

BROCHURE

(Form ADV Part 2)

SYSTEM 2 ADVISORS, L.P.

47 Maple Street, # 303 A
Summit, NJ 07901

(908) 608 8800

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This brochure provides information about the qualifications and business practices of System 2 Advisors, L.P. If you have any questions about the contents of this brochure, please contact us at 908 608 8800 or via email at info@s2adv.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 information contained herein is accurate as of the date hereof and is likely to change.

Additional information about System 2 Advisors, L.P. also is available on the SEC's website at www.adviserinfo.sec.gov.

System 2 Advisors, L.P. is a registered investment adviser. Registration with the SEC does not imply that System 2 Advisors, L.P. or any person associated with System 2 Advisors, L.P. has achieved a certain level of skill or training in providing investment advice.

Item 2 - Material Changes

Not applicable. System 2 Advisors, L.P. (“System 2”) is updating this Brochure as of March 30, 2019, in connection with its annual Form ADV amendment filing, and has no material changes to report since its previous Form ADV amendment was prepared submitted on March 17, 2018.

We encourage all recipients of this Brochure to read it carefully in its entirety.

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ITEM 4 - ADVISORY BUSINESS

Description of the Firm

System 2 Advisors, L.P. (“System 2” or the “Firm”) is a Delaware limited partnership with its principal place of business in Summit, New Jersey. System 2 was founded by Anupam Ghose and Robert C. Jones in June 2011, and commenced operations in April 2012. Anupam Ghose owns 52% and Robert C. Jones owns 48% of the interests in, and jointly control, System 2.

Advisory Services Offered

General

Except with respect to the Funds (as defined below), System 2 offers customized investment advisory services using a proprietary investment process referred to as the Comprehensive Investment Analysis (“CIA”) that is based upon findings in cognitive psychology, statistics, and behavioral economics. The CIA uses a range of proprietary internal models, external models, and fundamental analysis to evaluate stocks along multiple dimensions, including both fundamental and statistical assessments of each stock’s relative attractiveness, to identify and rank stocks with potential to outperform their peers. Using the CIA in combination with client specific investment restrictions, guidelines and goals, the strategy uses a proprietary algorithm to quantitatively construct diversified portfolios of global equity securities traded predominantly in the developed markets. System 2 may use a range of quantitative tools to construct portfolios in a cost-efficient manner and to manage the overall risks. In providing investment advice to both of the managed accounts, System 2 does not engage in individual stock recommendations outside of those produced by its quantitative models. Pursuant to an exclusive licensing agreement with Austin Atlantic Asset Management Co. (“Austin”), Austin utilizes the CIA model to provide investment management services to a mutual fund it manages in a strategy that does not compete with the managed accounts or the Funds. (See Item 10 of this Brochure for additional information.)

With respect to the Funds, System 2 provides investment management services tailored to the specific investment guidelines set forth in the confidential private placement memorandum of each of the Feeder Funds (as defined below). Subject to these investment guidelines, System 2 has complete discretion and authority to manage the assets of the Funds. System 2 is authorized to make all investment decisions, buy and sell securities, issue instructions to custodians, and select broker-dealers to execute securities transactions. While the confidential private placement memoranda give System 2 broad latitude in exercising such discretion, the Master Fund (as defined below) generally invests in a diversified portfolio of equities and equity derivatives, listed or unlisted, quoted or unquoted or traded on any stock exchange or the over the counter market, primarily in or related to India and through investment in American Depositary Receipts and/or Global Depositary Receipts representing securities of Indian companies. Underlying investors in the Feeder Funds do not have the ability to impose restrictions on investing in certain securities or types of securities. System 2 offers and sells interests in the Feeder Funds in private transactions solely to accredited investors and qualified purchasers, or professional investors, as the case may be, and certain employees of System 2 and/or its affiliates.

System 2 may offer other products which invest in other asset classes or use different investment methodologies in the future.

As set forth in more detail below, the Firm currently provides investment advisory services to certain private investment funds and separately managed accounts.

Tailoring Advisory Services to the Client

Managed Accounts

To the extent appropriate for a large or strategic investor, System 2 will establish a separately managed account. Clients with separately managed accounts may request that System 2 manage their accounts with various restrictions, including security specific restrictions, risk restrictions, geographic restrictions, liquidity restrictions, leverage restrictions, as well as other limitations which may be agreed upon between the client and System 2. System 2 will generally accept such restrictions and incorporate them in the client's investment management agreement. System 2 has also established a non-discretionary separately managed account (the "Non-Discretionary Account"), with respect to which it provides investment recommendations using the CIA and the client's restrictions as described above, based on an assumed portfolio valued at a \$100 million. The Non-Discretionary Account client has total discretion to accept or reject such recommendations in whole or in part.

The Funds

System 2 offers investment advisory services to three private investment funds (each a "Fund" and together the "Funds") pursuant to an Investment Management Agreement between System 2 and each Fund. Each Fund client is a private investment fund that is exempt from registration with the Securities and Exchange Commission. The Funds to which System 2 provides investment advisory services are Tara Emerging Asia Liquid Fund (US), L.P., a Delaware limited partnership (the "US Feeder"), Tara Emerging Asia Liquid Fund (MU) Limited, a public company limited by shares incorporated under the laws of Mauritius (the "Offshore Feeder," and together with the US Feeder, the "Feeder Funds"), and Tara Emerging Asia Liquid Fund, a public company limited by shares incorporated under the laws of Mauritius (the "Master Fund," and together with the Feeder Funds, the "Funds"). System 2 provides investment management services tailored to the specific investment guidelines set forth in the confidential private placement memoranda of each Feeder Fund. The Feeder Funds seek to attain their investment objectives by investing all or substantially all of their investable assets in the Master Fund, which has the same investment objective and strategy as each of the Feeder Funds. Underlying investors in the Funds do not have the ability to impose restrictions on investing in certain securities or types of securities.

Wrap Fee Programs

System 2 does not participate in wrap fee programs.

Amount of Client Assets Managed

As of February 28, 2019, Systems 2 managed, on a discretionary basis, client assets totaling approximately \$118 million. As of February 29, 2018, Systems 2 managed, on a non-discretionary basis, assets totaling \$100 million.¹

¹ As described above, pursuant to an investment management agreement, System 2 provides non-discretionary advice to the Non-Discretionary Account based on an account with an assumed value of \$100 million. Regardless of whether the Non-Discretionary

ITEM 5 - FEES AND COMPENSATION

Management Fees

The Managed Accounts

System 2's managed account clients generally compensate System 2 on the basis of a quarterly or monthly fee that is computed as a percentage of the assets under management. All such fee arrangements are individually negotiated.

Fees that are negotiated for separately managed accounts vary and may be based on the following factors (among others):

- The size of an investor's investment with System 2
- Any restrictions on liquidity relating to the investment
- The potential strategic value of the investor

The Funds

None of the Funds pay System 2 a management fee.

Performance-Based Compensation

The Managed Accounts

Fees for all managed accounts are individually negotiated. While it is possible an investment management agreement with a managed account client may include a performance-based fee the agreements currently in effect with the Firm's managed account clients do not include such a fee.

The Funds

At the end of each fiscal quarter, the Master Fund makes, to System 2 Advisors, LLC, an affiliate of System 2, a performance-based allocation in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act") equal to 50% of the net profits of the Fund during that period. The performance-based allocation is subject to a high water mark that accrues monthly, and crystalizes on a quarterly basis. This means that no performance allocation is made unless the value of Master Fund's assets has increased since the prior allocation, adjusted for capital withdrawals and contributions. The performance-based allocation is also subject to a quarterly hurdle rate of 2.25%, although certain investors are subject to a 3.75% quarterly hurdle rate. A performance-based allocation is not allocated with respect to the Feeder Funds, as the allocation occurs at the Master Fund level. System 2 makes the performance allocation pro rata from the account of each underlying Feeder Fund investor in the amount attributable to that investor's holdings in the applicable Feeder Fund. If the client terminates the Investment Management

Account elects, in its discretion, to follow any or all of the recommendations provided by System 2, the account is consistently valued at \$100 million for the purposes of providing investment recommendations and charging fees.

Agreement, or an underlying investor withdraws its assets from a Fund, the performance-based allocation will be allocated on a pro rata basis.

How Fees are Paid

The Managed Accounts

System 2 does not deduct advisory fees or other expenses directly from the managed accounts (nor does it have the power to do so without the consent/action of the managed account client). These clients are typically billed on either a monthly or quarterly basis in respect of asset-based management fees. The custodian of each managed account is authorized by the managed account client to pay Systems 2 the management fee based on an invoice prepared by the managed account's administrator that is submitted to the custodian and the managed account client simultaneously.

The Funds

The Funds' administrator deducts from the account of each investor in each Feeder Fund the quarterly performance allocation, if applicable.

Other Fees and Expenses

General

The confidential private placement memoranda for each of the Feeder Funds provides detailed information on the specific additional fees that are charged to each Fund. In general, all fees paid to System 2 are separate from fees related to investments, including but not limited to brokerage commissions, transaction fees, trade break fees, consulting expenses, short dividends, currency hedging costs, interest expense in respect of margin accounts and fees and expenses charged by prime brokers, and with respect to the Funds, custodial and transfer agent fees; proxy solicitation expenses; organizational and offering expenses; fees to the administrator; administrative expenses; legal expenses; indemnification expenses; regulatory and compliance costs and expenses; accounting expenses, including but not limited to, the direct and related costs of portfolio accounting software; fees and expenses for risk management services, insurance obtained on behalf of the Partnership; audit and tax preparation expenses; interest; taxes; costs of reporting and providing information to underlying Fund investors; promotional and/or ongoing offering expenses; and other expenses associated with the operation of a Fund. (Please refer to the "Brokerage Practices" section (Item 12) of this Brochure for additional information.)

System 2's investment management agreements with the Funds generally provide that the Fund will indemnify and not hold System 2 and/or its affiliates liable for certain expenses, losses and claims that may arise in connection with the performance of its duties (including management of the Fund's investments and execution of investment trades), provided that such person's conduct has not breached certain specified standards of conduct, that is the relevant actions cannot have involved fraud, gross negligence, or willful default, or a violation of federal or state securities laws or criminal wrongdoing.

Early Withdrawal and Related Charges Associated with the Funds

Any capital contribution that is withdrawn from a Feeder Fund before the completion of the investor's commitment period is subject to an early termination fee as set out in detail in the Feeder Funds' private

offering memoranda. The commitment period for investors in the Feeder Funds is one year. Investors who withdraw a capital contribution prior to the end of the one-year period will pay an early termination fee equal to 3% of the amount withdrawn prior to the expiration of the commitment period. All early withdrawal charges are retained by the Feeder Funds. For the purposes of determining the amount of the withdrawal, contributions are treated on a first in first out basis.

Payment of Fees in Advance

Investors in the Funds or managed accounts do not pay fees in advance.

Compensation for the Sale of Securities

Neither System 2 nor any of its supervised persons accept any compensation for the sale of securities or other investment products including from the sale of mutual funds.

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

As set forth in more detail in Item 5 above, System 2 currently manages two separately managed accounts, each of which do not charge a performance fee. However, an affiliate of System 2 does receive a performance-based allocation in connection with the investment advisory services provided to the Funds.

As a result of the performance-based allocation charged to the Funds, System 2 may have an incentive to make investments in those Funds that are riskier or more speculative than it otherwise might make in the absence of compensation based on the performance of the Funds. System 2 may also have an incentive to favor the Funds, or to favor one Fund over the other, or one managed account over another with respect to certain investment opportunities, such as new issue securities.

As described in more detail above, for all clients except the Funds, Systems 2 provides investment advice using its CIA in combination with client-mandated restrictions, to algorithmically create and structure each portfolio. Accordingly, except with respect to the Funds, System 2 does not engage in individual stock recommendations outside of those produced by its quantitative models. (See Item 4 of this Brochure.) While System 2 does engage in individual stock recommendations for the Funds, these Funds trade only in India, with a different investment objective and strategy. Systems 2 believes that these conflicts are therefore mitigated by the manner in which the portfolios are constructed.

In addition, System 2 has policies and procedures in place, including related to the allocation of investments and investment opportunities that are designed to address the inherent conflicts of interest in managing such accounts simultaneously. (See Item 12 of this Brochure.) If System 2 determines, using its CIA and proprietary algorithms, that an investment or trading opportunity is appropriate for more than one client, then System 2 allocates such investment or trading opportunity among the clients in a manner it determines, exercising its judgment in good faith, to be fair and equitable, taking into consideration all allocations among such clients taken as a whole. Investment or trading opportunities that System 2 determines are appropriate for the Funds are allocated to such Funds pro rata. System 2 is not required to provide every opportunity to every client.

ITEM 7 - TYPES OF CLIENTS

System 2 offers its investment advisory services to separate investment advisory accounts that are, in general, large, sophisticated financial institutions, subject to certain operational constraints on their respective businesses. System 2 generally, requires a minimum investment of \$50 million in order to open a separately managed account, although this requirement may be waived.

System 2 also provides investment advice to three Funds, as described in more detail in Item 4 of this Brochure. Underlying investors in each Fund typically must invest a minimum of \$100,000 USD, although this requirement may be waived. Investors in the Funds must certify that they are each an “accredited investor” as defined by Rule 501 of Regulation D and a “qualified purchaser” under Section (2)(a)(51) of the Investment Company Act of 1940, as amended. Investors in the Funds are generally:

- high net worth individuals;
- pension and profit sharing plans;
- charitable organizations and/or foundations;
- corporations, partnerships, LLCs or other businesses; and
- trusts.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The investment strategies and risks set forth below are summaries, and are not intended to be a complete statement of the investment strategies and related risks applicable to an investment in the Funds or the managed accounts. Investors should review the complete private placement memorandum for each Feeder Fund, and other governing documents for a complete statement of the strategy and risks related to each Fund and/or account.

Significant Strategy and Methods of Analysis

System 2’s research-driven and quantitative strategies seek to exploit mispricings that exist due to inefficiencies in the flow, accuracy, and interpretation of information in the marketplace for equity securities. System 2’s CIA investment process, which is used for the managed account clients, evaluates stocks along multiple dimensions - including both fundamental and statistical assessments of relative attractiveness. Leveraging the insights from cognitive psychology, statistics, and behavioral economics, this approach seeks to avoid many of the pitfalls found in both traditional fundamental and traditional quantitative strategies. System 2 uses a range of proprietary internal models, external models, and fundamental analysis to identify stocks with potential to outperform their peers. Using the CIA in combination with client specific investment restrictions, guidelines and goals, the strategy uses a proprietary algorithm to quantitatively construct diversified portfolios of global equity securities traded predominantly in the developed markets. In executing the strategy, System 2 may use a range of quantitative tools to construct portfolios in a cost-efficient manner and to manage the overall risk of a client’s portfolio consistent with the aim of producing superior risk-adjusted returns. In providing investment advice to these clients, System 2 does not engage in individual stock recommendations outside of those produced by its quantitative models.

In providing investment advice to the Funds, System 2 uses a bottom up fundamental stock picking approach that is complemented by macroeconomic views in the emerging Asia economies, with a strong focus on India.

Risks for all forms of Analysis:

The securities analysis methods that System 2 uses all rely on the assumption that the companies whose securities System 2 purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information, such as capital structure change, about these securities are providing accurate and unbiased data. While System 2 is alert to indications that data may be incorrect, there is always a risk that System 2's analysis may be compromised by inaccurate or misleading information.

Certain Material Risks

General Risk of Loss Statement

As with any investment, investing in securities involves a risk of loss. Future returns are not guaranteed and the client may lose money on investments. The securities markets are volatile and clients should consider carefully the amount of risk and/or loss they are willing to bear. System 2 in no way guarantees performance, and at any time, the value of assets invested may fluctuate and be worth less than the amount originally invested. A client should only invest assets it will not need for current purposes and that can be invested on a long-term basis, usually a minimum of five to seven years. These risks apply to underlying investors in the client Funds as well.

Model Risk. System 2's CIA model, used for all clients except the Funds, is highly dependent on quantitatively based pricing theories and valuation models, which System 2 uses to evaluate and execute on investment opportunities. These models generally seek to forecast future price changes based upon a limited number of factors and inputs. The forecasts generated by these models may differ substantially from actual future price realizations, resulting in losses. There can be no assurance that the models used by System 2 will be effective or that they will be effectively utilized by System 2. Moreover, there can be no assurance that System 2 will be able to continue to access, develop, maintain and update the models, or that the information used in each model will be accurate, so as to effectively implement its strategy.

Market Risk. System 2's strategies are subject to market risks, i.e. the risk that the value of a portfolio will decrease due to various market factors. Such market factors may include, among others, directional price movements of securities, deviations from historical pricing relationships among securities, changes in the regulatory environment, changes in market volatility, "flights to quality" and "credit squeezes." Accordingly, the accounts managed by System 2 may experience losses, including sudden and dramatic losses, as a result of such market events.

Importance of Systematic Process & Individual Judgment. Trades, other than for the Master Fund, are initiated by System 2's optimization process, which is purely systematic, and overseen by System 2's portfolio management team. Trades for the Master Fund are selected by System 2's investment team. Therefore, the process and the individual judgment of these portfolio managers are fundamental to the implementation of System 2's strategies. There can be no assurance that such processes and individual judgment will be correct, achieve profits or avoid losses.

Volatility. The prices of equities have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions can result in sudden price movements that can result in losses in accounts managed by System 2.

Fundamental Research. System 2's investment process for the CIA involves the input of a third-party service provider who performs, among other things, fundamental research on the securities that System 2 follows. Flawed fundamental research on the part of this service provider may result in trading losses in the accounts managed by System 2.

Market Disruptions. Disruptions in markets and other extraordinary events may result in material distortions of historical pricing relationships which System 2 relies on in implementing its strategy and may lead to losses in accounts managed by System 2. Because disrupted markets may cause various positions to become illiquid, it may become more difficult to close out positions, compounding losses further.

Leverage. System 2 may employ leverage for some of the accounts that it manages. The use of leverage will amplify the effect of any losses experienced by the portfolios managed by System 2. Accounts managed by System 2 will also incur expenses to employ leverage.

As a general matter, the banks and dealers that provide financing to the accounts managed by System 2 can apply essentially discretionary margin, haircut, and financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that any account managed by System 2 will be able to secure or maintain adequate financing, without which the account may not be a viable investment strategy.

Systems Failure. System 2's strategies and trading capabilities are dependent to a significant degree on the proper functioning of its internal and external computer systems. Accordingly, systems failures, including infrastructure failures or coding errors, could disrupt trading, result in the submission of incorrect orders or make trading impossible until such failures are remedied. Any such failure could cause the accounts managed by System 2 to miss opportunities for profitable trading or experience material trading losses or otherwise impair System 2.

Frequent Trading Leads to Increased Transaction Costs. Relative to many traditional long only strategies, System 2's strategy involves a high volume of buying and selling. This increases the transaction costs borne by accounts managed by System 2 in the form of brokerage commissions. Thus, these transaction costs will reduce the performance of accounts managed by System 2.

Derivative Instruments. The Master Fund trades in derivative instruments. Derivative instruments are subject to a number of risks, including the risk of changes in the market price of the underlying securities, credit risk with respect to the counterparty, risk of loss due to changes in interest rates and liquidity risk. The use of certain derivatives may also have a leveraging effect which may increase volatility and reduce returns.

Particular Security Types

Equities. System 2 primarily invests in equities in developed and emerging markets. Equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses incurred by accounts managed by System 2. There

are no absolute restrictions in regard to the size or operating experience of the companies in which System 2 may invest. Equity prices are directly affected by issuer specific events, as well as general market conditions. Issuer specific events may disrupt price correlations in ways not anticipated by System 2's strategy.

International Investing. Investing outside the United States may involve greater risks than investing in the United States. These risks include, among others: (i) less publicly available information; (ii) varying levels of governmental regulation and supervision; and (iii) the difficulty of enforcing legal rights in a non-U.S. jurisdiction and uncertainties as to the status, interpretation and application of laws. Moreover, non-U.S. companies are generally not subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those applicable to United States companies. Non-U.S. financial markets, while generally growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many non-U.S. companies are less liquid and their prices more volatile than securities of comparable U.S. companies. The economies of individual non-U.S. countries may also differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, volatility of currency exchange rates, depreciation, capital reinvestment, resources self-sufficiency and balance of payments position.

Risks Specific to the Funds. The Funds are subject to additional risks particular to investments in India, including but not limited to, risk of nationalization or expropriation of assets, social, economic and political uncertainty, dependence on exports and the corresponding importance of international trade, less trading liquidity and smaller capitalization of securities markets, rates of inflation (including hyperinflation), controls on foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars, governmental decisions to discontinue support of economic reform programs generally and to impose centrally planned economies, longer settlement periods for securities transactions, and less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors.

Investment in Small Capitalization and Mid-Capitalization Securities. The pursuit of System 2's investment strategy typically results in a portion of each client's assets being invested in securities of small and mid-cap issuers. While in System 2's opinion the securities of a small and mid-cap issuer may offer the potential for greater capital appreciation than investments in securities of large cap issuers, securities of small and mid-cap issuers may also present greater risks. For example, some small and mid-cap issuers often have limited product lines, markets or financial resources. They may be subject to high volatility in revenues, expenses and earnings. They may be dependent for management on one or a few key persons, and can be more susceptible to losses and risks of bankruptcy. Their securities may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger cap issuers. In addition, small and mid-cap issuers may not be well known to the investment public and may have only limited institutional ownership. The market prices of securities of small and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large cap issuers. Transaction costs in securities of small and mid-cap issuers may be higher than in those of large cap issuers.

ITEM 9 - DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose whether there are any legal or disciplinary events that would be material to a client's or a prospective client's evaluation of System 2 or the integrity of System 2's management persons. There are no legal or disciplinary events that are material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

System 2 has a material business relationship with System 2 Advisors LLC, which serves as the general partner to the US Feeder. System 2 Advisors LLC is not a registered investment adviser.

As discussed in response to Items 4 and 7 above, System 2 manages the assets of the Funds and managed accounts. We do not believe that the contemporaneous management of these client assets causes a conflict of interest because all client accounts except for the Funds are managed using the same CIA strategy, and portfolios are quantitatively constructed using an algorithm that is individually tailored to each account based on its specific investment and other restrictions, as described in Item 4. While System 2 does engage in individual stock recommendations for the Funds, the Funds trade only in India, with a different investment objective and strategy.

Both Anupam Ghose and Robert C. Jones, the principals of System 2, and some System 2 employees, have assets invested in one or more of the Funds. This creates a potential conflict of interest to the extent that the principals may unfairly advantage the Funds in which they maintain investments with trade and expense allocations, for example. As stated above, the principals do not engage in individual stock selection for the managed account clients. Client portfolios, other than the Fund portfolio, are created using quantitative algorithms devised using the CIA and other models and analysis and System 2 allocates trades and expenses on a pro rata basis to mitigate this potential conflict. Securities purchased for the Funds are allocated on a pro rata basis.

System 2 manages assets of entities that are, or are affiliates of entities that are, or may in the future become, vendors or third-party service providers of the Firm.

Other Business Interests. System 2, its principals or employees may organize or become involved in other business ventures in the future, and may have incentives to favor certain of these ventures over other clients. Clients may not all necessarily share in the risks or rewards of such other ventures. However, such other ventures will compete for System 2's and its principals' time and attention, which might create other conflicts of interest. System 2's agreements with its clients generally do not require System 2 to devote any particular amount of time to particular clients, although System 2 is generally required to devote as much time as it, in its sole discretion, deems appropriate to provide investment advisory services to each client.

Ana I. Galliano, the Firm's Portfolio Manager serves as a dual employee (the "Dual Employee") of Austin, which is registered with the Securities and Exchange Commission under the Advisers Act. Austin provides investment advisory services to one or more investment companies registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Dual Employee provide portfolio management services to one such mutual fund using System 2's CIA investment process. Pursuant to a licensing agreement between Austin and System 2, the Dual Employee utilize System 2's proprietary

and other non-proprietary models in addition to fundamental research to create the CIA model, which in turn is used, along with investment guidelines and restrictions as determined by Austin, to algorithmically create an optimal portfolio for the mutual fund. We believe that the relationship does not create a conflict with System 2's other clients because all portfolios are algorithmically created, and the Dual Employee are not involved in the selection of individual securities for any client portfolio.

Neither System 2 nor any of its management persons are registered or have an application pending to register as a broker-dealer or as registered representative of a broker-dealer. System 2 is registered with the U.S. Commodity Futures Trading Commission as a Commodity Trading Advisor and a Commodity Pool Operator.

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

As an investment manager to various clients, System 2 may give advice, or take action or refrain from taking action, any of which may differ from advice given, action taken or not taken or the timing of any action for any other client. Further System 2 may recommend or effect transactions on behalf of its clients in securities, which it or any of its affiliated persons may buy or sell for their own accounts. System 2 is not a broker-dealer and does not act as a principal or broker in connection with client transactions. System 2, and persons related to System 2, including its officers, directors and employees, may buy, sell, or have a financial interest in securities recommended to clients either by investing directly in the Funds or otherwise, through independent transactions in personal accounts subject to System 2's Code of Ethics described below.

System 2 has adopted a Code of Ethics in an effort to avoid possible conflicts of interest, the inappropriate use of material non-public information and to ensure the propriety of its employees' and clients' trading activities. The Code of Ethics is distributed to each employee at the time of hire and employees receive annual training in issues related to the Code of Ethics. The Code is based on the principle that officers, directors and other System 2 personnel owe a fiduciary duty to System 2's clients and investors in the Funds and must place the interests of System 2's clients and investors above their own.

Except as set forth immediately below, System 2's Code of Ethics prohibits any employee from buying publicly traded securities in the personal account of the employee, or the account of an immediate family member over which the employee exercises investment discretion. Subject to pre-clearance, as set forth in the Code of Ethics, employees may be permitted to sell publicly traded securities they owned at the time of their initial hire, or that they received as a gift. We believe that this prohibition effectively addresses the material potential conflict of interest with our clients that may arise as a result of personal trading by our employees. This prohibition does not generally apply to the purchase of direct obligations of the government of the United States, high quality short-term debt instruments, transactions in accounts over which employees have no control or influence, transactions made with an automatic payroll deduction, dividend reinvestment or similar programs where the timing of purchases and sales is controlled by someone other than the employee, or an exercise of pro rata rights issued by a company to all holders of a class of securities, although such transactions must be reported in accordance with the Code of Ethics.

The Code of Ethics also prohibits any employee or their immediate family member from participating in initial public offerings or private placements without prior approval. System 2 also maintains a blackout

period during which it will not authorize the sale by employees of securities being bought or sold by its clients to ensure that clients and employees are not trading on the same day.

Employees are required to provide System 2 with a complete report of their securities holdings at the time they are hired. Employees also provide System 2 with duplicate copies of account statements for all of their brokerage accounts. Employees are also required to provide quarterly transaction reports and annual securities holdings reports. Most types of securities are subject to these reporting requirements.

The Code establishes sanctions if its requirements are violated, up to and including dismissal from employment. Employees are required to certify annually that they have complied with the Code of Ethics.

The foregoing is only a summary of the provisions of the Code and is qualified in its entirety by the detailed provisions appearing in the full text of the Code. Clients and prospective clients may obtain a copy of the Code of Ethics by contacting System 2's Chief Compliance Officer at 47 Maple Street, #303A, Summit, New Jersey 07901, or by sending an email to info@s2adv.com or calling 908-608-8800.

System 2 does not recommend or solicit investments by clients in System 2 managed or sponsored entities that would result in a conflict of interest between System 2 and the client. In compliance with the Advisers Act, System 2 will not buy securities from or sell securities to another System 2 client without making appropriate disclosures to the client and obtaining the client's consent. For the purposes of this paragraph, references to System 2 include any System 2 affiliate.

System 2 treats as confidential all information provided by clients and investors in the Funds. Such confidential information will not be disclosed to any non-affiliated third party, except as permitted by clients or as required by law.

From time to time, System 2 may come into possession of material non-public information, which, if disclosed, might affect an investor's decision to buy, sell or hold a security. In the event that System 2 does come into possession of material non-public information, it will be unable to use this information for the benefit of its clients. Thus System 2's possession of this information may cause a client to be frozen in a security position or to be unable to engage in a transaction in that position until such time as the information is made public.

ITEM 12 - BROKERAGE PRACTICES

Factors Considered in Selecting Broker-Dealers for Client Transactions and Determining the Reasonableness of the Compensation

The securities transactions of System 2's clients are expected to generate a substantial amount of brokerage commissions and other transaction based compensation, all of which will be paid for by the clients. With respect to its managed account clients, System 2 executes all trades through brokers that are affiliates of the client pursuant to the client's specific instructions. As a result, System 2 may be unable to achieve the most favorable execution of transactions in these accounts. This may cost clients more money due to higher commissions, the inability of System 2 to reduce transaction costs by aggregating trades or price slippage in executing trades.

With respect to the Master Fund, System 2 has complete discretion in selecting brokers and dealers to be used for Master Fund transactions and in negotiating the rates of compensation that the Master Fund will

pay. In addition to paying commissions to brokers acting as agents, the Master Fund may buy or sell securities directly from or to brokers or dealers acting as principals at prices that include dealer markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

System 2 is obligated to seek to obtain best execution for its Fund clients. Best execution generally means lowest transaction cost (commission) for brokerage services rendered combined with best market price in order to minimize total purchase cost or maximize total sales proceeds. Other brokerage and trading services may be considered in analyzing execution practices including but not limited to the promptness of execution, confidentiality of trading activity, clearance and settlement, order positioning and financial stability.

System 2 strives to execute securities transactions for the Master Fund in such a manner that the client's net cost or proceeds in each transaction is the most favorable under the circumstances. System 2's best execution policy applies to all transactions in all instruments. System 2 is not required to seek competitive bids and does not have an obligation to seek the lowest available commission cost. Thus, in any transaction, a client may pay commissions to a broker in an amount greater than an amount another broker might charge.

In selecting a counterparty and market through which to effect a trade for the Master Fund, and in determining whether a transaction represents the best execution, System 2 considers a range of quantitative and qualitative factors, including but not limited to the following:

Counterparty Considerations

- Access to liquidity
- Execution efficiency
- Capital utilization
- Clearance and settlement capabilities
- Reasonableness of commission rate or spread
- Financial responsibility

Market Considerations

- Size and type of transaction
- Characteristics of the market(s) in which the security may be traded
- Nature of post-trade settlement, custody and foreign exchange structures

System 2 trades for the benefit of the Master Fund through prime brokerage arrangements that are designed to allow trading with multiple brokers while centralizing clearance and custody through prime brokers. Under these arrangements, System 2 places trades through accounts with different executing brokers in the name of one of its prime brokers for the benefit of System 2 and its clients. System 2 directs delivery of funds or securities to a prime broker who is responsible for custody, clearance and settlement services including matching trades with executing brokers and delivering account confirms and statements to System 2.

Further, prime brokers may, as an incident to their services (and not for any additional compensation), sponsor conferences or seminars or provide “capital introduction services” in which consultants and prospective institutional investors may be introduced to System 2 or the Funds managed by System 2, consistent with applicable private offering restrictions.

Soft Dollars. System 2 has not, thus far, entered into any formal “soft dollar” arrangements whereby System 2 receives a specified number/amount of soft dollar credits in exchange for trades placed with such broker. System 2, however, may enter into such relationships in the future. To that end, System 2 expects that any services that may be paid for with soft dollars will be within the “safe harbor” provided by Section 28(e) of the Exchange Act of 1934.

System 2 does, however, receive various standard research reports and model ratings from several brokers with whom it does not currently execute trades. While System 2 currently has only six client accounts, System 2 expects that it will use the research and ratings reports it receives from brokers as part of its general investment process, which would likely benefit future accounts. System 2 is not required to, and may not, allocate the benefits provided with a particular soft dollar expenditure to a particular client. Because the CIA process is applied to all managed accounts and the managed accounts and the Funds may share investments in common, it is possible that they will also share many of the soft dollar benefits derived from their collective trading. The benefits derived from any particular client, however, may not be proportional to the costs incurred.

However, System 2 may, in the future, consider as one of the factors in selecting brokers the brokers’ capital introductory services. These capital introductory services could lead to additional investments in the Funds that may be managed by System 2 or new client accounts. In considering these capital introductory services, System 2 would have an incentive to select a broker-dealer based on System 2’s interest in receiving additional referrals rather than System 2’s clients’ interest in receiving the most favorable execution.

Trade Allocation Policies

System 2 allocates investment opportunities among its clients in a fair and equitable manner, over time. Except as set forth below with respect to IPO transactions, in the absence of legal or other limitations, including but not limited to, the direction of its managed account clients, and to the extent consistent with the differing investment objectives of each client, including long/short exposure and leverage, System 2 typically allocates trades among each client in a ratio that is proportional to the relative net asset values of each client. Each System 2 client bears any costs associated with special limitations (e.g., investment or trading restrictions) associated with that client. Generally, allocations are determined using an algorithm described in more detail in Item 4 of this Brochure in accordance with these policies. Allocations are determined prior to a trade and documented on trade date. Because trades for managed account clients are directed by such client to their affiliates, and the Master Fund trades through its prime brokers, trades are not typically bunched.

Periodically, System 2 will rebalance a client’s portfolio in accordance with the algorithm described above, however portfolio rebalancing will not be accomplished with the use of cross trades.

ITEM 13 - REVIEW OF ACCOUNTS

Periodic Reviews of Accounts

System 2 reviews the portfolio of each of its clients' accounts with respect to positions held, risk exposure and proper settlement on a daily basis. This review is conducted by the portfolio managers of System 2 and/or other personnel of System 2.

Regular Reporting

System 2 provides clients with separately managed accounts with reports and other information in accordance with their managed account agreements.

The financial statements for each Fund are audited annually by an independent public accountant.

System 2 communicates regularly with its clients, providing unaudited monthly written reports to clients and investors in the Funds, which set forth the performance of the Fund or account and other financial data and information. Investors in the Funds also receive the Fund's audited financial report and all clients receive the information necessary for the investor to complete its annual federal income tax return, as applicable. System 2 also responds to periodic requests by Fund investors to value the investor's investment and to provide certain additional information.

ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

System 2 employees attend conferences at which employees may be given gifts and/or trinkets that are less than \$50 in value. Employees may also receive gifts or similar items including entertainment from other professionals, as long as they are less than \$250 in value per gift or instance and less than \$1,000 per donor per year. The receipt of these gifts could create the incentive for System 2 to refer business to these professionals when it may not be in the client's best interest to do so. Employees are required to report all such gifts with a value of at least \$50 and System 2 conducts a periodic review to ensure that business is not being referred to a third party as a result of improper gift giving.

System 2 does not have agreements in place to compensate a third-party for soliciting investors to invest in its Funds, or for referring clients.

ITEM 15 - CUSTODY

System 2 does not have custody of the assets of its managed account clients because it does not deduct advisory fees directly from such accounts (nor does it have the power to do so without the consent/action of the managed account client). Payment of fees to System 2 for the managed accounts is processed by each managed account's custodian. The managed account clients will receive account statements from their respective qualified custodians and should carefully review those statements.

To the extent that System 2 is deemed to have custody of the funds or securities of its Fund clients under the Advisers Act solely because it deducts fees and/or its affiliated entity serves as general partner or managing member to the Fund, System 2 complies with the Advisers Act custody rule by requiring an independent public accountant to send audited financial statements to the underlying investors within 120 days after the end of the fiscal year.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, System 2 provides all Fund investors with audited financial statements within 120 days of the end of the Fund's fiscal year, which are prepared in compliance with Rule 206(4)-2.

ITEM 16 - INVESTMENT DISCRETION

With the exception of the Non-Discretionary Account, System 2 has been granted discretionary authority to manage the securities accounts of its clients pursuant to an investment management agreement entered into with each client. Pursuant to this grant of discretionary authority, System 2 is authorized to purchase and sell securities, except with respect to the managed accounts which direct brokerage to their affiliates, select brokers, and negotiate commission rates subject to the guidelines set forth in the private placement memoranda for each Feeder Fund and the investment management agreement for each managed account, as applicable. These guidelines may include geographical restrictions, risk restrictions, leverage restrictions, or security specific restrictions.

ITEM 17 - VOTING CLIENT SECURITIES

Due to the nature of System 2's advisory services provided to all clients other than the Funds, and more specifically because System 2 follows a quantitative approach to trading using its CIA and various other proprietary and non-proprietary models, it is System 2's view that this strategy is not dependent upon the outcome of proxy contests. Given that the trading strategy for the Funds results in most positions being held for less than thirty days, in System 2's view this strategy is also not dependent upon the outcome of proxy contests.

Therefore, neither System 2 nor client accounts typically vote any proxies with respect to the securities held in their respective accounts for less than thirty days. For positions held for more than thirty days, System 2 conducts an analysis to determine whether the additional costs associated with offshore proxy voting justifies a vote in each instance. In an instance where System 2 determines a proxy vote is justified, System 2 will in all cases vote proxies with management.

Clients and investors may obtain a copy of System 2's formal proxy voting policy upon request by contacting System 2's Chief Compliance Officer at 47 Maple Street, #303A, Summit, New Jersey 07901 or by sending an email to info@s2adv.com or calling 908-608-8800.

Item 18 – Financial Information

System 2 does not charge or solicit pre-payment of fees six months or more in advance. System 2 has no financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients. System 2 has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisers

Not applicable.