

Item 1 – Cover Page

Abdiel Capital Advisors, LP  
Part 2A of Form ADV  
The Brochure

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March 29, 2019

This Brochure provides information about the qualifications and business practices of Abdiel Capital Advisors, LP (the “Adviser”). If you have any questions about the contents of this Brochure, or if you would like to request a copy of the Brochure free of charge, please contact the Adviser’s Chief Compliance Officer (“CCO”) at 646-496-9203 or [peter@abdielcap.com](mailto:peter@abdielcap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

The Adviser is a registered investment adviser. Registration of an investment adviser does not imply any certain level of skill or training. Additional information about the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Brochure contains several updates from the most recent Brochure dated as of March 9, 2018 which may be considered material, as well as certain other routine updates, including, but not limited to:

- Updates to Item 8 risk factors; and
- Updates to Item 11 description of the Code of Ethics and conflicts of interest.

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#### **Item 4 – Advisory Business**

Abdiel Capital Advisors, LP (“Adviser” or “Abdiel”) began operations in March of 2006 and is owned by Colin T. Moran and Geoffrey M. Gentile (together, the “Principals”). Immediately prior to founding the Adviser, Colin T. Moran worked as a partner at Chieftain Capital Management. Geoffrey M. Gentile was an associate director at Barclays Capital before leaving to start Abdiel in 2006.

The Adviser’s clients are private funds, commonly referred to as hedge funds. The Adviser’s clients consist of two feeder funds, a master fund, and a parallel fund, all of which share the same strategy. Abdiel Qualified Onshore Partners, LP (the “Onshore Feeder”) and Abdiel Qualified Offshore Partners, Ltd (the “Offshore Feeder”) (each a “Feeder Fund” and collectively the “Feeder Funds”) invest substantially all their capital in Abdiel Qualified Master Fund, LP (the “Master Fund”). Abdiel Capital, LP (the “Parallel Fund”) is a partnership managed by the Adviser that invests in a parallel fashion to the Master Fund. These funds are individually referred to as “a Fund” and collectively referred to as “the Funds.” The Adviser’s single strategy is generally implemented pro-rata for the Master Fund and the Parallel Fund. The pro-rata implementation of the single strategy across the Funds helps to mitigate conflicts of interest arising from the allocation of investments. To this end, and with certain exceptions, the Adviser aggregates trades and allocates pari-passu on an average price basis, causing the Master Fund and Parallel Fund to approach a pro-rata allocation. Exceptions generally relate to the method of hedging currency exposure given, among other reasons, the interchangeability of certain currency hedging techniques.

Regarding the single strategy mentioned above, the Adviser seeks over a three- to five-year time horizon to deliver attractive absolute returns and to outperform the U.S. equity markets while minimizing the likelihood of permanent impairment of the Funds’ capital. The Adviser generally seeks to do so by investing capital for the long-term in a concentrated portfolio of high-quality businesses. The Funds’ ten largest investments frequently comprise more than 75% of invested capital. The Funds may make investments other than in equity securities and other than in good businesses held for the long term. The Funds’ propensity to do so will depend on the attractiveness of specific opportunities in other asset classes.

An important attribute of a good business, for the Funds’ purposes, is that its earnings stream be durable. A competitive advantage the Adviser can understand is normally a good sign that a business’ earning stream is durable. The Adviser also favors businesses that can increase their market share over time, have recurring revenue, and are controlled by people with a large portion of their net worth invested in the business. Notwithstanding the foregoing strategy summary, the Adviser does not restrict itself to particular geographies, industries, or asset classes.

As of December 31, 2018, the Adviser managed \$1,291,738,458 on a discretionary basis. This figure represents the net asset value of the Funds. As of December 31, 2018, the Adviser does not manage any assets on a non-discretionary basis.

#### **Item 5 – Fees and Compensation**

The Adviser will generally deduct its management fees on a quarterly basis, payable in advance, at the rate of 0.375% of the aggregate beginning values of the assets under management for the applicable calendar quarter (*i.e.*, 1.5% annually, the “Management Fee”). Management Fees are prorated for each capital

contribution made during the applicable calendar quarter. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Pursuant to the offering memoranda, the General Partner of the Funds (“GP”) may, from time to time, reduce, increase, waive, or calculate differently the Management Fee with respect to any investor; provided, however, that after giving effect to any such increase, decrease, waiver, or calculation, the Management Fee will not exceed 0.375% per quarter for any investor. Presently, capital accounts established for investors who are members, partners, affiliates, or employees of the GP or the Adviser, or members of the immediate families of such persons and trusts or other entities for their benefit do not pay their portion of the Management Fee for any of the Funds.

In consideration for the portion of the Management Fee paid to the Adviser by the Funds, the Adviser will render certain administrative and investment management services to the Funds and the Adviser will bear certain administrative expenses and not seek reimbursement for these expenses. For example, the Adviser will provide to the Funds office space and utilities, and secretarial, clerical, and other personnel. The portion of the Management Fee paid to the Adviser by the Funds may exceed the expenses borne by the Adviser on behalf of the Funds. To the extent that expenses to be borne by the Funds, as summarized below and detailed in the offering memoranda, are paid by the Adviser or its affiliates, the Funds will reimburse the Adviser or its affiliates directly for such expenses.

In addition to the Management Fee paid to the Adviser, the Funds will incur other fees and expenses. These include, without limitation, (i) any and all costs and expenses incurred in connection with the evaluation, acquisition, monitoring or disposition of investments, including, without limitation, brokerage commissions, research-related expenses (including, without limitation, for news and quotation equipment and services) related to research, market data and due diligence, analysis, purchase or sale of investments, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, clearing and settlement charges, interest expenses, travel and lodging expenses, commitment fees, custodial fees, transfer taxes and premiums, and legal, accounting, auditing, consulting, information services and professional fees related to the discovery, investigation, development, making, management and disposition of investments (in each case, whether or not consummated); (ii) any and all expenses (including, without limitation, costs of printing and mailing) incurred in connection with a Fund’s financial statements, reports, notices, tax returns, and K-1’s (or similar schedules); (iii) any and all accounting, auditing and tax preparation expenses, and costs of portfolio management and accounting systems; (iv) any and all fees of a Fund’s administrator; (v) any and all corporate licensing fees and other professional fees, bank service fees, withholding and transfer fees; (vi) any and all entity-level taxes; (vii) any and all fees and disbursements of attorneys, accountants, auditors and other professionals (including, without limitation, expenses of consultants and experts) relating to the Funds or investment matters, including, without limitation, fees and disbursements associated with updating a Fund’s subscription documents; (viii) any and all taxes and other governmental charges that may be incurred or payable (or otherwise economically borne) by a Fund or any subsidiary thereof; (ix) any and all insurance premiums, fees, and expenses incurred to benefit, directly or indirectly, the Funds, the GP, the Board (as defined below), as applicable, the Adviser, and other indemnified persons, or any special purpose vehicle or other asset, including, without limitation, property insurance or errors, omissions, fidelity, general partner liability, directors’ and officers’ liability, and similar coverage for any person acting on behalf of the Funds, the GP, the Board, as applicable, or the Adviser or any of their affiliates providing services to the Funds; (x) any and all expenses (including legal

fees and expenses) incurred to comply with any law or regulation related to the activities of the Funds or incurred in connection with any litigation or governmental inquiry, investigation, or proceeding involving a Fund, including the amount of any judgments, settlements or fines paid in connection therewith, except, however, to the extent such expenses or amounts have been determined to be excluded from the indemnification provided in a Fund's governing documents; (xi) any and all costs and expenses incurred in connection with the dissolution, winding up or termination of a Fund; (xii) any and all costs and expenses incurred in connection with computing the value of the assets of a Fund; (xiii) any and all costs and expenses incurred in connection with any meeting of a Fund's investors held as provided in such Fund's governing documents; (xiv) any and all expenses related to a Fund's indemnification obligations pursuant to a Fund's governing documents; (xv) subject to the terms set forth in a Fund's governing documents, other expenses related to the purchase, sale, or transfer of ownership interests or assets in a Fund; (xvi) organizational expenses of a Fund (other than marketing and placement fees relating to the sale of ownership interests during any period that a Fund is considered to hold "plan assets" for purposes of the U.S. Employee Retirement Income Security Act of 1974, as amended and the U.S. Internal Revenue Code of 1986, as amended, including legal and accounting fees (and related disbursements and other charges) incurred in connection therewith, and expenses with respect to the offering of ownership interests in a Fund (including travel and accommodations of personnel of the GP and the Adviser); and (xvii) extraordinary expenses and other similar expenses of the Funds.

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

A conflict of interest could arise with respect to the Adviser's determination of whether certain costs or expenses (or portions thereof) that are incurred in connection with the operation or activities of a client are expenses for which the client is responsible, or are expenses that should be borne by one or more other clients or the Adviser. Certain expenses may be the obligation of one particular client and may be borne by such client, or expenses may be allocated among multiple clients. Each client will generally be reliant on the determinations of the Adviser with regard to the allocation of investment expenses and any common operating and other expenses as between a client and any other client(s). Such allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. For a discussion of how such conflicts of interest related to allocation of expenses may be resolved, please see "Resolution of Conflicts of Interest" in Item 11 below.

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

At the end of each fiscal year, from each Fund, the GP is entitled to an Incentive Allocation equal to 20% of the aggregate net capital appreciation otherwise allocable to a capital account above a 10% hurdle rate (taking into account both realized and unrealized gains and losses); provided that the aggregate net capital appreciation upon which the Incentive Allocation is based will be reduced by the amount of the Management Fee debited to such capital for such fiscal year. The GP's entitlement to the Incentive Allocation is subject to a given capital account's high water mark.

In the event that an investor redeems all or a portion of the investor's capital account, other than at the end of a fiscal year, net capital appreciation or net capital depreciation, as the case may be, will be determined through the date of termination or the redemption date as if such date were the end of the fiscal year, and a pro-rata Incentive Allocation, if any, from all the capital accounts (in the case of a termination), or such capital accounts with respect to the redemption amount (in the case of a redemption), will be reallocated to the GP's capital account.

The GP, in its sole discretion, may reduce, waive, or calculate differently the Incentive Allocation with respect to certain of the capital accounts. Presently, capital accounts established for investors who are members, partners, affiliates, or employees of the GP or the Adviser, or members of the immediate families of such persons and trusts or other entities for their benefit are not subject to an Incentive Allocation. Separate from the aforementioned GP- and Adviser-related parties, and pursuant to a side letter, one investor is subject to a reduced incentive allocation.

The Adviser structures any performance or incentive fee arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3.

The GP's Incentive Allocation may create an incentive for the GP and the Adviser to cause the Funds to make investments that are riskier or more speculative than would be the case in the absence of such allocation. In addition, because the Incentive Allocation is calculated on a basis that includes unrealized appreciation of the Funds' assets, it may be greater than if the Incentive Allocation were based solely on realized gains.

The computations required to be made for purposes of computing the Incentive Allocation may be made separately with respect to separate contributions to or redemptions from the Funds by a particular investor, to reflect appropriately the different times at which investors may have contributed capital to the Funds or redeemed from the Funds, and the net asset values of the Funds at such times. As a result, an Incentive Allocation may be charged with respect to a specific investment in the Funds made by an investor even if no Incentive Allocation would have been charged had all of such investors' investments been aggregated for purposes of calculating the Incentive Allocation.

## **Item 7 – Types of Clients**

The Adviser provides advice to the Funds. Investors in the Funds include foundations, endowments, funds of funds, family offices, and high-net-worth individuals.

The Adviser generally requires a minimum account of \$1,000,000 to invest in the Funds. The GP, in its sole discretion, may make exceptions to the required minimum.

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

Regarding the single strategy mentioned above, the Adviser seeks over a three- to five-year time horizon to deliver attractive absolute returns and to outperform the U.S. equity markets while minimizing the likelihood of permanent impairment of the Funds' capital. The Adviser generally seeks to do so by investing capital for the long-term in a concentrated portfolio of high quality businesses. The Funds' ten largest investments frequently comprise more than 75% of invested capital.

An important attribute of a good business, for the Funds' purposes, is that its earnings stream be durable. A competitive advantage the Adviser can understand is normally a good sign that a business' earning stream is durable. The Adviser also favors businesses that can increase their market share over time, have recurring revenue, and are controlled by people with a large portion of their net worth invested in the business. Notwithstanding the foregoing strategy summary, the Adviser does not restrict itself to particular geographies, industries, or asset classes.

The Funds may make investments other than in equity securities and other than in good businesses held for the long term. The Funds' propensity to do so will depend on the attractiveness of specific opportunities in other asset classes. Examples of such asset classes include, but are not limited to, options, fixed income securities, and special situations such as merger arbitrage, spinoffs, recapitalizations, and liquidations. The Funds may also sell securities short.

**The following risk factors do not purport to be a complete description of the risks involved in investing in the Funds. Please refer to the offering memoranda for a more complete description of the risks involved in investing in the Funds. In addition, as the Funds' investment program develops and changes over time, an investment in the Funds may be subject to additional and different investment considerations. Investing in securities involves risk of loss, including to principal, that clients and investors must be prepared to bear.**

### General Investment Risks

*Concentration of Investments.* The Funds invest in a concentrated portfolio and are not required to be diversified. The Funds' ten largest investments frequently comprise more than 75% of invested capital. Such non-diversification increases the risk of loss to the Funds if there is a decline in the market value of any security or sector in which the Funds had invested a large percentage of its assets. In addition, the Funds may be required to make certain Exchange Act filings due to the size of certain of its investment positions. Investment in a non-diversified fund will generally entail greater risks than investments in a diversified fund.

*Custodial Risk.* The Funds' prime brokers will have custody of the Funds' securities, cash, distributions, and rights accruing to the Funds' securities accounts. SEC rules require the prime brokers to maintain physical possession and control of fully paid securities held in the Funds' account and to establish certain reserves for the benefit of customers. However, subject to these limitations, the prime brokers generally have the ability to loan, pledge, and rehypothecate the securities in the Funds' account, as is typical market practice, and may have insufficient assets to meet all of its obligations to customers in the event of an insolvency of the prime brokers. In such an event, the Funds would typically not have a right to recover its securities held by the prime brokers, but would rather have only an unsecured claim against the prime



brokers and participate *pro rata* with other customers of the prime brokers in the proceeds of the sale of customer securities. Also, even if the prime brokers do have sufficient assets to meet all customer claims, there could be a delay before the Funds receive assets to satisfy their claims. In order to manage the risks associated with prime broker insolvency, the Funds may establish relationships with multiple prime brokers. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. In addition, the Funds may not be able to identify potential solvency concerns with respect to the Funds' prime brokers or to transfer assets from one prime broker to another prime broker in a timely manner. The prime brokers may hold the Funds' securities through third parties such as clearing corporations, other brokers, or banks. In addition, the Funds may hold securities, cash, and other assets directly with banks or other third parties not associated with the prime brokers. As a result, the Funds may be subject to credit risk with respect to such third parties as well as with respect to the prime brokers. In addition, certain of the Funds' assets may be held by non-U.S. affiliates of the Funds' prime brokers and entities other than the prime brokers. Assets held by such non-U.S. affiliates may be subject to legal regimes that provide fewer or different investment protections than the U.S. If the Funds have over-collateralized derivative contracts, they are likely to be an unsecured creditor of any such counterparty in the event of its insolvency. Also, even if the Funds' prime broker or such other third parties do have sufficient assets to meet all claims, there could be a delay before the Funds receive assets to satisfy its claims. The Funds may change the brokerage arrangements described in this Brochure at any time without notice to the investors. There are likely to be operational and other delays associated with changes in prime brokerage arrangements.

*Financial Market Fluctuations.* General fluctuations in the market prices of securities may affect the value of the investments held by the Funds. Instability in the securities markets will also likely increase the risks inherent in the Funds' investments. There is no guarantee that ordinary and prudent precautions for natural and other disasters will provide an effective connection between the Adviser and markets in the event of large-scale disruptions in the United States or, alternatively, in the countries where the Adviser executes trades.

*Lack of Liquidity in Markets.* The markets for many securities and other investments are thinly traded from time to time. This lack of liquidity and market depth could disadvantage the Funds, both in the realization of the prices which are quoted and in the execution of orders at desired prices or in desired quantities. Also, domestic and international securities exchanges and the SEC and other regulatory authorities have authority to suspend trading in a particular security without notice.

*Liquidity Risk.* The Funds may invest in assets and derivatives which it may not be able to readily sell or dispose of, including securities whose disposition is restricted by securities laws. The Funds' ability to sell assets or derivatives may be adversely affected by various factors, including limited trading volume, lack of a market maker, or legal restrictions. Other instruments, and in particular, caps, floors, collars, and certain other derivatives, may also have varying liquidity and/or pricing availability. Short sales are particularly subject to liquidity risk because the Funds' purchase of securities or currencies to close out a short position can itself cause the price of the securities or currencies to rise further, thereby exacerbating the loss. It is also possible that an exchange or governmental authority may suspend or restrict trading on an exchange or in particular securities or other instruments traded on the exchange. It may not always be possible to execute a buy or sell order at the desired price or to liquidate an open position, either due to market conditions on exchanges or due to the operation of daily price fluctuation limits (the maximum permitted fluctuation in the price of a futures or options contract during any trading day) or "circuit breakers."

*Market Disruption and Geopolitical Risk.* The Funds are subject to the risk that war, terrorism, and related geopolitical events may lead to increased short-term market volatility and have adverse long-term effects on the U.S. and world economies and markets generally, as well as adverse effects on issuers of securities and the value of the Funds' investments. War, terrorism, and related geopolitical events have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on U.S. and non-U.S. economies and markets generally. Those events as well as other changes in U.S. and non-U.S. economic and political conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of the Funds' investments. At such times, the Funds' exposure to a number of other risks described elsewhere in this section can increase.

*Portfolio Turnover.* While it is expected to be low, the Funds have not placed any limit on the rate of portfolio turnover, and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Adviser, investment considerations warrant such action. A high rate of portfolio turnover would involve correspondingly greater expenses than a lower rate, could act to reduce the Funds' investment gains, or create a loss for investors and could result in taxable costs for investors depending on the tax provisions applicable to such investors.

*Short Sales.* The Adviser makes short sales of investment securities on behalf of the Funds. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or dealer. Because the seller remains liable to return the underlying security that it borrowed from the broker or dealer, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. The making of short sales exposes the Funds to the risk of liability for the market value of the security that is sold, which is an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed by the Funds at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and the Funds may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and is expected to adopt rules requiring monthly public disclosure of short positions in the future. In addition, other non-U.S. jurisdictions where the Funds may trade have adopted reporting requirements. If the Funds' short positions or their strategy become generally known, it could have a significant effect on the Adviser's ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities held short by the Funds forcing the Funds to cover their positions at a loss. Such reporting requirements may also limit the Adviser's ability to access management and other personnel at certain companies where the Adviser seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as the Funds, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to the Funds could decrease drastically. Such events could make the Funds unable to execute its investment strategy. The SEC has adopted restrictions on the short sale of securities which fall more than 10 percent in a given day (referred to as the "circuit breaker" or "modified uptick rule"). If the SEC were to adopt additional restrictions on short sales, such restrictions could restrict the Funds' ability to engage in short sales in certain circumstances, and the Funds may be unable to execute

their investment strategy as a result. The SEC and regulatory authorities in other jurisdictions may adopt (and in certain cases have adopted) bans on short sales of certain securities in response to market events. Bans on short selling may make it impossible for the Funds to execute certain investment strategies and may have a material adverse effect on the Funds' ability to achieve its investment objective and generate returns. In addition, engaging in short selling may increase the risk of the Funds becoming subject to government investigation.

*Initial Public Offering.* Participation in and trading of securities with respect to initial public offerings is an investment approach in which the Adviser engages from time to time on behalf of the Funds. The purchase and sale by the Funds from time to time of securities of companies in initial public offerings or shortly thereafter involve special risks, including a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Funds to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

When the Funds participate in initial public offerings registered under the Securities Act (*i.e.*, new issues), any realized or unrealized net profits or net losses for each fiscal period in which a "new issue" security or other restricted investment was held (or is continuing to be held) will be allocated to the investors in the manner deemed necessary or advisable by the Adviser, in its sole discretion, to comply with the FINRA rules and other applicable FINRA rules. To the extent an investor is treated as a "restricted person" under FINRA Rule 5130 or as restricted under FINRA Rule 5131, an investment in the Funds has the potential to produce lower performance than that experienced by investors who are not subject to such restrictions. If an investor is unable or unwilling to complete the applicable information in the subscription agreement relating to new issues, the Funds may treat the investor as a restricted person and that investor may not be able to participate in any profits or losses attributable to the Funds' investment, if any, in new issues.

The purchase of new issues or other initial public offerings involves greater risk than securities trading in general. Although investors typically assume that new issues and other securities in an initial public offering will open at a price higher than their initial price, and that they will continue to trade at a premium until they are liquidated, there is no guarantee that either of these scenarios will occur. The prices of newly issued securities may not increase as anticipated and, in fact, may decline more rapidly. In addition, as described herein, not all investors will be eligible to participate in profits and losses attributable to new issues, so to the extent new issues losses are incurred, only a subset of investors may bear all of these losses.

*Investment in Illiquid Securities.* A Fund may invest part of its assets in Special Investments, but does not anticipate investing more than 10% of the value of all of its investors' interests (determined at the time the investment or commitment is made) into such Special Investments. However, from time to time, the Adviser may designate as Special Investments any amount of investments that were not initially Special Investments but that, in the Adviser sole discretion, should be deemed to be a Special Investment. The Funds may also

invest in other assets and derivatives which they may not be able to readily sell or dispose of, including securities whose disposition is restricted by securities laws.

The effect of liquidity risk is particularly pronounced when low trading volume, lack of a market maker, large size of position, or legal restrictions (including daily price fluctuation limits or “circuit breakers,” or an affiliation with the issuer of a security) limit or prevent the Funds’ ability to initiate a transaction, sell assets, or unwind derivative positions at desirable prices. The Funds are also exposed to liquidity risk when they have an obligation to purchase particular securities (for example, as a result of entering into reverse repurchase agreements, writing a put, or closing out a short position).

Restricted securities cannot be sold without being registered under the Securities Act, unless they are sold pursuant to an exemption from registration (such as Rules 144 or 144A). Securities that are not readily marketable are subject to other legal or contractual restrictions on resale. The Funds may have to bear the expense of registering restricted securities for resale and the risk of substantial delay in effecting registration. If adverse market conditions were to develop during such period, the Funds might obtain a less favorable price than that which prevailed when they decided to sell. The Funds may be unable to sell restricted and other illiquid securities at the most opportune times or at prices approximating the value at which they purchased such securities. If they sell their securities in a registered offering, the Funds may be deemed to be an “underwriter” for purposes of Section 11 of the Securities Act. In such event, the Funds may be liable to purchasers of the securities under Section 11 if the registration statement prepared by the issuer, or the prospectus forming a part of it, is materially inaccurate or misleading, although the Funds may have a due diligence defense.

These limitations on liquidity of the Funds’ investments could prevent a successful sale thereof, result in delay of any sale, or reduce the amount of proceeds that might otherwise be realized. In addition, the Funds’ holdings in securities for which the relevant market is or becomes less liquid are more susceptible to market value declines. Less liquid securities also may fall more in price than other securities during periods when markets decline generally. Also, because illiquid securities may be difficult to value, the values realized on their sale may differ from the values at which they are carried by the Funds. Further, the more less-liquid securities the Funds hold, the more likely they are to honor a withdrawal or redemption request in kind.

*Lending of Securities.* The Funds may lend portfolio securities to broker-dealers and other financial institutions. The advantage of such loans is that the Funds continue to receive the interest or dividends on the loaned securities, while at the same time earning interest on the collateral which is invested in short-term obligations. If the borrower fails to maintain the requisite amount of collateral, the loan automatically terminates, and the Funds could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over collateral. On termination of the loan, the borrower is required to return the securities to the Funds; any gains or loss in the market price during the loan would inure to the Funds. In the event of the bankruptcy of the other party to a securities loan, the Funds could experience delays in recovering the securities they lent. To the extent that the value of the securities a Fund lent has increased, the Funds could experience a loss if such securities are not recovered.

*Hedging Transactions.* The Adviser is not required to attempt to hedge portfolio positions of the Funds. Furthermore, the Adviser may not anticipate a particular risk so as to hedge against it. The Funds may utilize a variety of financial instruments (including options and derivatives), both for investment purposes

and for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the Funds' investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio; (v) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (vi) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; and/or (vii) for any other reason that the Adviser deems appropriate.

The success of the Adviser's hedging strategy is subject to the Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Adviser hedges portfolio positions in the Funds is also subject to the Adviser's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While the Funds may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings.

### **Risks Relating to Equity Securities**

*Equity Risk.* The market price of securities owned by the Funds may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Funds is that the equity securities in their portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, the Funds may lose all or substantially all of their investment in any particular instance.

*Investment in Small Companies.* There is no limitation on the size or operating experience of the companies in which the Funds may invest. Some small companies in which the Funds may invest may lack management depth or the ability to generate internally or obtain externally the funds necessary for growth. Companies with new products or services could sustain significant losses if projected markets do not materialize. Further, such companies may have, or may develop, only a regional market for products or services and may be adversely affected by purely local events. Such companies may be small factors in

their industries and may face intense competition from larger companies and entail a greater risk than investment in larger companies.

*Options.* The Adviser may invest in options. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying securities may fall below the exercise price. The ability to trade in or exercise options may be restricted in the event that trading in the underlying securities interest becomes restricted. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows the Funds greater flexibility to tailor an option to their needs, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

*Regulated Industries.* The Funds may be subject to certain restrictions when considering investments in regulated industries, such as banking, insurance, gaming, or communications. For example, there may be limits on the aggregate amount of investment by affiliated investors that may not be exceeded in certain regulated industries without the grant of a license or other regulatory or corporate consent or, if exceeded, may cause the Funds to suffer disadvantages or business restrictions. As a result, the Adviser may restrict or limit transactions or exercise of rights for the Funds, or limit the amount of voting securities purchased for the Funds or restrict the type of governance rights it acquires or exercises in connection with its investments in regulated industries.

*Preferred Securities Risk.* In addition to credit risk, investment in preferred stocks, preferred trusts and other preferred securities involves certain other risks. Certain preferred securities contain provisions that allow an issuer under certain conditions to skip or defer distributions. If the Funds own a preferred security that is deferring its distribution, they may be required to report income for tax purposes despite the fact that they are not receiving current income on this position. Preferred securities often are subject to legal provisions that allow for redemption in the event of certain tax or legal changes or at the issuer's call. In the event of redemption, the Funds may not be able to reinvest the proceeds at comparable rates of return. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Funds own a preferred security that is deferring its distributions, the Funds may be required to report income for tax purposes although they have not yet received such income. Preferred securities are subordinated to bonds and other debt securities in an issuer's capital structure in terms of priority for corporate income and liquidation payments and, therefore, will be subject to greater credit risk than those debt securities. Preferred securities may trade less frequently and in a more limited volume and may be subject to more abrupt or erratic price movements than many other securities, such as common stocks, corporate debt securities, and U.S. government securities.

*Convertible Securities.* The Funds may invest in convertible securities, which are debt securities or preferred equity securities that are exchangeable for other debt or equity securities of the issuer at a

predetermined price. Convertible securities entitle the holder to receive interest payments paid on corporate debt securities or the dividend preference on preferred equity securities until such time as the convertible security matures or is redeemed or until the holder elects to exercise the conversion privilege. As a result of the conversion feature, convertible securities typically offer lower interest rates than if the securities were not convertible. It is possible that the potential for appreciation on convertible securities may be less than that of a common stock equivalent. Convertible securities may or may not be rated within the four highest categories by S&P and Moody's and, if not so rated, would not be investment grade. To the extent that convertible securities are rated lower than investment grade or not rated, there would be greater risk as to timely repayment of the principal of, and timely payment of interest or dividends on, those securities. Also, in the absence of adequate anti-dilution provisions in a convertible security, dilution in the value of the Funds' holding may occur in the event the underlying stock is subdivided, additional securities are issued, a stock dividend is declared or the issuer enters into another type of corporate transaction which increases its outstanding securities.

*Private Investments in Public Equities.* The Funds may make private investments in public equities, via which the Funds would take a minority position in a public company. To the extent that the public market for such companies declines, it is possible that private investments in public equities transactions may generate losses or returns that do not justify the risk associates with such investments. In addition, due to securities law regulations, the Funds may be restricted from selling, or hedging their exposure to, such securities during a time when the Funds would otherwise like to do so. For example, the Funds may be required to hold such security even though the value of such security is continuing to decrease. Such restrictions could have an adverse effect on the Funds, and their ability to achieve their investment objective.

### **Risks Relating to Cash, Money Market, or Temporary Investments**

*Cash and Other Investments.* The Funds may invest all or a portion of their assets in cash or cash items for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items must be of high quality at the time of investment and may include a number of money market instruments such as negotiable or non-negotiable securities issued by or short-term deposits with the U.S. and non-U.S. governments and agencies or instrumentalities thereof, bankers' acceptances, high quality commercial paper, repurchase agreements, bank certificates of deposit, and short-term debt securities of U.S. or non-U.S. issuers deemed to be creditworthy by the Adviser. The Funds may also hold interests in investment vehicles that hold cash or cash items. While investments in cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses. Investments in cash items and money market funds may also provide less liquidity than anticipated by the Funds at the time of investment.

*Forward Trading.* The Funds may enter into forward contracts for the trading of certain commodities, such as foreign currencies with banks and market makers. Although the banks and market makers may be regulated in various ways by the CFTC, the National Futures Association, the SEC, the Federal Reserve Board, the Comptroller of the Currency, and other federal and state authorities, these regulatory agencies do not regulate the trading of cash commodities or forward contracts. In addition, such contracts are not traded on exchanges. As a result, there is no limitation on daily price movements of cash or forward contracts and market makers are not required to make markets in any cash commodities. Also, certain customer protections will not be available to the Funds in connection with any such trading. There have

been periods during which certain market makers have refused to quote prices for cash commodities or forward contracts or have quoted prices with an unusually wide spread between the price at which the market maker is prepared to buy and the price at which it is prepared to sell. If this should occur, the Adviser might not be able to utilize effectively its cash and forward trading programs. This could result in significant losses to the Funds.

### **Risks Relating to Leverage**

*Leverage.* The Funds may use leverage to enhance investment returns, and may also purchase or sell derivatives, such as options for both speculative and risk management purposes. The Funds may leverage their portfolios as a whole or the individual assets in their portfolios. While such use of borrowed funds increases returns if the Funds earn a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns if the Funds fail to earn as much on such incremental investments as they pay for such funds. The effect of leverage may therefore result in a greater decrease in the net asset value of the Funds than if the Funds were not so leveraged. Any use by the Funds of short-term margin borrowings will result in certain additional risks to the Funds. For example, the securities pledged to brokers to secure the Funds' margin accounts could be subject to a "margin call," pursuant to which the Funds would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. A sudden, precipitous drop in value of the Funds' assets accompanied by corresponding margin calls could force the Funds to liquidate assets quickly, and not for what the Adviser perceives to be their fair value, in order to pay off their margin debt. In addition, the Funds may engage in certain derivative transactions which implicitly contain leverage and subject the Funds to the same risks discussed above.

### **Risks Related to Non-U.S. Investments (Including F/X Risk)**

*Currency Risk.* The investments of the Funds that are not denominated in the U.S. dollar 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. Officials in foreign countries may from time to time take actions in respect of their currencies that could significantly affect the value of the Funds' assets denominated in those currencies or the liquidity of such investments. For example, a foreign government may unilaterally devalue its currency against other currencies, which would typically have the effect of reducing the U.S. dollar value of investments denominated in that currency. A foreign government may also limit the convertibility or repatriation of its currency or assets denominated in that currency. The Funds may, but are not required to, invest in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts, or any combination thereof for hedging purposes, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective.

*Investment in Non-U.S. Securities.* The Funds may invest in non-U.S. securities. Such investments may be subject to a greater risk than U.S. investments due to non-U.S. economic, political, and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of taxes on dividends, interest payments, or capital gains, the need for approval by government or other authorities to make



investments, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities and other factors beyond the control of the Adviser. Furthermore, issuers of non-U.S. securities are subject to different, often less comprehensive accounting, reporting or disclosure requirements than U.S. issuers. The securities markets of some countries in which the Funds may invest have substantially less volume than those in the United States, and securities of certain companies in these countries are less liquid and more volatile than securities of comparable U.S. companies. Accordingly, these markets may be subject to greater influence by adverse events generally affecting the market, and by large investors trading significant blocks of securities, than is usual in the United States. Brokerage commissions and other transaction costs on securities exchanges in non-U.S. countries are generally higher than in the United States. Non-U.S. securities settlements may in some instances be subject to delays and related administrative uncertainties. In some countries there are restrictions on investments or investors such that the only practicable way for the Funds to invest in such markets is by entering into swaps or other derivative transactions with its prime brokers or others. Such transactions involve counterparty risks which are not present in the case of direct investments and which may not be controllable by the Adviser.

*Investments in Emerging Markets.* The Funds may invest in emerging markets. Investments in emerging markets involve a greater degree of risk than investing in developed countries. Among other things, emerging market investments may be subject to the following risks: less publicly available information; more volatile markets and unstable market conditions, changes in interest rates, availability of credit and inflation rates; less liquidity or available credit; uncertainty in enforceability of documents; changes in local laws and regulations (including nationalization of industries); political or economic instability (including wars, terrorist acts or security operations); the relatively small size of the securities markets in such countries and the low volume of trading and less strict securities market regulation; less favorable tax or legal provisions; price controls and other restrictive governmental actions; changes in or non-approval of tariffs or other fees or rates charged, potential severe inflation or other serious adverse economic developments; unstable currency; expropriation of property; confiscatory taxation; imposition of withholding and other taxes on income or gross sales proceeds or dispositions; fluctuations in the rate of exchange between currencies, non-convertibility of currencies which can result in the inability to repatriate funds, costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. The foregoing may result in lack of liquidity and in price volatility.

The economies of emerging markets may differ favorably or unfavorably from the economy of developed countries in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency, and balance of payments position. In addition, emerging market countries may have a greater risk of default on external debt when their economies experience a downturn. These risks of sovereign default could adversely affect the value of the Funds' portfolio. Further, emerging markets are generally heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values, and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain emerging markets may be based predominantly on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Companies in emerging countries are generally subject to less stringent and less uniform accounting, auditing and financial reporting standards, practices, and disclosure requirements than those applicable to companies in developed countries. In particular, valuation of assets, depreciation, exchange differences,

deferred taxation, contingent liabilities, and consolidation may be treated differently from accounting standards in more developed countries. Consequently, there is less publicly available information about an emerging country company than about a company in a developed market.

*Current Economic Conditions in European Countries.* The European Union regulates alternative investment fund managers who are based in the European Economic Area (“EEA”) or who market to investors in the EEA. The European Union places certain restrictions and requirements on the Adviser if interests in the Funds are marketed to investors in the EEA. These include (among other things) requiring the Adviser to obtain authorization in EEA member states and to meet various potentially onerous operational and organizational requirements in connection with the Adviser’s management of the Funds. These various restrictions and requirements may impact the Adviser’s ability to market the Funds to European investors or its ability to manage the Funds. Moreover, if the Adviser is required to or considers it desirable to obtain authorization, the various obligations which the European Union imposes may create certain additional compliance and other costs, some or all of which may be Fund expenses.

Additionally, certain European countries, including Greece, Ireland, Italy, Portugal, and Spain have in the recent past, or continue at this time, to experience varying degrees of financial distress, in particular in connection with the repayment of debt owed by these nations. While the possibility of a default or an exit of one of the Eurozone countries may be lower now than it was during the peak of the European debt crisis, high government debt continues to be a problem in the region. A significant deterioration in the ability of European countries to manage their debt obligations could result in material reductions in the value of sovereign debt and other asset classes, disruptions in capital markets, widening of credit spreads, loss of investor confidence in the financial services industry, and other adverse developments that could negatively impact the performance of the Funds. In addition, many European countries have experienced slow economic growth in recent years, which increases the risk of deflation in the European economy and a slowdown in global economic activity generally, each of which could negatively impact the performance of the Funds.

Furthermore, the Economic and Monetary Union of the European Union (“EMU”) is comprised of the European Union members that have adopted the euro currency. By adopting the euro as its currency, a member state relinquishes control of its own monetary policies. As a result, European countries are significantly affected by fiscal and monetary controls implemented by the EMU. The euro currency may not fully reflect the strengths and weaknesses of the various economies that comprise the EMU and Europe generally.

*Changes to the European Union.* On June 23, 2016, the United Kingdom held a referendum and voted to withdraw as a member of the European Union and as a party to the Treaty on the Functioning of the European Union and its related treaties. The consequences of this referendum are uncertain. The referendum has already caused significant volatility in global financial markets and uncertainty about the integrity and functioning of the European Union, both of which may persist for an extended period of time. On March 29, 2017, the United Kingdom formally initiated the withdrawal process by notifying the European Council of its intention to withdraw from the European Union. This notification has triggered a two-year separation period under Article 50 of the Treaty on European Union, during which the United Kingdom and the European Union will negotiate withdrawal arrangements governing the United Kingdom’s withdrawal from, and its future relationship with, the European Union. The negotiation process

has been lengthy and complicated, and much uncertainty remains. Although we cannot predict the full effect of this referendum, the referendum could have a significant adverse impact on United Kingdom, European and global macroeconomic conditions and could lead to prolonged political, legal, regulatory, tax and economic uncertainty. The referendum's continuing or future macroeconomic impact could adversely affect the value of the Funds' investments and ability to access markets, as well as limit the Funds' investment opportunities and exit options.

Political parties in several other member states of the European Union have proposed that a similar referendum be held on their country's membership in the European Union. It is unclear whether any other member states of the European Union will hold such referendums, but further disruption can be expected if there are.

Areas where the uncertainty created by the United Kingdom's vote to withdraw from the European Union is relevant include, but are not limited to, trade within Europe, foreign direct investment in Europe, the scope and functioning of European regulatory frameworks (including with respect to the regulation of alternative investment fund managers and the distribution and marketing of alternative investment funds), industrial policy pursued within European countries, immigration policy pursued within European Union countries, the regulation of the provision of financial services within and to persons in Europe, and trade policy within European countries and internationally. The volatility and uncertainty caused by the referendum may adversely affect the value of the Funds' investments and the ability to achieve the investment objective of the Funds.

### **Risks Related to Derivatives, Commodities and Futures Instruments**

*Risks of Derivative Instruments.* The Funds may use derivative instruments. Use of derivative instruments present various risks, including but not limited to market risk, legal risk, operations risk, and the following additional risks:

- *Tracking* – When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Funds from achieving the intended hedging effect or expose the Funds to the risk of loss.
- *Liquidity* – Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets, the Funds may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which the Funds may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting the Funds to the potential of greater losses.
- *Leverage* – Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Funds and could cause the Funds' net asset value to be subject to wider fluctuations than would be the case if the Funds did not use the leverage feature in derivative instruments.

- *Over-the-Counter Trading/Counterparty Risk* – The Funds are exposed to counterparty risk to the extent they use “over-the-counter” derivatives, enter into repurchase agreements, lend their portfolio securities or allow a prime broker, if any, or an over-the-counter derivative counterparty to retain possession of collateral. If a counterparty fails to meet its contractual obligations, goes bankrupt, or otherwise experiences a business interruption, the Funds could miss investment opportunities or otherwise hold investments it would prefer to sell, resulting in losses for the Funds. Certain markets in which the Funds may effect transactions are “over-the-counter” or “interdealer” markets, and may also include unregulated private markets. The lack of a common clearing facility creates counterparty risk. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes the investor to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated its transactions with a single or small group of counterparties. The Funds may also be exposed to similar risks with respect to non-U.S. brokers in jurisdictions where there are delayed settlement periods.

There can be no assurance that a counterparty will be able or willing to make timely settlement payments or otherwise meet its obligations, especially during unusually adverse market conditions. The Funds typically may only close out over-the-counter transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. When a counterparty’s obligations are not fully secured by collateral, then the Funds are essentially unsecured creditors of the counterparty. If the counterparty defaults, the Funds will have contractual remedies, but there is no assurance that a counterparty will be able to meet its obligations pursuant to such contracts or that, in the event of default, the Funds will succeed in enforcing contractual remedies. Counterparty risk is still present even if a counterparty’s obligations are secured by collateral because the Funds’ interest in collateral may not be perfected or additional collateral may not be promptly posted as required. To the extent the Funds allow a prime broker, if any, or any over-the-counter derivative counterparty to retain possession of any collateral, the Funds may be treated as an unsecured creditor of such counterparty in the event of the counterparty’s insolvency. Counterparty risk also may be more pronounced if a counterparty’s obligations exceed the amount of collateral held by the Funds (if any), the Funds are unable to exercise their interest in collateral upon default by the counterparty, or the termination value of the instrument varies significantly from marked-to-market value of the instrument.

The Funds will be exposed to the credit risk of its counterparties and may also bear the risk of settlement default. For example, although the seller under a repurchase agreement will be required to maintain the value of the securities subject to the agreement in an amount exceeding the repurchase price, default by the seller would expose the Funds, as buyer, to possible loss due to adverse market action or delay in connection with the disposal of the underlying obligations. Conversely, where the Funds act as seller under a repurchase agreement it is exposed to the risk of the buyer defaulting in its obligation to return the securities when it is required to do so, and the Funds could realize a loss on the purchase of the underlying security to the extent that the purchase price of the underlying security is greater than the cash collateral posted by the buyer. In addition, if the seller becomes involved in bankruptcy or litigation proceedings, the Funds may

incur delay and costs in selling the underlying security or may suffer a loss of principal and interest if the Funds are treated as an unsecured creditor and is required to return the underlying collateral to the seller's estate.

Securities purchased or sold on a "when-issued" or "delayed delivery" basis involve a risk of loss if the value of the securities to be purchased declines prior to the settlement date or if the value of the securities to be sold increases prior to a settlement date. Loans of securities also involve risks of delay in receiving additional collateral or in recovering the securities loaned, or possibly loss of rights in the collateral, should the borrower of the securities become insolvent.

Additionally, the Funds may be exposed to documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract (e.g., the definition of default). If a dispute occurs, the cost and unpredictability of the legal proceedings required for the Funds to enforce its contractual rights may lead the Funds to decide not to pursue its claims against the counterparty. The Funds, therefore, may be unable to obtain payments the Adviser believes are owed to it under over-the-counter derivatives contracts or those payments may be delayed or made only after the Funds have incurred the costs of litigation.

Due to the nature of the Funds' investments, the Funds may invest in derivatives and/or execute a significant portion of its securities transactions through a limited number of counterparties and events that affect the creditworthiness of any of those counterparties may have a pronounced effect on the Funds. In addition, the creditworthiness of a counterparty may be adversely affected by larger than average volatility in the markets, even if the counterparty's net market exposure is small relative to its capital. The Adviser evaluates the creditworthiness of the counterparties to the Funds' transactions or their guarantors at the time the Funds enter into a transaction. The Funds are not restricted from dealing with any particular counterparty or from concentrating any or all transactions with one counterparty. The ability of the Funds to transact business with any one of a number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

*Swaps.* The Funds may utilize swaps (including, without limitation, credit default swaps and equity swaps) and other derivative transactions to some degree where it believes it will further the objectives of the Funds. Notional amounts of swap transactions are not subject to any limitations, and swap contracts may expose the Funds to unlimited risk of loss. Swaps may be used as an alternative to futures contracts. To the extent the Funds invest in repos, swaps, forwards, futures, options, and other "synthetic" or derivative instruments, counterparty exposures can develop and the Funds take the risk of nonperformance by the other party on the contract. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. In the international securities markets, the existence of less mature settlement structures and systems can result in settlement default and exposure to counterparty credits.

*Other Derivative Instruments.* The Funds may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but

that may be developed, to the extent such opportunities are both consistent with the investment objectives of the Funds and legally permissible. Special risks may apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds.

*Commodity Risk.* The Funds may invest directly or indirectly in commodities such as precious metals, oil, and natural gas. Investments in commodities may subject the Funds to greater volatility than investments in traditional securities and may cause the Funds to incur additional tax liability. The value of commodities and commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.

*Futures and Related Options.* The Adviser may buy and sell futures contracts and related options on behalf of the Funds. A futures contract is an agreement between two parties to buy and sell a specific quantity of a commodity (including a securities index or an interest-bearing security) for a set price at a future date. The Funds may also buy and sell call and put options on futures or on securities indexes in addition to or as an alternative to purchasing or selling futures contracts, or, to the extent permitted by applicable law, to earn additional income. The use of futures and options involves certain special risks. Futures and options transactions involve costs and may result in losses. Certain risks arise because of the possibility of imperfect correlations between movements in the prices of futures and options and movements in the prices of the underlying securities, securities index, currencies, or other commodities or of the securities or currencies in the Funds' portfolio which are the subject of the hedge (to the extent the Funds use futures and options for hedging purposes). The successful use of futures and options further depends on the Adviser's ability to forecast market or interest rate movements correctly. Other risks arise from the Funds' potential inability to close out its futures or options positions, and there can be no assurance that a liquid secondary market will exist for any futures contract or option at a particular time. The use of futures and options for purposes other than hedging is regarded as speculative. Certain regulatory requirements may also limit the Funds' ability to engage in futures and options transactions.

### **Risks Related to Specific Investment Strategies**

*Risk Arbitrage Investing.* Risk arbitrage is a strategy that seeks to profit from changes in the price of securities of companies involved in mergers, acquisitions, corporate restructurings, spin-offs, recapitalizations, liquidations, substantial self-tenders, or other extraordinary events. This strategy involves taking long and short positions in securities which have either an economic or mathematical relationship to each other and where a distortion exists between either the historical price or the fair value of that relationship. Although there is an economic or mathematical relationship between such long and short positions, there is no guarantee that the Adviser's assessment of that relationship will be correct.

The Funds may invest in securities of U.S. or non-U.S. companies which the Adviser believes will engage in a corporate restructuring, recapitalization, spin-off, split-up or similar extraordinary transactions. Such securities may have significant exposure to overall market movements. The Funds may attempt to preserve capital and minimize potential losses by, among other things, using options and other derivative instruments to hedge against market movements. The effectiveness of hedges may vary over time, certain types of losses

may not be able to be hedged against or may not be anticipated, and the Funds may incur greater losses in a hedged position if the hedge is not effective than it would have incurred if the position had not been hedged.

The Funds may invest and trade in securities of companies which the Adviser believes are undervalued in the sense that, although they are not the subject of an announced tender offer, merger or acquisition transaction, in the Adviser's view the companies are potential candidates for such a transaction. In such case, if the anticipated transaction does not in fact occur, the Funds may sell the securities at a loss.

The price offered for securities of a company in a tender offer, merger, or other acquisition transaction will generally be at a significant premium above the market price of the securities prior to the offer. The announcement of such a transaction generally will cause the market price of the securities to begin rising. The Funds may purchase such securities after the announcement of the transaction at a price that is higher than the pre-announcement market price, but that is lower than the price at which the Adviser expects the transaction to be consummated. If the proposed transaction is not consummated, the value of such securities purchased by the Funds may decline significantly. It is also possible that the difference between the price paid by the Funds for securities and the amount anticipated to be received upon consummation of the proposed transaction may be very small. If a proposed transaction in fact is not consummated or is delayed, the market price of the securities may decline sharply. In addition, where the Funds have sold short the securities they anticipate receiving in an exchange offer or merger, the Funds may be forced to cover their short position in the market at a higher price than their short sale, with a resulting loss. If the Funds have sold short securities that are the subject of a proposed exchange offer, merger, or tender offer and the transaction is consummated, the Funds also may be forced to cover their short position at a loss.

Where the Funds have purchased put options with respect to the securities they anticipate receiving in an exchange or merger, if the proposed transaction is not consummated, the exercise price of the put options held by the Funds may be lower than the market price of the underlying securities, with the result that the cost of the options will not be recovered. If the Funds have purchased put options with respect to securities which are the subject of a proposed cash tender offer or cash merger and the transaction is consummated, the Funds also may not exercise their options and may lose the premiums paid therefor. In addition, premiums paid for put options increase the Funds' transaction costs and, in certain situations, may result in a sufficient reduction in the spread between the acquisition price and the anticipated price to be received to make the investment so unattractive based upon a return on capital/risk-reward analysis that the Adviser may determine not to take a portfolio position. Since options expire on defined dates, in the event consummation of a transaction is delayed beyond the expiration of a put option held by the Funds they may lose the anticipated benefit of the option. In the event of the expiration of a call option held by the Funds, the Funds will lose their entire investment in the call option.

Often a tender or exchange offer will be made for less than all of the outstanding securities of an issuer or a higher price will be offered for a limited amount of the securities, with the provision that, if a greater number is tendered, securities will be accepted *pro rata*. Thus, the Funds may have returned to it a portion of the securities it tendered. Since, after completion of the tender offer, the market price of the securities may have declined below its cost, a sale of any returned securities may result in a loss.

The Funds may also purchase securities which are the subject of a takeover bid for a price above the price offered by the bidder if the Adviser determines that the offer price is likely to be increased either by the original bidder or by another party. However, if ultimately the target company is not acquired or if the offer price is not increased, it is likely that a loss will be incurred.

*Relative Value Strategy.* The Funds may pursue relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued. In the event that the perceived mispricings underlying the Funds' trading positions were to fail to converge toward, or were to diverge further from, the Adviser's expectations, the Funds may incur a loss. Even pure riskless arbitrage could result in significant losses if the arbitrage is not sustained (due, for example, to margin calls) until expiration, and relative value trading is inherently a higher-risk strategy. In implementing "relative value" strategies the Funds will seek to reduce exposure to the risk of overall market price movements, but will be fully exposed to the risks of disruptions in historical price relationships, the restricted availability of credit, and the obsolescence of its valuation models.

## **Other Risks**

*Fixed-Income Securities.* The Funds may invest in bonds or other fixed-income securities, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities. Such securities may be below "investment grade" and may face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to make timely interest and principal payments. The market values of certain of these lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue lower rated debt securities often are highly leveraged and may not have access to more traditional methods of financing. Trading in such securities may be limited or disrupted by an economic recession, resulting in an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could affect adversely the ability of the issuers of such securities to repay principal and pay interest thereon and, therefore, increase the incidence of default for such securities.

*Corporate Debt.* Corporate debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, and general market liquidity. When interest rates rise, the value of corporate debt securities can be expected to decline. Debt securities with longer maturities tend to be more sensitive to interest rate movements than those with shorter maturities.

*Control Positions.* The Funds may have a controlling interest in a portfolio company either on their own or, in certain cases, with another financial partner or investment fund. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations (including securities laws), or other types of related liability. If these liabilities were to arise, the Funds might suffer a significant loss in such investment.



*Private Equity Investments.* The Funds may invest in private equity of companies at an early stage of development, which involves a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period, or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities, and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

Although the Funds may seek protective provisions, including, possibly, board representation, in connection with certain of their private equity investments, to the extent the Funds take minority positions in companies in which they invest, the Funds may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect their positions in such companies.

Investments in private equity of highly-leveraged companies involve a high degree of risk. Some of the investments in companies by the Funds may involve leverage, which in turn will increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any such company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the company, which, depending on the size of such entity's investments, could adversely affect the return on the capital of such entity.

*Changes in Investment Program.* The Funds will have the discretion to supplement their principal investment strategy by making investments in any other securities or assets that the Adviser believes may offer attractive trading or investment opportunities. In implementing the Funds' investment program, the Adviser may utilize whatever techniques it deems to be advisable, regardless of whether any such technique is specifically described herein, is currently in existence or is hereafter created.

*Systems Risks.* The Funds may rely on computer programs to evaluate certain securities and other investments, to monitor the Funds' portfolio, to trade, clear, and settle securities transactions, and to generate asset, risk management, and other reports that are utilized in the oversight of the Funds' activities. In addition, certain of the Funds' and the Adviser's operations interface with or depend on systems operated by third parties, including loan servicers, custodians, and prime brokers, and the Adviser may not always be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures, or interruptions, including, but not limited to, those caused by computer 'worms,' viruses, and power failures. Such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Funds' ability to monitor its investment portfolio and risk. Any such defect or failure could cause the Funds to suffer financial loss, the disruption of its business, liability to clients or third parties, regulatory intervention, or reputational damage.

*Trade Errors.* On occasion, errors may occur with respect to trades executed on behalf of the Funds. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, or when the wrong quantity is purchased or sold (e.g., 1,000 shares instead of 10,000 shares are

traded). Trade errors frequently result in losses but may, occasionally, result in gains. The GP and the Adviser will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third party, such as a broker, the GP and the Adviser may seek to recover any losses associated with such error from such third party. Trade errors not attributable to a third party shall be handled as follows: (i) if the correction of such an error results in a favorable gain, the gain will not be booked as an increase in equity but rather as an increase in a liability account, whose purpose is to reserve against any unfavorable errors that may occur in the future; and (ii) if the correction of such an error results in a loss, the loss will be booked against a decrease in any balance that may exist in the reserve liability account. The error will be booked as a decrease in equity only to the extent that any balance in the reserve liability account is not sufficiently large to absorb the unfavorable loss. Investors should be aware that, in making the foregoing determinations, the GP and the Adviser will have a conflict of interest.

*Other Instruments and Future Developments.* The Funds may take advantage of opportunities in the area of swaps, options on various underlying instruments and swaptions, and certain other customized “synthetic” or derivative investments in the future. In addition, the Funds may take advantage of opportunities with respect to certain other “synthetic” or derivative instruments which are not presently contemplated for use by the Funds or which are currently not available, but which may be developed to the extent such opportunities are both consistent with the Funds’ investment objective and legally permissible for the Funds. Special risks may apply to the Funds’ investments in the future.

*Holding Period Considerations.* The GP’s ability to achieve the investment objectives of the Funds depends to a substantial degree on its ability to retain and motivate its investment professionals and other key personnel, and to recruit talented new personnel. While it is inherently uncertain what position the current administration or future administrations will take going forward, legislation was passed in 2017 in the United States, which, among other things, provides that, if certain holding period requirements are not met, preferential long-term capital gain treatment on the sale of partnership interests of an investment partnership or on gains derived in respect of assets held by an investment partnership will not be available but instead will be subject to higher rates of U.S. federal income tax than was the case under prior law. This new holding period requirement could affect investment decisions, including the timing and structure of dispositions, and could adversely impact returns for investors. For example, the holding period requirement gives the Adviser an incentive to cause the Funds to hold an investment for longer than three years in order for the GP to obtain a preferential tax rate on income allocated with respect to carried interest, even if there are attractive realization opportunities prior to that time. In resolving such conflicts, the Adviser may take into account the tax position of the GP and its affiliates and there is no assurance that the Funds’ returns will not be adversely affected relative to what returns would have been absent such considerations.

As such, this new legislation could adversely affect employees or other individuals performing services for the Funds who hold direct or indirect interests in the GP and benefit from Incentive Allocations, which could make it more difficult for the GP and its affiliates to incentivize, attract, and retain individuals to perform services for the Funds.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the Adviser or the integrity of the Adviser's management. The Adviser has no information applicable to this Item.

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

The Adviser and its management persons do not have relationships or arrangements with other financial services companies or businesses that create a material conflict of interest. The Adviser and its management persons do not recommend or select other investment advisers for the Funds and therefore do not receive compensation directly or indirectly from such advisers.

Abdiel Capital Management, LLC serves as the GP of the Parallel Fund, the Onshore Feeder, and the Master Fund. The Principals serve as the directors of the Offshore Feeder (the "Board"). The Adviser provides investment management services to the Funds. Abdiel Capital Partners, LLC is the general partner of the Adviser (the "Adviser GP"). The Principals are the sole owners and members of the Adviser and the Adviser GP. Colin T. Moran is the managing member of the Adviser and the Adviser GP. The Principals are also the sole beneficial owners of the GP. The GP is exempt from Commodity Pool Operator registration with respect to the Funds under CFTC 4.13(a)(3), the "de minimis" exemption. The GP and the Adviser are each exempt from Commodity Trading Advisor registration with respect to the Funds under CFTC 4.14(a)(8).

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

The Adviser has adopted a written Code of Ethics (the "Code") that is applicable to its supervised persons. The Code, which is designed to comply with Rule 204A-1 under the Advisers Act (the "Code of Ethics Rule"), establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. The Adviser's supervised persons and their families and households must seek written approval from the CCO immediately prior to purchasing or selling investments for their own accounts, and are prohibited from trading securities held by the Funds and securities on a restricted list. Under the Code, supervised persons are also required to file certain periodic reports with the Adviser's CCO as required by the Code of Ethics Rule. The Code assists the Adviser in detecting and preventing potential conflicts of interest.

Supervised persons who violate the Code may be subject to remedial actions, including but not limited to, penalties or fines, reduced compensation, demotion, unwinding of any applicable trade, disgorgement of trading gains, suspension or termination of employment, or any combination of the foregoing. Supervised persons are required to promptly report any violation of the Code of which they become aware and to annually certify compliance with the Code.

A copy of the Code will be provided upon request to any existing or prospective client or investor. Please see the Cover Page of this Brochure for contact information.

#### **Resolution of Conflicts of Interest**

In the case of all conflicts of interest, the Adviser's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Adviser's good faith judgment, but in its sole discretion. In resolving conflicts, the Adviser may consider various factors, including the interests of the applicable clients with respect to the immediate issue and/or with respect to their longer-term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below.

When conflicts arise, the following factors may mitigate, but will not eliminate, conflicts of interest: (1) a client will not make an investment unless the Adviser believes that such investment is an appropriate investment considered from the viewpoint of such client; (2) many important conflicts of interest will generally be resolved by set procedures, restrictions or other provisions contained in a Fund's governing documents; (3) where the Adviser deems appropriate, unaffiliated third parties may be used to help resolve conflicts, such as the use of an investment banker to opine as to the fairness of a purchase or sale price; and (4) prior to subscribing for interests in a Fund, each investor receives information relating to significant potential conflicts of interest arising from the proposed activities of the Fund.

In certain instances, some of such conflicts of interest may be resolved in a manner adverse to a client.

### **Other Potential Conflicts of Interest**

The clients are subject to a number of actual and potential conflicts of interest. The following descriptions of conflicts of interest and the conflicts discussed elsewhere in this Brochure do not purport to be a complete list or explanation of the conflicts involved with the management of the clients. Actual and prospective investors in a Fund should consult such Fund's governing documents for more details on the conflicts of interest associated with an investment in such Fund.

*Conflicting Investment Interests.* Certain of the Adviser's personnel may invest in companies which, at the time of such investment, are not within the size and scope of the relevant client's investment strategy, but that may in the future fall within the size and scope of the client's investment strategy. Such investments will create a conflict of interest if the Adviser determines that it is appropriate for a client to invest in such companies.

*Conflicts Relating to the General Partner and the Adviser.* Because certain expenses are paid for by a client or, if incurred by the Adviser, are reimbursed by a client, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a client to incur) such expenses.

*Fee Structure.* As discussed above in Item 6, the GP, an affiliate of the Adviser, is entitled to the Incentive Allocation. This entitlement may create an incentive for the Adviser to cause a client to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation.

Pursuant to the Funds' governing documents, the GP of the Funds may elect to receive its Incentive Allocation in the form of an in-kind distribution of securities of a portfolio company, including for purposes of permitting one or more GP personnel to donate such securities to charity (which may include private foundations, fund or other charities so chosen by such GP personnel). Any tax efficiencies to such GP personnel associated with this form of charitable giving may have the effect of reinforcing or enhancing the GP's incentives otherwise resulting from the existence of its Incentive Allocation and therefore, the GP

may have a conflict of interest in making decisions on behalf of the clients (including, for instance, the timing of disposition of investments).

*Diverse Investor Group.* The investors in a Fund may have conflicting investment, tax and other interests with respect to their investments in such Fund. The conflicting interests of individual investors may relate to or arise from, among other things, the nature of investments made by the Fund, the structuring or the acquisition of investments and the timing of disposition of investments. As a result, conflicts of interest may arise in connection with the decisions made by the GP, including with respect to the nature or restructuring of investments that may be more beneficial for one investor (or the GP) than for another investor (or the GP), especially with respect to investors' individual tax situations. The GP will make such decisions in its sole discretion, and there is no assurance that the outcome, particularly with respect to tax, will be the most beneficial possible to an investor.

*Conflicts Arising from Customized Terms Provided to Certain Investors.* Investors increasingly expect to make investments in private investment funds on customized terms. The Adviser may accommodate these expectations by entering into written agreements, or "side letters," that provide such investors with customized terms. These customized terms may result in preferential treatment with respect to, among other things, special rights to make future investments in a Fund, other investment vehicles, or managed accounts; special withdrawal rights; a reduction or rebate in fees or withdrawal charges to be paid by the investors; rights to receive reports from a Fund on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Funds and such investors. The Adviser has no obligation to offer any such additional rights, terms or conditions to any other investor in such Fund, except to the extent required by such Fund's governing documents of the applicable Fund or the terms of individual side letters. Once invested in a Fund, investors generally cannot impose additional investment guidelines or restrictions on such Fund.

*Conflicts Relating to In Kind Distributions to the Principals.* Although the Funds intend to pay withdrawals in cash, withdrawals may be paid in cash, securities or a combination of cash and securities, in the GP's sole discretion. The GP and the Principals (in their capacity as Fund investors and subject to the GP's consent) may receive distributions in kind in lieu of cash for, among other things, tax planning, charitable contribution and/or estate planning purposes, and initiate such distributions. Such distributions in kind to the Principals pose conflicts of interest between the Funds' investors, the GP, and the Principals relating to, among other things, the selection of Fund securities to be distributed in kind to the Principals, the valuation of such securities, and the timing of such distributions in kind.

## **Item 12 – Brokerage Practices**

The Adviser is authorized to and does determine the broker-dealers that will effect transactions and clear securities for the Funds. Clients do not direct brokerage. The Adviser has no obligation to seek the lowest bid or solicit competitive bids. When selecting and approving brokers, the Adviser is primarily focused on obtaining the best service, most timely information flow, and best execution. In addition, the value of products or services that a broker may provide to the Adviser, which support the Adviser's investment decision-making process, may influence broker selection. Excellent trade execution capability and

outstanding service may be given greater emphasis than obtaining the lowest commission on transactions. Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Adviser's Investment Committee, which comprises the CCO and at least one of the Adviser's management, will meet no less than annually to evaluate the performance of its brokers. The evaluation of performance will include various factors, such as: accurate and timely execution; clearance and error/dispute resolution; reputation; financial strength; access to liquidity and block trading capabilities; average commission rate charged; services, if any, provided by the broker other than execution and clearing; and potential conflicts of interest. The Adviser may consider other factors as it deems necessary in order to make a reasonable decision about the quality of broker performance.

With certain exceptions, the Adviser intends to aggregate trades and allocate pari-passu on an average price basis, causing the Master Fund and Parallel Fund to approach a pro-rata allocation. Exceptions generally relate to the method of hedging currency exposure given, among other reasons, the interchangeability of certain currency hedging techniques.

The Adviser does not currently have any soft dollar arrangements and does not consider client referrals from a broker-dealer. Although the Adviser does not have soft dollar arrangements with brokers, it does receive from them research regarding securities, industries, and economic trends along with other ancillary services (*e.g.*, conference access).

### **Item 13 – Review of Accounts**

The Adviser's management persons review the portfolios of securities in which its clients are invested on a regular basis. Trade executions are verified the day after each purchase or sale. The Adviser will review client accounts upon investor capital contributions or withdrawals to determine an appropriate course of action.

Investors receive monthly unaudited statements produced by the fund administrator, as well as the following from the Adviser: written monthly performance estimates; quarterly data on certain Fund exposures; semi-annual partnership letters; and certain other ad-hoc communications (*e.g.*, offering memoranda updates). Investors also receive annual audited financial statements (please see Item 15 below).

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

The Adviser does not directly or indirectly compensate any person for client referrals. The Adviser's compensation is derived from the Management Fees charged to clients for providing investment management services. The GP receives an incentive allocation per the terms discussed above.

### **Item 15 – Custody**

The Adviser has custody of client funds and securities because the Adviser has the authority to obtain client funds or securities. Custody includes any capacity, such as general partner or managing member or

comparable position for a pooled investment vehicle, that gives an adviser or a supervised person legal ownership of or access to client funds or securities. The Adviser deducts its Management Fees from a client's account.

Account statements related to the clients are sent by qualified custodians to the Adviser. Fund assets are held in custody by unaffiliated broker-dealers or banks acting in the capacity of "qualified custodians" pursuant to the Advisers Act.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). The Adviser complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year. The Funds' investors will receive these audited financial statements.

As stated above in Item 13, investors also receive additional statements from the fund administrator and information relating to Fund results from the Adviser. Investors are urged to review statements carefully and check them for consistency with information received from the Adviser. The Adviser's information may vary from fund administrator statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

Pursuant to written investment management agreements with the Funds (the "IMAs"), the Funds give sole investment discretion to the Adviser. The Funds' investment strategy permits the Adviser on behalf of the Funds to make investments in a broad range of issuers, securities, financial instruments, and transactions. Within these broad parameters, the Adviser will make investment decisions for the Funds as it deems appropriate in its sole discretion. In addition, pursuant to the IMAs, the Adviser will have sole and exclusive authority to designate from time to time the broker or brokers through which the Funds' transactions will be executed and cleared and to issue to such brokers instructions to purchase, sell, and otherwise trade in or deal with any security for the account, at the risk of, and in the name of, the Funds.

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

In accordance with SEC requirements, the Adviser has adopted a Proxy Voting Policy (the "Proxy Policy"). Given the concentration of Fund capital in a limited number of businesses, the Proxy Policy stipulates that the Adviser decides how to vote client proxies and does not use a third-party vendor. The Adviser seeks to make proxy voting decisions in the manner the Adviser reasonably believes is most likely to protect and promote the economic value of its investments. Bearing this in mind, the Adviser generally votes in favor of board recommendations but in some cases may not. In limited circumstances, the Adviser may refrain from voting proxies where the Adviser reasonably believes the anticipated cost of voting the proxy would exceed the anticipated benefit. To the extent a material conflict arises within the context of proxy voting,

the Adviser will determine whether voting in accordance with the Proxy Policy is in the best interests of the clients.

Clients may obtain a copy of the Adviser's complete proxy voting policy upon request. Clients may also obtain information from the Adviser about how the Adviser voted any proxies on behalf of their account(s).

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.