United States do. Accounting, auditing and financial reporting standards and practices in non-U.S. countries differ in certain respects from those employed in the United States. The financial information generally available with respect to companies located in non-U.S. countries may not be as extensive as the financial information available to companies operating in the United States. Local rating services may exist in some form, but their ratings may not be reliable because of deficiencies in accounting and reporting practices. Moreover, there may be less experience with the kind of extensive legal and business due diligence that is typically conducted in the United States, and as a result, it may be difficult for Advisers to conduct the level of due diligence customarily found in transactions in the United States. The lack of availability of information may affect the due diligence investigations undertaken by Advisers prior to making an investment.

No Guarantee of Regular Repurchase Offers. With respect to the RIC, although the Fund, at the discretion of the Board, will consider whether to make periodic repurchase offers of its outstanding Shares at net asset value, Shares are significantly less liquid than shares of funds that trade on a stock exchange. There is no guarantee that shareholders will be able to sell all of their Shares that they desire to sell in any particular repurchase offer. If a repurchase offer is oversubscribed by shareholders holding Shares of the Fund, the Fund will repurchase only a pro rata portion of the Shares tendered by each Shareholder. The potential for pro-rata may cause some investors to tender more Shares for repurchase than they otherwise would wish to have repurchased. In addition, in extreme cases, the Fund may not be able to complete repurchases due to the Fund's holding of illiquid investments. In that event, shareholders may be able to sell Shares only if they are able to find an eligible investor willing to purchase their Shares. Any such sale may have to be negotiated at unfavorable prices and must comply with applicable securities laws and must be approved by the Board. Due to the requirements regarding tenders offers and the frequency with which the Fund expects to offer to repurchase Shares, in the event the Fund makes repurchase offers, it is unlikely that the Fund will be able to extend the expiration date of, or increase the amount of, any repurchase offer, which may result in an investor needing to participate in more than one repurchase offer to exit the Fund.

Tax Risk. Special tax risks are associated with an investment in the RIC. The Fund has elected to, and intends to meet the requirements necessary to, qualify as a "regulated investment company" or "RIC" under Subchapter M of the code. As such, a Fund must satisfy, among other requirements, certain ongoing asset diversification, source-of-income and annual

distribution requirements. If the Fund fails to satisfy the asset diversification or other RIC requirements, it may lose its status as a RIC under the Code. In that case, all of its taxable income would be subject to U.S. federal income tax at regular corporate rates without any deduction for distributions to Shareholders. In addition, all distributions (including distributions of net capital gain) would be taxed to their recipients as dividend income to the extent of a Fund's current and accumulated earnings and profits. Accordingly, disqualification as a RIC would have a material adverse effect on the value of the Fund's Shares and the amount of the Fund's distributions.

Risks of Investment in Small Capitalization and Mid-Capitalization Issuers.

The pursuit of certain Accounts' and Underlying Funds' investment strategy may result in a significant portion of such Accounts' or Underlying Funds' assets being invested in financial instruments of small-cap and mid-cap issuers. Financial instruments of small and mid-cap issuers pose certain distinctive risks. Some small and mid-cap issuers have limited product lines, markets or financial resources. They may be subject to high volatility in revenues, expenses and earnings. They may be dependent for management on one or a few key persons, and can be more susceptible to losses and risks of bankruptcy. Their financial instruments may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in financial instruments of large-cap issuers. In addition, small and mid-cap issuers may not be well-known to the investment public and may have only limited institutional ownership. The market prices of financial instruments of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers. Transaction costs in financial instruments of small and mid-cap issuers may be higher than in those of large-cap issuers.

Risks Associated With Particular Types of Securities

American Depositary Receipts ("ADRs") and **Global Depositary Receipts ("GDRs")**. The underlying Funds may invest in ADRs which are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by foreign issuers. ADRs may be listed on a national securities exchange or may be traded in the OTC market. Global Depositary Receipts ("**GDRs**") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company's publicly traded securities that are traded on foreign stock exchanges or foreign OTC markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of

ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

Bankruptcy Claims. The underlying Funds may invest in bankruptcy claims, which are amounts owed to creditors of companies in that are debtors in pending bankruptcy cases. Bankruptcy claims typically are illiquid, generally do not pay interest and there can be no guarantee that the debtor will ever be able to satisfy the obligation on the bankruptcy claim. The markets in bankruptcy claims are not generally regulated by U.S. federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy case.

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to appear and be heard, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of an applicable Portfolio Fund. Furthermore, there are instances creditors lose their priority or are recharacterized as equity if, for example, they have exercised excessive control management or engaged in misconduct that harms other creditors.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the applicable Portfolio Fund; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets. Although the Portfolio Funds may invest a portion of their capital in debt, the debt of companies in financial reorganization will, in most cases, not pay current interest, may not accrue interest during reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a Portfolio Fund's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

A Portfolio Fund may invest in companies based in European and other non-U.S. countries. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In

certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

A Portfolio Manager, on behalf of a Portfolio Fund, may elect to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of such Portfolio Fund's positions as a creditor or equity holder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. The Portfolio Manager may resign from that committee or group for any reason, including, for example, if the Portfolio Manager concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to such Portfolio Fund. In such case, such Portfolio Fund may not realize the benefits, if any, of participation on the committee or group. In addition, if such Portfolio Fund is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

A Portfolio Fund may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. Additionally, the claim may be disallowed or subordinated if the bankruptcy court determines that the seller engaged in inequitable conduct that harmed other creditors.

Reorganizations can be contentious and adversarial, and it is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by the applicable Portfolio Fund.

Non-U.S. Securities. The Underlying Funds may invest in the securities of foreign investment funds or other foreign securities. In addition, the Advisers may invest in the securities of foreign companies. Investments in foreign securities face specific risks in addition to the risks intrinsic to the particular types of instruments. These specific risks include: unfavorable changes in currency rates and exchange control regulations; restrictions on, and costs associated with, the exchange of currencies and the repatriation of capital invested abroad; reduced availability of information regarding foreign companies; accounting, auditing and financial standards that are different from and reporting standards and requirements that may be less stringent than standards and requirements applicable to U.S. companies; reduced liquidity as a result of inadequate trading volume and government-imposed trading restrictions; the difficulty in obtaining or enforcing a judgment abroad; increased market risk due to regional economic and political instability; increased brokerage commissions and custody fees; securities markets which potentially are subject to a lesser degree of supervision and regulation by competent authorities; foreign withholding taxes; the threat of nationalization and expropriation; and an increased potential for corrupt business practices in certain foreign countries. These risks may be higher for investments in emerging markets.

Interest Rate Risk. The value of the fixed-rate securities in which the Accounts may invest generally will have an inverse relationship with interest rates. Accordingly, if interest

rates rise the value of such securities may decline. In addition, to the extent that the receivables or loans underlying specific securities are pre-payable without penalty or premium, the value of such securities may be negatively affected.

CDO Investment-Related Risks. The market value of CDOs will generally fluctuate with, among other things, the financial condition of the obligors on the underlying debt obligations or, with respect to synthetic securities, of the obligors on or issuers of the reference obligations, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Prospective investors must understand that certain securities (e.g., bank loans and high-yield and mezzanine debt securities) may constitute all or a significant portion of the underlying securities held by a CDO, synthetic security or other investment of the Account and that CDOs are therefore subject to risks particular to such securities.

CDOs are subject to credit, liquidity and interest rate risks. In particular, investment-grade CDOs will have greater liquidity risk than investment-grade governmental or corporate bonds. There is no established, liquid secondary market for many of the CDO securities the Account may purchase. The lack of such an established, liquid secondary market may have an adverse effect on the market value of such CDO securities and the Account's ability to sell them. Further, CDOs will be subject to certain transfer restrictions that may further restrict liquidity. Therefore, no assurance can be given that if the Account wished to dispose of a particular CDO, it could dispose of such an investment at the previously prevailing market price.

The performance of CDOs will be adversely affected by macroeconomic factors, including: (i) general economic conditions affecting capital markets and participants therein; (ii) the economic downturns and uncertainties affecting economies and capital markets worldwide; (iii) the effects of, and disruptions and uncertainties resulting from, terrorist attacks; (iv) recent concern about financial performance, accounting and other issues relating to various publicly traded companies; and (v) recent and proposed changes in accounting and reporting standards and bankruptcy legislation.

Use of Derivatives. Advisers may trade in various derivatives markets (e.g., swaps and over-the-counter options and asset-backed securities), which are, in general, relatively new markets. There are uncertainties as to how these markets will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Substantial risks are also involved in borrowing and lending against such instruments. The prices of these instruments are volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. Most of these instruments are not traded on exchanges but rather through an informal network of banks and dealers, and an Account, through its investment in the Underlying Funds, will be fully subject to the risk of counterparty default. These banks and dealers have no obligation to make markets in these instruments and can apply essentially discretionary margin and credit requirements (and thus in effect force an Adviser to close out positions).

If the other party to a derivative (“Counterparty”) defaults, an Underlying Fund's risk of loss consists of the net amount of payments that the Underlying Fund contractually is entitled to receive. If a derivative contract calls for payments by the Underlying Fund, it must be prepared to make such payments when due. In addition, if the Counterparty's creditworthiness declined, the value of a derivative contract would be likely to decline, potentially resulting in losses to the Underlying Fund. Recent economic events have increased the potential for, and thus risk involved with, Counterparty creditworthiness.

Forwards. Certain Underlying Funds may trade forward contracts. Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. None of the SEC, the CFTC or any banking authority regulates trading in such forward contracts. In addition, there is no limitation on the daily price movements of forward contracts traded. With respect to any forward trading, an Underlying Fund (as well as the applicable Account) will be subject to the risk of the failure of, or the inability or refusal to perform by, the counterparties with which the Underlying Funds trade.

Swaps. Advisers may enter into swap and similar derivative transactions which seek to modify or replace the investment performance of particular interest rates, currencies, securities, investment fund interests, indices, prices or markets on a leveraged or an unleveraged basis. A swap transaction is an individually negotiated, non-standardized agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, exchange rates, indices or prices, with payments generally calculated by reference to a principal (“notional”) amount or quantity. Swap contracts and similar derivative contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. As a result, such derivatives transactions are subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which the Advisers trade. The swap market is generally not regulated by any U.S. or foreign governmental authority. Speculative position limits are not applicable to swap transactions, although the counterparties with which the Advisers deal may limit the size or duration of positions available to FRM USA as a consequence of credit considerations. Participants in the swap markets are not required to make continuous markets in the swap contracts they trade.

Credit Default Swaps. The “buyer” in a credit default contract is obligated to pay the “seller” a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event means bankruptcy, failure to pay, obligation acceleration or modified restructuring. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the “par value” (full notional value) of the reference obligation. The contingent payment may be a cash settlement or by physical delivery of the reference obligation in return for payment of the face amount of the obligation. An underlying Fund may be either the buyer or seller in the transaction. If a Portfolio Fund is a buyer and no credit event occurs, the Portfolio Fund may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, an underlying Fund receives a fixed rate of income throughout the term of the contract, which typically is between one month and five years,

provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation.

Credit default swaps involve greater risks than if a Portfolio Fund had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should a credit event not occur. If a credit event did occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the Portfolio Fund, and thereby, the Fund.

Synthetic Securities. In addition to the credit risks associated with holding senior bank loans and high-yield debt securities, with respect to synthetic securities, the Account will usually have a contractual relationship only with the counterparty of such synthetic security. The Account generally will have no right to directly enforce compliance by the reference obligor with the terms of the reference obligation nor will it have any rights of setoff against the reference obligor or rights with respect to the reference obligation. The Account will not directly benefit from the collateral supporting the reference obligation and will not have the benefit of the remedies that would normally be available to a holder of such reference obligation.

Lender Liability Considerations; Equitable Subordination. In recent years, a number of judicial decisions in the U.S. have upheld the right of borrowers to sue lenders or bondholders on the basis of various evolving legal theories (commonly referred to as "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender or bondholder has violated a duty (whether implied or contractual) of good faith and fair dealing owed to the borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or stockholders.

In addition, under common law principles that in some cases form the basis for lender liability claims, if a lender or bondholder: (i) intentionally takes an action that results in the undercapitalization of an obligor to the detriment of other creditors of such obligor; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a lender or bondholder to dominate or control an obligor to the detriment of such creditors, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors, which remedial action is called "equitable subordination". Because of the nature of CDOs, the Account may be subject to claims from creditors of an obligor that debt obligations issued by such obligor that are held by the Account should be equitably subordinated.

When-Issued and Forward Commitment Securities. Some or all of the underlying Funds may purchase securities on a "when-issued" basis and may purchase or sell securities on a "forward commitment" basis in order to hedge against anticipated changes in interest rates and prices. These transactions involve a commitment by an Investment Fund to purchase or sell securities at a future date (ordinarily one or two months later). The price of the

underlying securities, which is generally expressed in terms of yield, is fixed at the time the commitment is made, but delivery and payment for the securities takes place at a later date. No income accrues on securities that have been purchased pursuant to a forward commitment or on a when-issued basis prior to delivery to the Investment Fund. When-issued securities and forward commitments may be sold prior to the settlement date. If an Investment Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, it may incur a gain or loss. These transactions, when effected by the Company and by an Investment Fund managed by a subadviser, will be subject to the Company's limitation on indebtedness unless, at the time the transaction is entered into, a segregated account consisting of cash, U.S. Government Securities or liquid securities equal to the value of the when-issued or forward commitment securities is established and maintained. There is a risk that securities purchased on a when-issued basis may not be delivered and that the purchaser of securities sold by an Investment Manager on a forward basis will not honor its purchase obligation. In such cases, an Investment Fund may incur a loss.

Futures Contracts and Futures Options. The Underlying Funds may from time to time trade futures and futures options for hedging purposes. The prices of such contracts are highly volatile. Because of the low margin deposits normally required in futures trading, a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Commodity exchanges may limit fluctuations in futures contracts prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a particular commodity futures contract has increased or decreased to the limit point, positions in the commodity futures contract can be neither established nor liquidated unless traders are willing to effect trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Adviser from promptly liquidating unfavorable positions and subject the Underlying Funds to substantial losses which could exceed the margin initially committed to such trades.

The low margin deposits normally required in futures contract trading (typically between 2% and 20% of the value of the contract purchased or sold) permit an extremely high degree of leverage. For example, if at the time of purchase 10% of the price of a contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit. Like other leveraged investments, any futures trade may result in losses in excess of the amount invested.

Futures and related options generally can only be traded while the exchange in question is open and are often subject to daily price fluctuation limits which restrict the maximum amount by which the price of a contract can move during a given trading day. These “daily limits” can create significant illiquidity as once the market has moved to the “daily limit” it becomes extremely expensive, as well as difficult if not impossible, to close out positions against which the market is moving. The governing bodies of the various futures exchanges also

may intervene so as to limit trading or require the liquidation of certain positions, resulting in major losses for affected market participants. Futures trading is typically highly regulated, and such regulation could adversely affect the Advisers in certain circumstances.

Options. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, obligations, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change in price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received, which could result in a potentially unlimited loss. Over-the-counter options also involve counterparty solvency risk.

No assurance can be given that an Adviser will be able to effect the closing transaction at a time when it wishes to do so. If the Adviser cannot enter into a closing transaction, the Adviser may be required to hold securities that it might otherwise have sold, in which case it would continue to be at market risk on the securities and could have higher transaction costs, including brokerage commissions, upon the sale of securities.

Money Market and Other Liquid Investments. The Underlying Funds may invest, for defensive purposes or otherwise, some or all of their assets in fixed income securities, money market instruments, and money market mutual funds, or hold cash or cash equivalents in such amounts as their Advisers deem appropriate under the circumstances. From time to time, the Underlying Funds also may invest in these instruments. Money market instruments are short-term fixed income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit, bankers' acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. FRM USA, on behalf of an Account, may be prevented from achieving the Account's objective during any period in which the Account's assets are not substantially invested in accordance with its principal investment strategies.

Exchange Traded Funds. The Underlying Funds and the Account may purchase and sell shares of exchange traded funds ("ETFs"), which are a type of Investment Company bought and sold on a securities exchange. An ETF represents a fixed portfolio of securities designed to track a particular market index. A fund could purchase an ETF to temporarily gain exposure to a portion of the U.S. or a foreign market or to hedge other investments. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile. ETFs also have management fees that increase their costs. As a shareholder of an ETF directly, the Accounts would bear its pro rata portion of the ETF's expenses, including advisory fees. Similarly, an Underlying Fund investing in ETFs also would bear its pro rata portion of the ETF's expenses, including advisory fees, which the Accounts indirectly would bear by investing in the Underlying Fund. These expenses would be in addition to the fees and other expenses that an Account or Underlying Fund bears directly in connection with its own operations.

Possible Positive Correlation with Stocks, Bonds and Alternative Investments. One of the goals in incorporating a non-traditional investment such as the Accounts into a portfolio is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that the Accounts will not, in fact, be positively correlated with a traditional portfolio of stocks and bonds or even other alternative investments pursuing different investment strategies from the Accounts. Although FRM USA on behalf of the Accounts focuses its portfolio on diversifying away from traditional equities and investments, the Accounts may, nevertheless, exhibit a high degree of positive correlation with the securities markets from time to time, reducing the potential diversification benefits of an investment in the Accounts from the perspective of an investor's overall portfolio holdings.

Debt Securities. Debt securities are interest-rate sensitive and may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. In addition to high investment grade debt securities, certain Advisers may invest in low investment grade or non-investment grade debt securities, which are typically subject to greater market fluctuations and risk of loss of income and principal than lower yielding, investment grade securities and are often influenced by many of the same unpredictable factors which affect equity prices. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues. Investments in debt securities may experience substantial losses due to adverse changes in interest rates and the market's perception of issuers' creditworthiness.

Fixed Income Securities. The Underlying Funds may invest in fixed income securities. Investment in these securities may offer opportunities for income and capital appreciation and may also be used for temporary defensive purposes and to maintain liquidity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes, and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities or by a foreign government; municipal bonds; and mortgage-backed securities ("MBS") and asset-backed securities ("ABS"). These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity (i.e., market risk). In addition, MBS and ABS may also be subject to call risk and extension risk. For example, homeowners have the option to prepay their mortgages. Therefore, the duration of a security backed by home mortgages can either shorten (i.e., call risk) or lengthen (i.e., extension risk). In general, if interest rates on new mortgage loans fall sufficiently below the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to increase. Conversely, if mortgage loan interest rates rise above the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to decrease. In either case, a change in the prepayment rate can result in losses to

investors. The same would be true of asset-backed securities, such as securities backed by car loans. In addition, substantial defaults on underlying mortgages or other assets may occur, and the risks of such defaults have increased due to recent and continuing economic turmoil.

Fixed Income Risk. Certain types of fixed income securities and other credit instruments may be subject to heightened liquidity risk arising from the credit crisis beginning in 2007. Such investments include collateralized debt obligations ("CDOs"), high-yield bonds, debt issued in leveraged buyout transactions, mortgage and asset-backed securities, and short-term asset-backed commercial paper, which became very illiquid in the latter half of 2007, and certain investments have remained illiquid or relatively illiquid. General market uncertainty and consequent re-pricing of risk led to market imbalances between sellers and buyers, which in turn resulted in significant valuation uncertainties in mortgage and credit-related securities and other instruments. These conditions resulted, and in many cases continue to result in, greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many instruments remaining illiquid and of uncertain value. Such market conditions and the above factors may increase the level of difficulty encountered in valuing such securities and other credit instruments which could result in sudden and significant valuation increases or declines in the net asset values of the Accounts.

Mortgage-Backed Securities ("MBS") and Mortgage-Related Securities ("MRS"). Advisers may invest in residential and/or commercial MBS. The investment characteristics of certain MBS and MRS differ from those of traditional fixed income securities. The major differences include the payment of interest and principal on the securities on a more frequent schedule and the possibility that principal may be prepaid at any time due to prepayments on the underlying mortgage loans or other assets. These differences can result in significantly greater price and yield volatility than is the case with traditional fixed income securities.

Advisers may also invest in sub-prime mortgage securities. Sub-prime borrowers generally include borrowers with a tarnished or limited credit history. Sub-prime loans carry a higher credit risk than loans made at prime or mid-prime and as such will carry a higher interest rate. Investments in sub-prime mortgage securities should generally be viewed as a riskier investment than investments in residential prime mortgage securities or residential mid-prime mortgage securities, as there is a greater chance that borrowers will default on their sub-prime mortgages. Advisers may also engage in short sales of securities comprised in whole or in part of sub-prime mortgages, usually through derivatives. If the value of such securities increases, such Advisers may experience substantial losses.

Other Asset Backed Securities, Including Collateralized Loan Obligations. The Advisers may invest in other asset backed securities, including collateralized loan obligations ("CLOs") and student loans. CLO collateral may consist of residential mortgage backed securities, commercial mortgage backed securities, other asset backed securities, other high-yield debt securities, loans and other instruments, which often are rated below investment grade (or of equivalent credit quality). The value of CLO owned generally will fluctuate with, among other things, the financial condition of the obligors or issuers of the underlying portfolio

of assets of the related CLO, deteriorating covenant strength in loan issuer documents which may result in higher default rates or lower recoveries than has been historically experienced general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Consequently, holders of the CLOs must rely solely on distributions on the CLO collateral or proceeds thereof for payment in respect thereof. If distributions on the CLO collateral are insufficient to make payments on the CLOs, no other assets will be available for payment of the deficiency and following realization of a CLO's collateral, the obligations of such issuer to pay such deficiency generally will be extinguished.

Purchasers of loans are predominantly commercial banks, hedge funds, mutual funds and investment banks. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to, for instance, the high-yield debt market.

High Yield Debt; Distressed Debt. High yield bonds (commonly known as “junk bonds”), distressed debt instruments and other lower-rated (or similar but unrated) debt securities (collectively referred to here as “high yield debt”) in which the Underlying Funds may invest will typically be junior to the obligations of companies to senior creditors, trade creditors and employees. The lower rating of high yield debt reflects a greater possibility that adverse changes in the financial condition of the issuer or in general economic, financial, competitive, regulatory or other conditions may impair the ability of the issuer to make payments of principal and interest. High yield debt securities have historically experienced greater default rates than investment grade securities. The ability of holders of high yield debt to influence a company's affairs, especially during periods of financial distress or following insolvency, will be substantially less than that of senior creditors.

Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of high-yield debt securities to make principal and interests payments than issuers of higher grade debt securities. An economic downturn affecting an issuer of high-yield debt securities may result in an increased incidence of default. In addition, the market for lower grade debt securities may be thinner and less active than for higher grade debt securities, and thus less liquid because, among other reasons, certain investors, due to their investment mandates, are precluded from owning such securities. As with other investments, there may not be a liquid market for certain high yield debt, which could result in an Underlying Fund being unable to sell such securities for an extended period of time, if at all. In addition, as with other types of investments, the market for high yield debt has historically been subject to disruptions that have caused substantial volatility in the prices of such securities. Consolidation as well as turbulence in the

financial services industry has resulted in there being fewer market makers for high yield debt, which may result in further risk of illiquidity and volatility with respect to high yield debt, and this trend may continue in the future.

Long-Short Equity Risk. The Underlying Funds selected by FRM USA typically manage portfolios of both long and short positions in equity securities. The success of the Advisers depends largely on their ability to identify mispriced stocks. Advisers may incorrectly size their positions despite position and risk limits. Long-short equity Advisers rely upon market liquidity to manage their portfolio risk. Illiquidity, particularly in a market exhibiting either an up or down trend, could result in significant losses. Moreover, despite carrying both long and short equity positions in their portfolios, long-short equity Advisers typically maintain some overall level of long or short exposure to the equity markets and are susceptible to significant price moves in equities.

There are no absolute restrictions in regard to the size or operating experience of the companies in which the Advisers may invest (and relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth and companies with new products or services could sustain significant losses if projected markets do not materialize).

Equity Securities and Equity-Related Instruments. The underlying Funds may invest long and short in equities and equity-related instruments in their investment programs. Stocks, options and other equity-related instruments may be subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risk of loss. “Equity securities” and “Equity Related Instruments” may include ordinary shares, preferred shares, convertible debt obligations, convertible preferred securities, equity interests in trusts, partnerships, joint ventures or limited liability companies and similar enterprises, warrants and share purchase rights. In general, securities values fluctuate in response to the activities of individual companies and in response to general market and economic conditions. Accordingly, the value of the shares and other securities and instruments that the Portfolio Funds hold directly or indirectly may decline over short or extended periods. The stock markets tend to be cyclical, with periods when share prices generally rise and periods when share prices generally decline. The volatility of equity securities means that the value of an investment in each of the Portfolio Funds, and, in turn, the Fund, may increase or decrease.

Preferred Stock generally has a preference as to dividends and, upon the event of liquidation, over an issuer’s common stock, but it ranks junior to debt securities in an issuer’s capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer’s board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer’s common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Bank Loans. The investment program of Advisers retained by certain of the Accounts may include investments in significant amounts of bank loans and participations. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors’ rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Advisers to directly enforce its rights with respect to participations. In analyzing each bank loan or participation, the Advisers will attempt to compare the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the Underlying Fund (including the Accounts’ pro rata share of such Underlying Fund).

Convertible Securities. Advisers may invest in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer’s underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of

convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates.

High Risk Investments. The Advisers may investment in public or private companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, financings, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the original security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Advisers may be required to sell such investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Advisers may invest, there is a potential risk of loss of the entire investment in such companies.

Real Estate. Some of the risks associated with investments in real estate are declines in the value of real estate, risks related to general and local economic conditions, dependency on management skill, heavy cash flow dependency, possible lack of availability of mortgage funds, overbuilding, extended vacancies of properties, increased competition, increases in property taxes and operating expenses, changes in zoning laws, losses due to costs resulting from the clean-up of environmental problems, liability to third parties for damages resulting from environmental problems, casualty or condemnation losses, limitations on rents, changes in neighborhood values and the appeal of properties to tenants and changes in interest rates.

Real Estate Industry and REIT Risks. The Advisers may invest in companies in the real estate industry and, therefore, may be subject to risks associated with the direct ownership of real estate, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions, increases in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent and fluctuations in rental income. Equity REITs generally experience these risks directly through fee or leasehold interests, whereas mortgage REITs generally experience these risks indirectly through mortgage interests, unless the mortgage REIT forecloses on the underlying real estate.

REITs in which the Advisers invest may be affected by changes in underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Advisers invest may concentrate investments in particular geographic regions or property types. Additionally, rising interest rates may cause investors in REITs to demand a higher annual yield from future distributions, which may in turn decrease market prices for equity securities issued by REITs. Rising interest rates also generally increase the costs of obtaining financing, which could cause the value of the Advisers' investments to decline. During periods of declining interest rates, certain mortgage REITs may hold mortgages that the mortgagors elect to prepay,

which prepayment may diminish the yield on securities issued by such mortgage REITs. In addition, mortgage REITs may be affected by the ability of borrowers to repay when due the debt extended by the REIT and equity REITs may be affected by the ability of tenants to pay rent.

Certain REITs have relatively small market capitalizations, which may tend to increase the volatility of the market price of securities issued by such REITs. Furthermore, REITs are dependent upon specialized management skills, have limited diversification and are, therefore, subject to risks inherent in operating and financing a limited number of projects. REITs depend generally on their ability to generate cash flow to make distributions to investors.

Breaches in Information Technology Security. FRM USA maintains global information technology systems, consisting of infrastructure, applications and communications networks to support its clients as well as its own business activities. These systems could be subject to security breaches such as 'cyber-crime' resulting in theft, a disruption in FRM USA's ability to make investment decisions and the disclosure or corruption of sensitive and confidential information. Security breaches may also result in misappropriation of assets and could create significant financial and/or legal exposure for clients. FRM USA seeks to mitigate attacks on its own systems and those of its clients but will not be able to control directly the risks to third-party systems to which it may connect. Any breach in security of FRM USA's systems could disrupt its clients and its business and may cause clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention and/or reputational damage.

IT IS CRITICAL THAT INVESTORS REFER TO THE APPLICABLE GOVERNING DOCUMENTS FOR A COMPLETE UNDERSTANDING OF THE MATERIAL RISKS INVOLVED IN AN INVESTMENT IN THE FUNDS, INCLUDING THE RISK OF FINANCIAL LOSS. THE INFORMATION CONTAINED HEREIN IS A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY SUCH DOCUMENT.

Item 9
DISCIPLINARY INFORMATION

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of FRM USA's advisory business or the integrity of FRM USA's management. However, it should be noted that certain of the affiliated advisers that FRM USA may allocate client assets to have had disciplinary matters which are disclosed on their Form ADV. To that end, clients should review the affiliated investment adviser's Form ADV Part 1A Item 11 and Part 2A Item 9 for disciplinary information.

Item 10

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status.

FRM USA is not registered as a broker-dealer and does not have any application pending to register with the SEC as a broker-dealer. FRM USA utilizes the sales team of its affiliate, Man Investments Inc. (“MII”), to assist in the marketing of its investment services. MII, is a limited purpose broker-dealer registered with the SEC and a member of Financial Industry Regulatory Authority, Inc. (“FINRA”). MII acts as solicitor, selling agent and/or investor servicing agent for certain FRM USA clients and Funds for which it may be compensated as agreed between FROM USA and MII.

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

FRM USA is a commodity pool operator and commodity trading advisor registered with the Commodity Futures Trading Commission (“CFTC”) and a member of the National Futures Association (“NFA”).

C. Material Relationships or Arrangements with Industry Participants.

FRM USA is affiliated with and under common ownership with the following New York based entities: GLG LLC, an investment adviser registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA; Man Solutions (USA) LLC, an investment adviser registered with the SEC; Silvermine Capital Management LLC, an investment adviser registered with the SEC and a commodity pool operator registered with the CFTC and a member of the NFA; and Man Investments Inc., a limited purpose broker dealer registered with the SEC and member of FINRA which provides marketing and placement agent services to affiliated entities.

In addition, FRM USA is affiliated with Numeric Investors LLC, based in Boston, MA, which is an investment adviser registered with the SEC and a commodity pool operator registered with the CFTC and a member of the NFA; and Man Global Private Markets (USA) Inc., based in Charlotte, NC, which is an investment adviser registered with the SEC.

FRM USA is also affiliated with the following London based entities which are authorized and regulated by the Financial Conduct Authority: Financial Risk Management Limited; Man Solutions Limited, an investment adviser registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA; GLG Partners LP, an investment adviser registered with the SEC, a commodity pool operator registered with the CFTC and a member of the NFA; AHL Partners LLP, an investment adviser registered with the SEC, a commodity pool operator and commodity trading advisor registered with the CFTC and a member of the NFA; and Man Global Private Markets UK Ltd., an investment adviser registered with the SEC. Furthermore, FRM USA is affiliated with FRM Investment Management Limited, based in Guernsey, that is regulated by the Guernsey Financial Services Commission. FRM

USA is also affiliated with Man Investments AG (“MIAG”), a firm that is registered with the Swiss Financial Market Supervisory Authority. Certain of FRM USA’s Funds have a distribution agreement with MIAG.

The abovementioned affiliates and related persons of FRM USA (collectively, “Affiliates”) can act as investment adviser, and/or general partner or managing member to certain pooled investment vehicles in which assets of FRM USA clients may be invested (such pooled vehicles may in turn invest in other pooled vehicles, or directly with investment managers, that may employ a variety of investment strategies and invest in a variety of instruments). The Affiliates can, on behalf of their clients and/or funds, invest in the Funds advised by FRM USA or its affiliates. Nevertheless, the Affiliates undergo the same due diligence process for investments they consider in the Funds advised by FRM USA as they would for unaffiliated funds. The Affiliates may receive compensation from the pooled investment vehicles which they manage. Proprietary assets of affiliates of FRM USA are directly or indirectly invested in pooled investment vehicles managed by the Affiliates.

FRM USA, its affiliates and its personnel serve as investment advisers and investment managers to multiple pooled investment vehicles and managed accounts. FRM USA, its affiliates and its personnel can take action or give advice with respect to certain clients and accounts that differs from the advice given to other clients and accounts. FRM USA, its affiliates and its personnel will devote as much time to the activities of each client or account as they deem necessary and appropriate and the amount of time devoted to different clients and accounts may vary.

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

Funds managed by FRM USA invest in pooled investment vehicles managed or traded by related persons of FRM USA, and/or for which a related person acts as general partner or managing member and in such cases the related persons will have a financial interest in such pooled investment vehicles (e.g., ownership interest, investment management fees, performance-based fees, other fees, etc.). Furthermore, an Affiliate may seed managers to which FRM USA may recommend an investment by the Funds in the pooled investment vehicle managed by such manager. A conflict of interest exists if FRM USA allocates assets of the client accounts to an affiliated investment adviser. To manage such conflict of interest, FRM USA maintains an arm’s length relationship with its affiliated investment advisers. Furthermore, for the fund of funds strategy, the FRM Operational Due Diligence team applies the same process in reviewing and monitoring affiliated investment advisers and funds as it does with third parties. In addition, for the fund of funds strategy, FRM USA follows the same investment and approval process for affiliated investment advisers.

Potential and actual conflicts of interest may arise from the activities described herein. FRM USA has established policies and procedures to monitor and to the extent possible resolve conflicts of interest and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems appropriate and equitable to the extent possible under the prevailing facts and circumstances.

FRM USA and its affiliates may be subject to conflicts of interest from time to time in performing their respective duties to clients and affiliated funds. Any such conflict of interest could have a material adverse effect on clients.

When a conflict of interest arises FRM USA will endeavour to ensure that the conflict is resolved or managed appropriately and fairly. Furthermore, FRM USA and its respective affiliates have substantial incentives to see the assets of clients appreciate in value and merely because an actual or potential conflict of interest exists does not mean that it will be acted upon to the detriment of the client or fund.

FRM USA and its affiliates are permitted to manage and/or advise other client accounts and funds, some of which may have objectives similar to those of its clients, including without limitation other funds or accounts in which FRM USA or its affiliates may have an interest.

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

A. Code of Ethics.

FRM USA strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. Accordingly, FRM USA has adopted a Global Code of Ethics (the “Code”) that is supplemented by additional policies and procedures that are designed to reinforce its institutional integrity, and to set forth procedures and limitations which govern, amongst other matters, the personal securities transactions of its employees. The Code was developed to promote the highest standards of behavior and to ensure compliance with all applicable regulations.

The Code applies to all FRM USAC employees. The Code contains policies and procedures that, among other things:

-) Require employees to observe fiduciary duties owed to clients;
-) Prohibit employees from taking personal advantage of opportunities belonging to clients;
-) Prohibit trading on the basis of material nonpublic information;
-) Require employees to comply with anti-money laundering requirements;
-) Place limitations on personal trading by employees and impose pre-clearance and reporting obligations with respect to such trading (with the exception of certain security types);
-) Impose limitations on the giving or receiving of gifts and entertainment;
-) Restrict employee outside business activities;
-) Require employees to disclose family members’ business activities that may present a conflict;
-) Require pre-clearance on political contributions; and
-) Prohibit disclosure by employees of confidential information of FRM USA and its clients.

FRM USA’s employees are subject to the prohibition on trading on the basis of material nonpublic information and to the limitations and pre-clearance requirements on personal trading. Employee personal trades in securities covered by the Code are pre-approved by the employee’s supervisor and monitored by the Chief Compliance Officer, or designee and governed by the procedures set forth in the Code. Such employees may from time to time have proprietary investments in which clients advised by FRM USA also take a position, may trade and invest simultaneously with such clients, and may take investment positions that are different from or opposite to the positions taken by such clients. In general, all personal securities

transactions (except for unaffiliated US open-ended mutual funds, US Treasury securities, or other permitted investments listed in the Code) are subject to pre-clearance by the Chief Compliance Officer, or designee. A copy of FRM USA's Code is available to clients and prospective clients upon request by contacting compny@man.com.

Furthermore, FRM USA has adopted procedures to prevent and detect misuse of material nonpublic information. Specifically, FRM USA's procedures prohibit any employee from trading, either personally or on behalf of others (such as client accounts advised by FRM USA), while in possession of material, nonpublic information, and prohibit employees from communicating material, nonpublic information to others in violation of the law.

From time to time, as part of its business activities, FRM USA may come into possession of non-public information concerning specific issuers. Under applicable laws and FRM USA's procedures, this may limit FRM USA's flexibility to buy or sell securities of such issuers.

FRM USA clients are subject to Man's Cluster Munitions and Anti-Personnel Mines Policy, which is designed to ensure compliance with The Convention on Cluster Munitions and Relevant laws. This may limit FRM USA's flexibility to buy or sell securities of issuers that, among a range of other activities, are involved in cluster munitions, anti-personnel mines or other controversial weapons for its clients.

Related persons and personnel of FRM USA and its affiliates (the "Advisory Affiliates") may invest in or have a financial interest in the Funds and may not invest in all such Funds. It is expected that the size of these investments or the financial interest will change over time. Potential conflicts may arise due to the fact that the Advisory Affiliates may have investments or financial interests in some Funds but not in others or may have different levels of investments or financial interests in various Funds, and because the Funds may pay different levels of fees.

In addition, certain Advisory Affiliates may from time to time make personal investments in securities or financial instruments which may be appropriate for, may be held by, or may fall within client investment guidelines. Such Advisory Affiliates may buy, sell, or hold securities or other financial instruments for their own accounts while entering into different investment decisions for one or more clients. These activities may adversely affect the prices and availability of securities or financial instruments held by or potentially considered for one or more clients.

From time to time, FRM USA or the Advisory Affiliates may form and manage additional pooled investment vehicles and advise other client accounts with similar or different investment strategies as the Funds or managed accounts currently advised by FRM USA. It may be appropriate for more than one Fund or managed account advised by FRM USA to trade in the same securities at the same time. FRM USA has policies and procedures to manage the conflicts of interest in connection with such trades.

B. Securities that FRM USA or a Related Person Has a Material Financial Interest.

1. Cross Transactions and Principal Transactions.

From time to time, FRM USA effects cross transactions in Underlying Funds on behalf of clients in cases where they deem such transactions appropriate in accordance with regulatory requirements and the investments objectives of the client accounts, including in connection with portfolio rebalancing or other situations such as cash flow events, among others. Such cross transactions may be arranged through a broker or an independent third party or otherwise effected between two Funds at a verifiable current price where such can be ascertained. Commissions or transaction fees may be incurred if such cross transactions are arranged through a broker. A determination will be made as to whether a cross transaction is appropriate for a given client or in a given transaction and in accordance with any client or regulatory restrictions. Each cross transaction will be performed consistently with FRM USA's policies and procedures.

To the extent that such cross transactions may be viewed as a principal transactions, FRM USA will comply with the requirements of Section 206(3) of the Advisers Act, including that FRM USA will notify the applicable client (or an independent representative of the client) in writing of the transaction and obtain the client's consent (or the consent of an independent representative of the client).

2. Allocation of Investment Opportunities.

FRM USA may provide discretionary advisory investment advice and/or management services to multiple client accounts that may seek to invest in the same investment opportunities. This may create potential conflicts and potential differences among client accounts, particularly where there is limited availability or limited liquidity for those investments. FRM USA has developed policies and procedures that provide that investment opportunities will be allocated and purchase and sale decisions will be made among these client accounts in a manner that is considered to be reasonable and equitable over time and in a manner that is consistent with each client's investment objectives and guidelines. Competing interests for allocations in investments that have limited capacity are allocated on a pro-rata basis across interested accounts.

The Advisers selected by FRM USA are generally delegated the authority to determine the investments to be bought or sold and the amount of investments to be bought or sold for the Underlying Funds in which a client may invest.

FRM USA may determine that an investment opportunity or particular purchases or sales are appropriate for one or more client accounts, but not for other clients, or are appropriate for or available to certain clients but in different sizes, terms, or timing than is appropriate for others. There may be circumstances under which FRM USA will cause one or more of the clients to commit a larger percentage of their assets to an investment opportunity than the percentage of another client's assets that they commit to such investment. There also may be circumstances under which FRM USA purchases or sells an investment for one client and does not purchase or sell the same investment for another client, or purchases or sells an

investment for one client and does not purchase or sell the same investment for another client. However, it is the policy of FRM USA that: investment decisions for a client account be made based on a consideration of their respective investment objectives and policies, and other needs and requirements affecting each client account; and investment transactions and opportunities be fairly allocated among its clients. Therefore, there may be situations where FRM USA does not invest a client's assets in an Underlying and/or Affiliated Fund in which other accounts may invest or in which another client may otherwise invest.

Portfolio management of each client is based on investment parameters and objectives such as return, risk, correlation and diversification. FRM USA periodically adjusts allocations among Underlying and/or Affiliated Funds and investment strategies in accordance with the client's investment objectives based on a variety of factors, including, but not limited to, the relative asset size of the clients participating in the purchase or sale in question on that date; changes in strategic or tactical allocations; comparison of an Underlying and/or Affiliated Fund's performance relative to its peer group; a change in an Underlying and/or Affiliated Fund's investment strategy; and changes in circumstance with respect to an Adviser's and/or Affiliated Adviser's operations such as the departure of key personnel. FRM USA may have to allocate limited investment opportunities in Underlying and/or Affiliated Funds among the client accounts, to the possible advantage or detriment of each client account.

The identity and number of Underlying and/or Affiliated Funds and the allocation of client's assets among them may change over time. Allocation changes are likely to occur, among other reasons, because of performance differences among the Underlying and/or Affiliated Funds and as the result of the applicable client receiving additional capital contributions during periods when certain Underlying and/or Affiliated Funds may no longer be accepting additional funds (for example, because of capacity restrictions). In that case, the additional capital would have to be allocated to those Underlying and/or Affiliated Funds (if any) accepting additional funds, which would increase the percentage of the client's assets allocated to such "open" Underlying and/or Affiliated Funds and decrease the percentage allocated to "closed" Underlying and/or Affiliated Funds. There is no assurance that any of the Underlying and/or Affiliated Funds will accept additional capital from FRM USA's clients. Accordingly, clients might have to place some or all of any additional capital with new Underlying and/or Affiliated Funds. The client's success may depend, therefore, not only on the Underlying and/or Affiliated Funds FRM USA currently has selected for the client and its ability to allocate the client's assets successfully among those Underlying and/or Affiliated Funds but also on FRM USA's ability to identify new Underlying and/or Affiliated Funds.

FRM USA may also adjust the client's allocations to reflect FRM USA's analysis of which Underlying and/or Affiliated Funds and strategies are best suited to current market conditions and the client's investment objectives. FRM USA's judgment as to which Underlying and/or Affiliated Funds and investment strategies are likely to be profitable may be incorrect, causing the client to concentrate its capital in underperforming and/or unprofitable Underlying and/or Affiliated Funds and investment strategies, in addition to incurring transaction costs in allocating and reallocating capital among Underlying and/or Affiliated Funds. Accordingly, subjective decisions made by FRM USA may cause the client to incur losses or to miss profit opportunities on which it would otherwise have capitalized.

FRM USA, the Advisers, their principals and their employees may trade securities and commodity interests for their own accounts. Such proprietary trading may be in competition with a client and may be conducted at brokerage commission rates substantially lower than rates charged a client and may be subject to different liquidity profiles. Investors in a client will not be permitted to inspect the proprietary trading records of FRM USA, the Advisers, Advisory Affiliates, their principals or their employees.

FRM USA maintains policies and procedures to allocate Underlying Funds in a fair and equitable manner among client accounts.

3. Valuation

Each managed account is responsible for its own valuation of assets which typically a third party custodian may provide. To the extent requested, FRM USA will provide managed account clients with information that may assist in the valuation of assets. However, FRM USA will not be responsible for the valuation of managed account assets.

For FRM USA Funds, valuation policies and procedures have been established that seek to establish a consistent framework and methodology for the determination, validation, approval, regular monitoring and review of pricing all positions of each Fund. The Fund's directors have appointed an Independent Pricing Committee (the "IPC") to undertake certain services concerning the valuation policies and procedures relating to each Fund. The IPC is an independent body set up to: (1) establish a pricing matrix (a table which lays out a pricing source for certain assets and liabilities) which the directors will decide whether to adopt for the Fund and if so will thereafter be used by the administrator to calculate the value of the assets and liabilities held by the Fund; and (2) establish the prices of any positions held in the Fund that do not have an independently ascertainable value as per the pricing matrix. In addition, the IPC provides general governance and oversight of the valuation process.

C. Investing in Securities that FRM USA or a Related Person Recommends to Clients.

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to FRM USA on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Generally, and subject to certain exceptions, FRM USA's employees may not engage in personal securities trading without pre-clearance. Accordingly, under certain circumstances, FRM USA, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of clients.

FRM USA, 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 FRM USA and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

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

The Underlying Funds may invest in the securities of Man Group Plc, the owner of FRM USA and its affiliates.

D. Conflicts of Interest Created by Contemporaneous Trading.

FRM USA manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. It is the policy of FRM USA to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategies, over a period of time. FRM USA will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because FRM USA purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client.

Allocations of Underlying Funds or Affiliated Funds which may be limited ("Limited Offering") by FRM USA will be made in a fair and equitable manner among clients. Allocations will be made among clients eligible to participate in a Limited Offering taking into account factors such as long term investment horizons, investment objectives and guidelines, different levels of investment for different strategies, available investable capital, the overall portfolio composition for each account, and such other relevant factors. Eligibility to participate in a Limited Offering may include but is not limited to consideration of the following factors: (i) clients whose investment guidelines explicitly prohibit such investment, (ii) "restricted persons" under the FINRA New Issues Rule 5130 or an executive officer or director of a public company or a covered non-public company, or a person materially supported by such an executive officer or director, as contemplated under FINRA New Issues Rule 5131, (iii) suitability requirements, (iv) account turnover guidelines, and (v) available investable capital. It should be noted that certain Funds have elected to be deemed "restricted persons" under FINRA rules with respect to participation in any investments by Underlying Funds in initial public offerings ("IPOs").

Item 12
BROKERAGE PRACTICES

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

Since FRM USA's primary business of facilitating investments in the Underlying Funds, FRM USA does not typically trade in public securities and, therefore, does not generally utilize broker-dealers for client transactions. If a client of FRM USA receives public securities (most likely as a result of a distribution in-kind from an Underlying Fund), FRM USA will likely manage the sale of such securities on behalf of the applicable client. In the event that FRM USA is responsible for choosing a broker to liquidate such security, its choice will be consistent with the applicable advisory agreement or other relevant agreement with such client. In such circumstances, brokers will be selected by FRM USA primarily on the basis of such brokers' reputation, financial strength, stability and responsibly, reliability, range and quality of services, responsiveness, execution capability and commission rates. FRM USA does not receive research or other products or services (i.e., "soft dollar benefits") other than execution from broker-dealers or third parties in connection with client securities transactions.

FRM USA does not intend to recommend, request or require that a client direct the execution of a transaction through a specified broker-dealer, nor does FRM USA intend to permit a client to direct such brokerage.

Advisers will have their own policies and procedures with regards to trading and brokerage practices including soft dollars, cross trades, best execution, among others. FRM USA's investment management agreement with each Adviser will include representations that the Adviser will comply with applicable law in connection with the management of the Funds including trading and brokerage practices.

Delegation to Affiliates

FRM USA may delegate certain of its order handling and execution responsibilities for currency and hedging purposes, to an affiliate. In doing so FRM USA believes that such delegation is consistent with its obligations and is in the best interests of its Clients.

B. Order Aggregation.

In the event that there is direct trading, or in the case of workout portfolios, FRM USA and the Advisers may aggregate sale and purchase orders with similar orders being made simultaneously for other client accounts if, in their reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to clients based on an evaluation that clients will benefit from relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. The purchase or

sale of securities for clients will be effected simultaneously with the purchase or sale of like securities for other client accounts. Such transactions may be made at slightly different prices due to the volume of securities purchased or sold. In such event, generally the average price of all securities purchased or sold in such transactions may be determined, and clients may be charged or credited, as the case may be, with the average transaction price (although certain Advisers may use different aggregation methodologies). There can be no assurance that on a trade-by-trade or overall basis that any particular client will not be treated more or less favorably than another client.

As purchases and withdrawals/redemptions in the clients' investments are generally effected directly with the Advisers, orders are not generally aggregated, but are effected independently.

As explained above in Item 11.B., to the extent a particular investment is suitable for multiple clients, FRM USA will generally allocate such investment between the clients based on the strategic nature of the investment and the various clients' investment objectives or based on some other criteria deemed to be equitable. Moreover, at certain times, it may not be possible or consistent with the investment objectives of, and available cash in, the clients for the same investment positions to be taken or liquidated at the same time or at the same price.

C. Trade Error Policy

In the event that FRM USA experiences an error with respect to trades made on behalf of clients, FRM USA will correct such error in accordance with its policies and procedures. If FRM USA, in its sole discretion determines that a client should be reimbursed as a result of a trade error caused by FRM USA, interest will generally not be paid on such losses. Advisers and Affiliated Advisers have their own policies and procedures in handling trade errors which may differ from FRM USA's policies and procedures.

Item 13
REVIEW OF ACCOUNTS

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

Client accounts are reviewed on a frequent basis to ensure compliance with such client's investment objectives as well as investment guidelines and restrictions. The global FRM Portfolio Management Committee ("PMC") is responsible for strategy allocation decisions and is chaired by the Chief Investment Officer. The PMC generally meets four times a year, and takes into consideration views from FRM USA's research team as well as views from the underlying managers to develop target strategy allocations for certain portfolios. These decisions can represent a general guidance for portfolios from which portfolio managers can deviate due to unique circumstances of the portfolios that they manage, such as portfolio-specific investment objectives. When necessary, the PMC or Investment Committee will make changes to the target allocations more frequently, for example, in response to turbulent market events and may set different targets for different portfolios.

The PMC meetings typically involve a review of the financial markets, an analysis of strategy performance, the statement of a 'prior' set of assumptions or views on investment strategy held by the PMC members, and a review of the opportunity set for each strategy submitted by strategy specialists. The PMC will then combine all this information (both bottom-up and top-down) to make adjustments to strategy allocation targets for portfolios that follow this process. This typically involves:

-) Review of performance and other statistical measures of underlying funds.
-) Guidance notes for analysts on styles of funds and strategies that would be particularly valuable to portfolios given their risk and return characteristics in current market conditions.
-) Assessing new investment opportunities in underlying funds.
-) A final debate on core conclusions to decide directional changes in strategy allocation.
-) Careful adaptation by the relevant portfolio managers of the key insights from the meetings to support the portfolio management process.

Due to underlying fund liquidity, portfolio-specific restrictions or objectives and other tactical timing constraints, the actual strategy allocation of the Funds will take time to move towards the target allocation set by the PMC. As a result, the day-to-day portfolio management process is also instrumental in determining actual top-down asset allocation.

FRM USA's portfolio managers are responsible for populating the strategic targets from what they believe to be the most suitable Advisers from the approved list. FRM USA has developed a suite of bespoke portfolio and risk management systems to aid portfolio

construction and to ensure an efficient allocation of capital. The risk team sets guidelines on the size of the investment based on the level of comfort with the liquidity and investment risks inherent to each individual fund as well as overall investment exposure.

FRM USA's review process for Advisers consists of obtaining and analyzing Adviser information through proprietary qualitative and quantitative screens, personal interviews with the Advisers, and other due diligence as necessary to determine whether the Adviser is appropriate for investment, including information from affiliated and non-affiliated sources. Advisers are frequently contacted for their analysis of significant events as they relate to their investment strategies and influence their investment decisions. FRM USA also makes periodic comparative evaluations of the Advisers selected and other managers utilizing similar investment strategies. FRM USA's review process for client accounts utilizes the analyses obtained by the PMC and focuses on the specific client investment parameters to determine the appropriate portfolio allocations and reallocations.

FRM USA also receives account documents from the limited partnerships, limited liability companies or other investment vehicles in which clients are invested. Such account documents are generally reviewed to determine that the trading being conducted on behalf of such clients is consistent with the stated objectives of such clients. FRM USA also performs ongoing risk monitoring and management which is designed to identify and analyze deviations of the clients' portfolios from the parameters of their target risk profile. The risk management activities include, where appropriate, asset allocation reviews, VaR calculations, stress testing to assess sensitivity to adverse scenarios and risk attribution analysis.

FRM USA or an affiliate of FRM USA may serve as the risk manager of certain underlying funds or investment vehicles in which Funds invest. In performing risk management services, FRM USA's affiliates monitor compliance with investment guidelines and restrictions; and monitor risk exposures through dedicated risk reports which include, where appropriate, leverage, stress tests and value-at-risk calculations.

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

A review of a client account may be triggered by changes in market conditions; change of security positions; changes in investment objectives or policies; capital inflows/outflows; and other reasons. Periodic reviews of client portfolios performance is undertaken by the portfolio managers and CIO.

C. Content and Frequency of Account Reports to Clients.

The requirements for frequency and content of reports will be set forth in the documents for each client account.

Investors in Funds which are pooled investment vehicles receive monthly or quarterly statements/reports reflecting performance, the value of their investments and/or other information. Investors also receive annual audited financial statements and other correspondence, as necessary, relative to the respective Fund in which they are invested. The RIC Funds file quarterly reports containing information required by the 1940 Act. Investors are

sent certified audited financial statements annually and unaudited financial statements semi-annually.

Investors in Funds may also receive upon request, subject to the execution and delivery of a confidentiality agreement satisfactory in substance and form to FRM USA, certain additional information about the applicable Fund, the portfolio, and FRM USA (such as interim performance information, risk reports and notice of certain legal proceedings) to the extent that FRM USA possesses such information or can acquire it without unreasonable effort or expense.

While all Fund investors generally receive similar information, to the extent an investor receives additional information (that other investors have not received), which is in addition to information provided in a Fund's regular reports to investors, such information may provide such investor with greater insight into the Fund's activities. This may enhance such investor's ability to make investment decisions with respect to a Fund and possibly affect such investor's decision to request a redemption from such Fund.

FRM also provides (subject to certain terms and conditions) some clients with access to Man's bespoke client reporting software "Clarus" which may provide such clients with greater transparency with respect to the investments in their portfolios compared to other clients.

Item 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients.

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

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

FRM USA and/or its affiliates may from time to time utilize third-party placement agents or solicitors that receive compensation, which may be borne either by FRM USA or its affiliates or by the investor or client, for referring the client to FRM USA or investors to the Funds. Compensation may be in the form of a percentage of management fees or performance fees, a flat fee or as otherwise agreed. FRM USA or its affiliates may benefit from the arrangements where clients are referred directly to it and/or investors are referred directly to a Fund, since the management fees are generally based upon a percentage of such client's assets under management. Thus the more assets FRM USA or its affiliates has under management, the higher the management fee income. If applicable, any such arrangement with a third-party solicitor will comply with Rule 206(4)-3 under the Advisers Act.

MII, an affiliate of FRM USA, acts as a solicitor for Managed Accounts and the selling agent and/or investor servicing agent for certain Funds. FRM USA may pay a portion of its fees to MII for its services. MII may also may receive a percentage of a Fund's management fee to act as selling agent and or investor servicing agent. In addition, MII has entered into agreements with other broker-dealers and certain financial advisers to solicit interests in Funds and/or to provide ongoing investor services and account maintenance services to investors. Each such broker-dealer and financial adviser generally receives compensation based on the aggregate value of outstanding interests held by investors that receive services from such persons, fixed amounts or other agreed upon compensation. Such compensation generally will be paid by MII from the fees that it receives from a Fund, FRM USA or an Adviser.

In addition, FRM USA and/or certain of FRM USA Funds have a distribution agreement with MIAG and other affiliated entities.

Item 15
CUSTODY

FRM USA is subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). In accordance with the requirements of the Custody Rule each Fund because it complies with the provisions of the “Pooled Vehicle Annual Audit Exception,” and is 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 for its fund of funds, distributes its audited financial statements to all investors within 180 days of the end of its fiscal year.

Item 16
INVESTMENT DISCRETION

In general, FRM USA provides discretionary and non-discretionary investment advice and/or management services to its clients. With respect to discretionary assets under management, FRM USA has discretion regarding all decisions and is authorized to determine and direct execution of portfolio transactions within each client's specified investment objectives, restrictions and policies. However, FRM USA's discretion is subject to limits imposed on FRM USA as described in the applicable offering document in the case of the Funds, as applicable, and investment management agreements or other relevant documents with each client advised by FRM USA. FRM USA does not have investment discretion with respect to the investment decisions made by the underlying Fund Advisers, which could include affiliated entities.

With regards to workout portfolios, the SWT Team may or may not exercise investment discretion and may execute orders on behalf of clients at the client's instruction.

Item 17
VOTING CLIENT SECURITIES

FRM USA has adopted proxy voting policies and procedures to ensure that any proxy or similar matters are voted on behalf of its clients in a manner which is in the best interests of such clients pursuant to Advisers Act Rule 206(4)-6.

Advisers to the Underlying Funds have trading discretion for those Funds and are responsible for voting proxies in accordance with their policies. In certain instances FRM USA may choose to vote proxies. FRM USA's senior management oversees and manages the process by which it votes client securities.

Generally, FRM USA will make all decisions about how to vote a proxy with respect to a client on a case-by-case basis in accordance with the best economic interests of the client, including stated investment objectives, applicable statutory and regulatory requirements, client agreements, and the related factors that FRM USA believes to be appropriate and consistent with its fiduciary duties to its clients. FRM USA generally will vote proxies as recommended by an issuer's management, unless it determines that voting in accordance with management's recommendation would adversely affect the investment merits of owning the securities or if a proposal does not otherwise appear to be in the best interests of the client. There may be times when refraining from voting a proxy is in the client's best interest, such as when the cost of voting exceeds the expected benefit to the client. FRM USA's proxy voting policy also addresses material conflicts of interest that may arise between FRM USA and its clients with respect to voting of client securities.

With respect to any clients that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") for which FRM USA is an investment manager, FRM USA will act prudently and solely in the interest of the participants and beneficiaries of such ERISA client. FRM USA will only vote proxies on securities currently held by clients. Proxies received for securities that are loaned will generally not be voted.

With respect to RIC Fund, FRM USA will be responsible for voting proxies and reporting the manner in which such proxies are voted on an annual basis.

FRM USA will endeavor to identify material conflicts of interest, if any, which may arise between FRM USA and companies with respect to voting proxies to ensure that all proxies are voted in the overall best interest of its clients.

Upon request, clients may receive a copy of FRM USA's proxy voting policy and/or information regarding the manner in which securities held in their account were voted by contacting the applicable relationship manager at (212) 649-6600.

Item 18
FINANCIAL INFORMATION

FRM USA 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.