

CHESAPEAKE CAPITAL CORPORATION

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This brochure provides information about the qualifications and business practices of Chesapeake Capital Corporation. If you have any questions about the contents of this brochure, please contact us at 804.836.1617 or clientservices@chesapeakecapital.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.

Additional information about Chesapeake Capital Corporation is available on the SEC's website at www.adviserinfo.sec.gov.

March 31, 2019

Item 2 – Material Changes

This document does not describe any material changes to Chesapeake's brochure dated March 31, 2018. It is provided as part of Chesapeake's annual update of its Form ADV.

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Item 4 - Advisory Business

Chesapeake Capital Corporation (“**Chesapeake**”) is an Illinois corporation that has been in the investment management business since 1988. Chesapeake is principally owned indirectly (through Chesapeake Holding Company) by Ralph J. Parker, Jr. Mr. Parker also serves as Chairman and Chief Executive Officer of Chesapeake.

Chesapeake provides investment management services on a discretionary basis to U.S. privately-offered investment funds sponsored by Chesapeake as well as to publicly-offered mutual funds and individual clients. The private and public investment funds that are offered to investors (referred to as “**Funds**”) generally invest their assets both in commodity futures interests and in securities, through which we pursue our investment strategies. Our trading strategy is to achieve capital appreciation for our clients primarily through trading on an aggressive and very highly leveraged basis in a wide variety of these instruments. Our Funds trade varying levels of securities as described in their respective governing documents.

Chesapeake also currently provides investment advisory services to clients apart from its management of the Funds. As of, December 31, 2018 Chesapeake had approximately \$200 million in net assets under management (including Funds and individual clients), all managed on a discretionary basis.

Chesapeake’s management of each Fund, and the terms of any investor’s investment in a Fund, are governed exclusively by the terms of that Fund’s organizational documents, private offering memorandum or other disclosure documents, including a prospectus in the case of publicly-offered mutual funds, limited partnership agreement or operating agreement (if any), investment management agreement, and subscription agreement (the “**governing documents**”). Such governing documents describe how our trading strategies, and any restrictions, are implemented for a particular Fund. Chesapeake’s management of individual accounts is governed by the terms of an individual management agreement with a particular individual client. See Items 5 and 6 below for a description of the fees and other compensation paid by the Funds and individual clients.

All discussions in this brochure of the Funds, their investments, the strategies Chesapeake uses in managing the Funds or individual managed accounts, and the fees associated with an investment in the Funds or individual managed accounts are qualified in their entirety by reference to the Funds’ governing documents or the individual managed account agreement, as the case may be. This brochure and the material it contains are not meant to be, nor should they be construed as, an offer or solicitation of an offer for the purchase or sale an interest in the Funds.

Item 5 - Fees and Compensation

Chesapeake’s fees are set forth in each Fund’s governing documents and are explained in detail in each Fund’s private offering memorandum. For individual managed accounts, Chesapeake’s fees are set forth in the relevant investment management agreement. Chesapeake does not have a fee schedule and the fees that it charges to the Funds and its individual clients are generally not negotiable.

Each Fund pays Chesapeake a management fee (“**Management Fee**”) equal to a specified percentage of the Fund’s net assets. The Management Fee is paid monthly in arrears based on the value of the Fund’s net assets held in an investor’s account at the end of the month, generally at an annualized rate of 1% of a Fund’s net assets, depending on the Fund and the investor. Generally, each Fund’s

administrator sends a monthly accounting statement, including a fee calculation, to Chesapeake, which verifies the amount of the fee and then notifies the administrator, which causes the Fund to pay it out of each investor's capital account or from the Fund's assets, depending on the Fund, and transmits it by wire to Chesapeake's bank account. Certain employees of Chesapeake that invest in the Funds pay reduced fees.

Certain Funds offer classes of interests with different fee arrangements. In these cases, the Management Fee will be calculated separately for each class of shares or interests held by an investor. In addition to the Management Fee, and the Incentive Fee discussed in Item 6, each Fund pays its ordinary and any extraordinary expenses.

Each Fund pays brokerage commissions on its transactions at rates negotiated for it by Chesapeake. Each Fund pays all expenses incurred in connection with its trading and investment activities, including, but not limited to, all execution, give-up, brokerage, floor, exchange, clearing and regulatory fees, option premiums, other investment banking and transaction costs and expenses, delivery and custody expenses, interest and borrowing charges on margin accounts, borrowed money and property, and other indebtedness and related expenses and costs, bank, broker and dealer service fees and background check, valuation or appraisal fees and expenses. Please see Item 12 for more information about Chesapeake's brokerage practices.

Each Fund's investment management agreement may be terminated by the Fund or by Chesapeake without penalty upon written notice. An investment management agreement may not be assigned by a party without the prior written consent of the other party or parties.

Management fees for individual accounts, generally at an annualized rate of 0% to 1% of the account's net assets are paid in arrears on a monthly or quarterly basis, as may be agreed between Chesapeake and the client.

Item 6 - Performance-Based Fees and Side-By-Side Management

For the Funds, Chesapeake receives an incentive fee ("*Incentive Fee*"), payable annually, equal to a percentage of the New Trading Profit (as defined in the Fund's governing documents) attributable to an investor's interest in a class of shares or interests for which an Incentive Fee is chargeable during the calendar year, as adjusted to eliminate the effect on net assets resulting from new subscriptions, redemptions or distributions, if any, made during the period. New Trading Profit for any calendar year (or portion thereof) is the net profits, if any, from the Fund's trading through the end of such period, after subtraction of brokerage commissions (including accrued commissions on open commodity futures positions) and other transactional charges, but no other fees or expenses. New Trading Profit includes both realized and unrealized profits and excludes interest income (net of any interest expense for borrowing) and dividends. New Trading Profits are allocated to a Fund's investors based on the pro rata interests of those investors in the Fund. If a Fund offers multiple classes of interests, New Trading Profits attributable to each investor will be calculated separately for an investor's interest in each class. Different classes of shares or interests in the Funds are charged different Incentive Fees and some classes of shares or interests are not charged Incentive Fees, as further described in a Fund's governing documents.

If an Incentive Fee is paid with respect to a class of interests and the class thereafter incurs a net loss for any subsequent period, Chesapeake will retain the Incentive Fee previously received.

The class's net loss, however, must be recouped before Chesapeake is entitled to any additional Incentive Fee with respect to the class, creating a "loss carryforward amount." If the class's net assets are reduced due to net withdrawals during a period, there will be a proportional reduction in any related loss carryforward amount that must be recouped before Chesapeake is eligible to receive additional Incentive Fees with respect to the class. If an investor redeems his or her interest in a Fund in whole or in part on a date other than that on which New Trading Profits are calculated, the net asset value of such interest will be reduced by the accrued New Trading Profit applicable to such interest as of the redemption date.

Our receipt of Incentive Fees may give us an incentive to engage in more speculative investment strategies in an effort to maximize a Fund's gross profits and receive greater compensation. Such fee arrangements also may create an incentive to favor higher fee paying accounts over other accounts when we advise them. We follow trade allocation procedures that we believe are reasonably designed to ensure that all clients are treated fairly over time, and to prevent this conflict from influencing our investment advice to clients.

Chesapeake currently manages Funds, certain classes of interests or shares of which pay only a Management Fee. As required by Rule 205-3(a) under the Investment Advisers Act of 1940, as amended (the "*Advisers Act*"), Chesapeake charges Incentive Fees only to its clients who are "qualified clients" as that term is defined in Rule 205-3(d). In the future, Chesapeake may, in its discretion, manage other funds or accounts with higher or lower fees, and different fee structures, than those of the Funds.

Item 7 – Types of Clients

We provide investment advice to the Funds based on each Fund's particular investment objectives and policies as described in the Fund's private offering documents or prospectus, as the case may be. Investors in the Funds include high net worth individuals, trusts, pension and profit sharing plans, charitable organizations, and corporations and other institutional investors. Investors in the private Funds must be (i) "accredited investors" as that term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933 and "qualified eligible persons" as that term is defined in Regulation 4.7(a) under the Commodity Exchange Act. Our individual clients must be qualified eligible persons and all of our clients to whom we charge a performance-based fee, whether investors in our Funds or in individual managed accounts, must be "qualified clients" as that term is defined in Rule 205-3(d)(1) under the Advisers Act (meaning that, in most circumstances, the client must have at least \$1 million under management with us, a "net worth" as calculated under that Rule of more than \$2 million, or be one of our qualified employees).

The Funds also may impose qualification requirements with respect to non-U.S. investors. Investors in the Funds generally are required to meet certain conditions, including a minimum initial investment of \$100,000, minimum subsequent investments of \$25,000, and other qualifications, such as net worth, investment sophistication, and country of residence. The Funds may waive the minimum investment requirements in Chesapeake's sole discretion. Investors must submit a completed subscription agreement and subscription funds must be credited to the Fund's account prior to a closing in order for a subscription to be accepted for the applicable closing date. Interests in certain Funds may not be available to investors in certain markets. See Item 8 for a description of minimum account sizes for separately-managed accounts trading Chesapeake's trading programs.

Item 8 — Methods of Analysis, Investment Strategies and Risk of Loss

Each Fund is managed in accordance with the investment objectives and strategies disclosed in the Fund's offering documents. Investors and prospective investors in a Fund should consult the relevant offering documents to see which methods of analysis, investment strategies and risks are most relevant to that Fund.

Following is a description of the significant strategies Chesapeake employs in managing the Funds.

General Trading Strategies

Chesapeake utilizes a variety of trading strategies for its clients' accounts and for Chesapeake-sponsored and -advised investment funds. The trading program currently being offered by Chesapeake to new clients to trade futures interest contracts for their accounts (i.e., to those clients other than Chesapeake-sponsored investment funds) is the "Diversified Program".

A general description of Chesapeake's trading approach immediately follows, with a more specific explanation of the "Diversified Program" and the markets traded in that program following the general description. Since Chesapeake's trading strategies and program are proprietary and confidential, the discussion below is general and not intended to be exhaustive.

In general, Chesapeake analyzes markets, including price action, market volatility, open interest and volume ("technical analysis") as a means of predicting market opportunity and discovering any repeating patterns in past historical prices. Chesapeake generally employs a computerized analysis of a large number of interrelated statistical and mathematical formulas and techniques -- based on an extensive proprietary and confidential database of prices, volatility, volume, open interest and various other market statistics -- to search for patterns in data and to develop, use and monitor trading strategies. Chesapeake places primary emphasis on technical analysis in assessing market opportunities.

Chesapeake's trading decisions are based on a combination of its systems, its market timing techniques, its trading discretion, judgment and experience and on market opportunities. Chesapeake's trading methodology is both systematic and strategic. Trading decisions require the exercise of strategic judgment by Chesapeake in evaluating its technical trading methods, in their possible modification from time to time, and in their implementation.

Chesapeake is free to use its discretion whether to follow any trading signals or parameters generated by its technical trading strategies and the Diversified Program. The decision not to trade certain markets or not to make certain trades indicated by Chesapeake's systems can materially affect performance. Under no circumstances is Chesapeake compelled to follow any of the trading indications generated by the Diversified Program.

Chesapeake has the right to employ any form or method of technical analysis that it deems appropriate in trading the Diversified Program. By way of example, the technical trading strategies and the Diversified Program utilized by Chesapeake may be revised from time to time by Chesapeake as a result of ongoing research and development, which seeks to devise new trading strategies and programs as well as test its current technical strategies and programs; provided that Chesapeake will notify clients of any material revisions or changes in its trading strategies or systems.

Exchanges on which transactions will take place in trading the Diversified Program may include, but are not limited to, all exchanges in the United States, as well as non-U.S. exchanges which include but are not limited to the Dubai Mercantile Exchange (DME), the EUREX, the Euronext Amsterdam (EUROAEX), the Euronext Brussels (EUROBRU), the EURONEXT Liffe (LIFFE), the

Euronext Paris (EUROPAR), the Hong Kong Exchanges & Clearing Limited (HKEX), the ICE Futures Europe and the ICE Futures Canada (ICE), the Korea Exchange (KRX), the Borsa Italiana (IDEM), the London Metal Exchange (LME), the Montreal Exchange (MX), the MEFF AIAF SENAF Holding de Mercados S.A. (MEFF), the NASDAQ OMX (OMX), the Osaka Securities Exchange Co., Ltd. (OSE), the South African Futures Exchange (SAFEX), the Singapore Exchange Derivatives Trading Ltd. (SGX-DT), the Sydney Futures Exchange (SFE), the Thailand Futures Exchange (TFEX), the Tokyo Commodity Exchange (TOCOM), the Tokyo Financial Exchange Inc. (TFX), , and the Tokyo Stock Exchange (TSE). In addition, Chesapeake continually monitors numerous markets, both U.S. and non-U.S., and initiates trades at any point it determines that a market is sufficiently liquid and tradable using the methods employed by Chesapeake.

Chesapeake may utilize securities, security futures and security futures products in its trading for the Diversified Program. A “security future” means a contract of sale for future delivery of a single security or of a narrow-based security index, including any interest therein or based on the value thereof. A security future may only be traded on common stock, a narrow-based index, or such other equity securities as the Securities and Exchange Commission (“SEC”) and the CFTC jointly determine to be appropriate. The term “security futures product” means a security future or any put, call, straddle, option, or privilege on any security future.

Chesapeake generally uses between 20% and 40% of the equity in a fully funded account as original margin for trading in the Diversified Program, but at times the margin-to-equity ratio can be higher. The low margin normally required in futures trading permit an extremely high degree of leverage; margin requirements for futures trading being in some cases as little as 2% of the face value (or “exposure”) of the contracts traded. Therefore, the gross value of positions held in an account may be several times the value of such account. Consequently, even a slight movement in the prices of open positions in an account could result in immediate and substantial losses to the investor.

The risk assumed and, consequently, the potential for profit experienced by a particular account at different times, and by different accounts at the same time, vary significantly according to the program(s) traded, the market conditions, the percentage gained or lost in such account, the size of such account, the brokerage commissions, the management fees and the incentive fees charged to such account, the contracts, if any, excluded from such account by the client, and when such account commenced trading. Accordingly, no investor should expect to achieve the same performance as that of any other account traded previously, simultaneously, or subsequently by Chesapeake.

Programs that exclude or emphasize certain markets often perform differently than programs utilizing different markets. Similarly, programs that differ in terms of leverage or exposure perform differently. Many factors can, sometimes significantly, impact account performance and performance relationships, including but not limited to differences in the timing of additions and withdrawals and the resulting adjustment trades, varying fills, changes in position size to reduce risk during losing periods by Chesapeake that impact an account in one program but not other account(s) in other programs that use proportionately higher or lower exposure, differences in brokerage commissions, and other factors. Accordingly, every program can be expected to underperform or overperform the anticipated multiple or fraction of a differently leveraged program.

Due to the importance of diversification across different markets, according to Chesapeake's trading strategies and programs, Chesapeake suggests a minimum account size of \$5 million for trading the Diversified Program. Chesapeake's emphasis on diversification demands participation by each client account in the many different markets that Chesapeake may trade at any given point in time. Chesapeake believes that an account trading the Diversified Program at a level not less than \$5 million is sufficient to permit proper diversification.

The Diversified Program

The Diversified Program, which is currently being offered by Chesapeake to new clients, commenced trading in February 1988. The Diversified Program emphasizes a wide range of diversification by utilizing a global portfolio of securities and futures interest contracts including, but not limited to, agricultural products, precious and industrial metals, currencies, financial instruments, and stock, financial and economic indices. These futures interest contracts are traded on a highly leveraged basis.

The decision to periodically add or subtract markets from the Diversified Program shall be at the sole discretion of Chesapeake. Clients will not be informed of these changes as they occur.

From time to time, Chesapeake may adjust the leverage for its funds (with the client's permission, where necessary) trading pursuant to the Diversified Program, and this adjustment may cause a differential in performance reported for that particular fund in comparison with the performance for Clients trading pursuant to the Diversified Program through separately-managed accounts or other funds. When the Diversified Program is traded for separately-managed accounts, variations in performance attributable to different fee structures, as well as different levels of leverage, may cause variations in resulting performance.

Significant Risks

Investing in securities and derivatives involves risk of loss that investors in the Funds or our clients with individual managed accounts should be prepared to bear. Following is a description of the most significant risks involved in our investment strategies. Not all of these risks will be equally relevant to each Fund that we manage or to each individual client at any given time. Our strategy as implemented for any particular account that we manage, whether that of a Fund or an individual client, will be subject to the trading policies and trading restrictions found in the governing documents for that Fund or the management agreement for that individual client which could limit or otherwise affect the risks of the trading strategies described here. In this section and subsequent sections, we sometimes refer to our Funds and our individual clients together as “*Clients*”.

Use of Margin. We may use margin (i.e., borrow money) to buy securities for our Clients. There are no limitations on a Client's ability to borrow, other than those imposed by law, although the governing documents or management agreement may impose restrictions on our use of margin for that Client. Borrowing money to purchase securities provides a Client with the advantages of leverage, but exposes it to capital risk and higher current expenses. Any gain in the value of securities purchased with borrowed money or income earned from these securities that exceeds interest paid on the amount borrowed would cause the net asset value of a Client's account to increase faster than would otherwise be the case. Conversely, any decline in the value of the securities purchased would cause the net asset value of a Client's account to decrease faster than would otherwise be the case.

Short Sales. Clients may engage in “short sales” (i.e., the sale of a security that a Client does not own in the hope of purchasing the same security at a later date at a lower price) in which there is no limit to the amount of potential loss. A Client will incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the Client covers its short position (i.e., purchases the security in the open market). The Client will realize a gain if the security declines in price between these dates by an amount sufficient to offset net expenses of the short sale. A short sale involves the theoretically unlimited risk of loss occasioned by an increase in the market price of the security that is the subject of the short sale.

Legislative and Regulatory Risk and Restrictions on Short Sales. Market movements with respect to securities and other investments may significantly affect the value of a Client's investments. In addition, legislative bodies globally have introduced and enacted forms of legislation that could potentially negatively impact a Client's operations, and the investing activities and risk profiles of a Client by placing restrictions, barriers to entry and increased burdens on Chesapeake or the Client. Legislative risk is the risk that potential legislation could have an adverse impact on the operations of a Client and the markets in which that Client operates. For example, the SEC, other regulators and self-regulatory organizations and exchanges are authorized to intervene, directly and by regulation, in certain markets, and have in the past and may in the future restrict or prohibit market practices, such as the short-selling of certain stocks. The length of such prohibitions and types of investments prohibited vary from country to country and may significantly affect the value of a Client's holdings. The restrictions and reporting requirements that are currently in place and any regulation that may be enacted, including but not limited to those related to short selling, may prevent a Client from successfully implementing its investment strategy and provide transparency to other participants in the marketplace as to a Client's positions, thereby potentially having a detrimental impact on the Client's returns. Also, certain regulatory and legislative initiatives could result in material changes to the terms and conditions of financial instruments that could significantly impact their valuation. A Client is also subject to the risk of the failure of any exchanges on which its positions trade or of the exchanges' clearinghouses. Over the past decade, financial regulators have increased regulation and will likely continue to increase regulation in the near future. The effect of any regulatory change on a Client could be substantial and adverse, and such regulation may impair the Client's ability successfully to execute its investment strategies and may increase the costs of a Fund's operations.

In 2010, Congress enacted major financial services reform legislation in the form of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "***Dodd-Frank Act***"). Among other things, the Dodd-Frank Act includes additional regulation of investment funds and their managers, including registration requirements as well as additional compliance, reporting and disclosure requirements. In addition, the Dodd-Frank Act grants the CFTC and SEC broad rule-making authority to implement various provisions of the Dodd-Frank Act including comprehensive regulation of the over-the-counter ("***OTC***") derivatives market. These regulations include derivative exchange trading and clearing requirements, disclosure obligations, margin requirements as well as requiring OTC derivative dealers and major OTC derivatives market participants to register with the SEC and CFTC and maintain adequate capital reserves. The operational burden, liquidity, and market impact of derivative exchange trading and clearing requirements are non-quantifiable and could be unknown for a period of time. The implementation of the Dodd-Frank Act could adversely affect our Clients by increasing transaction costs and imposing restrictions on the investment or other operations of the Clients and Chesapeake. Congress, with the support of the current Administration, has recently considered the revision or repeal of elements of the Dodd-Frank Act and has rolled back certain provisions affecting "small banks"; it is not possible to predict what the outcome of such considerations will be or the resultant effect on Chesapeake's trading operations for its Clients.

Derivatives. Derivative financial instruments ("***derivatives***") include, without limitation, futures, options, interest rate swaps, forward currency contracts and credit derivatives such as credit default swaps. Engaging in over-the-counter derivatives transactions subjects a Client to a variety of risks including (1) counterparty risk; (2) interest rate risk; (3) basis risk; (4) settlement risk; (5) legal risk; (6) operational risk; and (7) market risk. Counterparty risk is the risk that a Client's counterparty might default on its obligation to pay or perform generally on its obligations. Interest rate risk is the general risk associated with movements in interest rates. Basis risk is the risk associated with the relative movements in two (related) rates or prices. Settlement risk is the risk that a settlement in a transfer system does not

take place as expected. Legal risk is the risk that a transaction proves unenforceable in law or because it has been inadequately documented. Operational risk is the risk of unexpected losses arising from deficiencies in a firm's management information, support and control systems and procedures. Market risk is the risk of potential adverse changes in the value of financial instruments resulting from changes in market prices, such as interest, commodity and currency rate movements. Under the authority granted to the CFTC in the Dodd Frank Act, the CFTC has determined that certain swaps and OTC derivatives (such as certain interest rate swaps and credit derivatives on broad-based indices) are required to be cleared at a regulated clearing house and traded on a regulated exchange. Swaps and other transactions in OTC derivatives that are not presently subject to such mandatory trading and clearing requirements, however, will be subject to the risks described herein as well as other risks, as there is no exchange market on which to close out an open position. These risks include increased difficulties in liquidating an existing position, assessing the value of a position or assessing the exposure to risk. In addition, Clients maintain trading relationships with counterparties that include domestic and foreign broker-dealers and financial institutions; these relationships could result in concentration of counterparty risk.

Futures. Futures markets are highly volatile and a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. The CFTC and futures exchanges have established limits referred to as "speculative position limits" on the maximum net long or net short position which any person or group of persons may hold or control in particular futures and options on futures and swaps that perform a significant price discovery function. Most commodity exchanges also limit fluctuations in futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Such regulations could prevent a Client from promptly liquidating unfavorable positions and thus subject the Fund to substantial losses. In November 2013, the CFTC proposed new rules that, if adopted in substantially the same form, will impose position limits on certain futures and options contracts and physical commodity swaps that are "economically equivalent" to such contracts. The rules were re-proposed for comment in late 2016. If enacted, these rules could have an adverse effect on trading for a Client. It is not clear as of the date of this brochure whether or when such rules will be finally adopted.

We aggregate all of the positions held by all accounts owned or controlled by Chesapeake and its affiliates, including the Clients' accounts, for the purpose of determining compliance with position limits. It is possible that the trading instructions for a Client may have to be modified and that positions held by a Client may have to be liquidated in order to avoid exceeding such limits. Such modification or liquidation, if required, could adversely affect the operations and profitability of a Client's account.

Options. Chesapeake may arrange for certain Clients to engage in the trading of fixed income options, foreign exchange options, equity options, options on volatility and commodity options, including options on physical commodities. Such trading may involve risks substantially similar to those in trading margined securities or commodity futures contracts, in that options may be used for speculative purposes and may be highly leveraged. Specific market movements of the securities, commodities or futures contracts underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of capital loss equal to the entire purchase price of the option. The writer of an option is subject to the risk of capital loss equal to the difference between the premium received for the option and the price of the security, commodity or futures contract underlying the option which the writer must purchase or deliver upon the contingent exercise of the option.

Illiquid Investments. There are no limitations on a Client's ability to invest in illiquid

instruments, other than those imposed by law. Such investments have represented and may continue to represent a material portion of certain Clients' assets. A Client may incur significant fees and expenses in connection with these investments, including without limitation, background checks, valuation or appraisal fees and expenses and investment banking fees and expenses. A Client may invest in illiquid instruments, including privately offered, restricted illiquid securities, concentrated, long-term or structured investments and investment funds, for which no secondary market exists. Restricted securities may not be transferable for a specified period of time, if at all. Most investment funds provide for redemption of interests only at specified intervals. Consequently, a Client would be unable to liquidate those interests other than at the specified date. Chesapeake has historically made various illiquid investments the duration of which it has believed can be accommodated within a Client's portfolio while still permitting other investments and redemptions. If a Client experiences material losses, it is possible that its ability to post variation margin with respect to its liquid investments could be affected to the extent that it has illiquid investments and that it might be compelled to liquidate certain investments at a loss that it otherwise might have maintained through posting additional margin. Similarly, if a Fund experiences substantial redemptions of interests or withdrawals of capital at a time when a material portion of the Fund's portfolio was invested in illiquid instruments, the Fund's investors could be adversely affected. Redeeming or withdrawing investors could receive cash redemptions leaving a Fund with an increasingly illiquid portfolio. Alternatively, a Fund could effect redemptions in whole or in part by transferring illiquid securities to the redeeming or withdrawing investors or to all investors. Moreover, valuation of illiquid securities requires that valuation assumptions be made that may prove incorrect. Such valuations will affect a Fund's net asset value and therefore the price at which investors may purchase or redeem interests. In particular, if valuation assumptions on illiquid investments turn out to have been incorrect, interests in the Fund could be purchased or redeemed by investors at lower or higher net asset values per share than they otherwise would have been. A Fund will not make any retroactive adjustment to the net asset value at which interests are purchased or redeemed based on subsequent adjustments to the Fund's net asset value. For example, if an illiquid security is marked down to reflect perceived devaluation, a redeeming investor will receive an amount equal to the net asset value of the interests, including the illiquid security so devalued. If the illiquid security were ultimately sold for a higher price, the realized amount would benefit the then-current investors, but not those who redeemed at the lower net asset value. Although Chesapeake will use its reasonable best efforts so that the Fund's estimated valuations are reasonable and prudent, actual results could differ materially from these estimated valuations. Finally, redemptions could be suspended, in whole or in part, in the event that the price or value of the Fund's investments, including its illiquid instruments, could not be ascertained or in the event that disposition of investments by a Fund is not reasonably practicable or would be seriously prejudicial to the Fund. Instead of suspending redemptions to accommodate such events, a Fund could impose a gate on redemptions to limit the amount of redemptions on a particular redemption date.

Currency Contracts and Other Derivative Instruments. Clients may invest in principal contracts, including swaps and other derivative instruments. Although the foreign currency market is not believed to be necessarily more volatile than the markets in other commodities, currently there is less protection against defaults in the spot and forward trading of currencies since such contracts are not exchange traded or cleared by a clearinghouse. The Dodd-Frank Act included many foreign exchange derivatives (including foreign currency options, currency swaps and non-deliverable foreign exchange forwards) in the definition of "swap" and therefore contemplates that such contracts are to be regulated by the CFTC and subject to the trade execution, mandatory clearing and margin requirements under the Dodd-Frank Act. Although the CFTC has been granted authority to regulate forward foreign currency

transactions, the Secretary of Treasury has excluded “foreign exchange swaps” and “foreign exchange forwards” from certain of the Dodd-Frank Act regulations. As such, with respect to trading in these limited categories of foreign exchange derivatives, Clients are not afforded the full protection provided by CFTC regulation, including segregation of funds. Similarly, the Dodd-Frank Act grants the CFTC authority to regulate OTC options and swaps contracts but, until the CFTC’s rules with respect to these instruments are fully implemented, a Client’s investments in OTC options, swaps or other principal contracts may not be regulated by the CFTC and not all of the protections provided under CFTC regulations will apply to them. With respect to any OTC transaction that is not cleared or guaranteed by an exchange clearinghouse, a Client is at risk of the creditworthiness of its counterparties. Finally, once the CFTC rules regulating swaps under the Dodd-Frank Act are fully implemented and following requirements to trade additional swaps on an exchange and to clear them, Clients may be subject to increased costs in connection with executing swaps. As noted above, with the support of the current Administration, the Congress is considering the modification or repeal of elements of the Dodd-Frank Act, which could in turn have a significant impact on the SEC’s regulations and CFTC’s regulations affecting market participants including Clients, and it is not possible to predict the outcome of that consideration as of the date of this brochure.

Speculative Trading in Currencies. Currency spot, futures and forward markets are highly volatile. Profitability of our trading in these instruments for Clients will depend on our ability to analyze the currency markets. The value of any currency relative to the U.S. dollar may be affected by complex political and economic factors. The exchange rate of each currency in terms of the U.S. dollar is at any moment a result of the supply and demand for the two currencies, and changes in the exchange rates result over time from the interaction of many factors directly or indirectly affecting economic and political conditions in the originating country of each currency and the United States, including economic and political developments in other countries. Currency exchange rates may be particularly affected by the relative rates of inflation, interest rate levels, the balance of payments and the extent of governmental surpluses or deficits in such foreign countries and in the United States, all of which are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of such foreign countries, the United States and other countries important to international trade and finance.

In addition, governments, including those issuing currencies, may use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. They may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. The liquidity and trading value of a currency portfolio could be affected by (i) the actions of sovereign governments, which could change or interfere with theretofore freely determined currency valuation, (ii) fluctuations in response to other market forces and (iii) the movement of currencies across borders.

It would be possible for substantially all of a Client’s open positions to move against it at or about the same time. In light of such volatility, Clients should consider their investments in an account or Fund that pursues this strategy to be long-term.

Foreign Exchanges and Currency Conversions. Clients may invest in securities and commodity contracts on exchanges located outside the United States. Trading on such exchanges is not regulated by any U.S. regulator and may, therefore, be subject to more risks than trading on U.S. exchanges. Other considerations include exchange control regulations, reduced and less reliable

information about issuers and markets, different accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees, local economic or political instability and greater market risk in general. In addition, dividends paid by non-U.S. issuers may be subject to withholding and other non-U.S. taxes that may decrease the net return on these investments. Moreover, unless a Client hedges itself against fluctuations in the exchange rates between the U.S. dollar, the euro and the Swiss franc and the currencies in which trading is done on such exchanges, any potential profits could be eliminated and losses could be incurred as a result of adverse changes in exchange rates. Finally, a Client may have to convert assets in its accounts into other currencies in order to meet margin requirements. In such cases, Chesapeake will not attempt to hedge the Client against fluctuations in the exchange rates. Such hedging may or may not be successful. As a result of fluctuations in exchange rates and hedging transactions, the performance of Clients' accounts may vary from one another. In addition, in the case of a Fund that has issued multiple classes of interests, investors in one or more classes may be compelled to bear the liabilities incurred in respect of other classes that such investors do not themselves own if there are insufficient assets in those other classes to satisfy those liabilities. Accordingly, there is a risk that liabilities of one class may not be limited to that particular class and may be required to be paid out of one or more other classes.

High Yield Securities. Chesapeake may, for a Client's account, purchase "high yield" bonds and preferred securities that are rated in the lower rating categories by the various credit rating agencies (or in comparable nonrated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuers' capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those of higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may contribute to a decrease in the value and liquidity of such lower-rated securities.

Prime Brokers. Securities and cash held in customers' accounts at prime brokers that are U.S. registered broker-dealers will not be available to the non-customer creditors of the prime broker. Nonetheless, if the prime broker becomes insolvent and there were not sufficient customer assets to pay all customers in full, then the securities and cash held in customers' accounts at the prime broker would be distributed pro rata among customers. Different results may occur in the event that a U.S. prime broker sub-custodies its assets with a foreign sub-custodian outside the United States. Different results, including loss of U. S. regulatory protections, also may occur in the event that the customer of a U. S. prime broker permitted the prime broker to (i) re-hypothecate or lend its assets, or (ii) transfer its assets to a prime broker or other entity that is not a U.S. registered broker-dealer. If assets are held by a prime broker that is not a U.S. registered broker-dealer, the U.S. regulatory protections do not apply. In certain jurisdictions, with authority from the customer, such assets may be borrowed, lent or otherwise used by the prime broker for its own purposes. In the event of the insolvency of the prime broker, customers may rank as unsecured creditors and may not be able to recover equivalent assets in full.

Investment in Emerging Countries and Markets. Investment in non-U. S. securities and markets, particularly those of companies in emerging countries and markets, may be subject to different

and greater risks than purely U. S. investment because of a variety of factors, including currency controls and the fluctuation of currency exchange rates, changes in governmental administration or economic or monetary policy in the United States and abroad or changed circumstances in dealings between nations. Other factors may include high rates of inflation and the potential for substantial depreciation in the value of local currencies. In fact, substantial short-term volatility in these markets and significant declines are not uncommon. Restrictions on currency trading that may be imposed by emerging countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

In many cases, the economies of emerging countries are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which emerging countries trade. These economies also may have been and may continue to be adversely affected by economic conditions in the countries with which they trade.

There may be less publicly available information about non-U.S. issuers than about U. S. issuers, and certain non-U.S. issuers are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those for U. S. issuers. Securities of some non-U.S. issuers are less liquid and more volatile than securities of comparable U. S. issuers and non-U. S. brokerage commissions are generally higher than in the United States. Non-U. S. securities markets may also be less liquid and more volatile than those in the United States. In addition, currencies of some non-U.S. countries are also less liquid and more volatile than currencies of larger nations. There also is generally less governmental supervision and regulation of non-U.S. securities markets, brokers and securities issuers than in the United States.

Illiquidity of Securities and Markets in Emerging Countries. Securities in which a Client may invest may include those that are either listed on one or more stock exchanges or traded over the counter, as well as those that are not publicly traded. In the case of securities that are listed or traded on organized exchanges or other markets, there may be less market liquidity than would typically be available for companies of comparable size that are traded in the securities markets of developed countries. This reduced liquidity may diminish the Client's ability to act on investment information and research in both buying and selling securities. In addition, it may limit the size of investments and increase the cost of transacting in such markets.

Securities that are not publicly traded may be resold in privately negotiated transactions, but they may be less liquid than publicly-traded securities and the prices realized upon their resale may be less than those that could be realized if the securities were publicly-traded. Furthermore, companies whose securities are not publicly-traded may be in early stages of development, which may involve substantial business and financial risks. Such companies may not be subject to the disclosure and other investor protection requirements that may apply in the case of publicly-traded securities. If such securities are required to be registered under the securities laws of one or more jurisdictions before being sold, the expenses of such registration may be chargeable against the proceeds of the sale.

Political and Legal Factors. A Client may invest in emerging countries where there is a high potential return on invested capital but also a high degree of either political or economic risk, or both, or where existing regulations may impede repatriation of investment capital or earnings. In such cases, the potential return may be offset, or more than offset, as a result of adverse political or other

developments. In that regard, it is generally the case that investments in any emerging country could be affected by factors not present in the United States, including nationalization, expropriation without just compensation, exchange controls, confiscatory taxation, political changes, governmental regulation, social, political or diplomatic instability (including military or other internal political coups, insurrections and wars) and potential difficulties in enforcing contractual obligations.

In addition, the legal systems in emerging countries are often not as sophisticated as those in the United States or other developed nations and it may be difficult to predict with any degree of assurance the resolution of legal questions presented in adjudications or other governmental proceedings. In addition, the availability of judicial and other remedies may, as a practical matter as well as a legal matter, be far more restricted than in the United States or other developed countries. These factors may adversely affect the companies in which a Client invests as well as the enforceability of the rights of the Client as a security holder in such companies.

Investment and Repatriation Restrictions. Some emerging countries have laws and regulations that preclude direct foreign investment in the securities of their companies. In certain emerging countries, however, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in those countries is permitted through investment funds that have been specifically authorized. A Client may invest in these investment funds and, in such a case, the Client will bear its proportionate share of the expenses of the investment fund.

In addition, in some emerging countries prior governmental approval for foreign investments may be required under certain circumstances. Moreover, the extent of foreign investment in domestic companies may be limited. Foreign ownership limitations also may be imposed by the charters of individual companies in emerging countries to prevent, among other concerns, violation of foreign investment limitations.

Repatriation of investment income, capital and the proceeds of sales by foreign investors may require governmental registration or approval in some emerging countries. The Client could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging countries on interest or dividends paid on securities purchased by the Fund or gains from the disposition of such securities.

Frequent Trading and Execution Risk. In pursuit of a particular Client's investment objectives, we may often engage in strategies involving the rapid execution of trades, a high volume of trades, complex trades, difficult to execute trades, use of negotiated terms with counterparties such as in the use of derivatives and the execution of trades involving less common or novel instruments. In each case, we seek best execution and have trained our execution and operational staff devoted to executing, settling and clearing such trades. However, in light of the high volumes, complexity and global diversity involved, some slippage, errors and miscommunications with brokers and counterparties are inevitable and may result in losses to a Client. Such losses may be caused by the Client's brokers and counterparties or by Chesapeake or by that of a combination of the broker or counterparty and Chesapeake. We may attempt to recover losses from brokers or counterparties but are not required to do so. Chesapeake is not liable to a Client for losses caused by brokers or counterparties, by its own negligence or by that of a combination of the broker or counterparty and itself. Chesapeake will be liable to a Client for acts that constitute willful malfeasance or gross negligence, in the event that Chesapeake failed to act in good faith in the reasonable belief that such actions were in, or not opposed to, the best interests of the Client or if

Chesapeake is liable to the Client for damages under the securities laws of the United States or of an individual state. Interests in our Funds are only available for subscription by investors who understand that they and the Fund are waiving potential claims for damages arising from the operation of the Fund, including damages resulting from Chesapeake's own negligence, and who expect some execution losses to the Fund, and who acknowledge such matters in the Fund's governing documents.

Limitation on Liability and Indemnification. Under the exculpatory provisions of the investment management agreements with our Clients, Chesapeake, its principals and affiliates, and their partners, directors, officers and employees are not liable to (i) an individual client or (ii) a Fund or any of its shareholders, members or limited partners, except by reason of acts or omissions constituting willful malfeasance, gross negligence, and for not having acted in good faith in the reasonable belief that such actions were in, or not opposed to, the best interests of the individual client or the Fund, as the case may be.

Each Client has agreed to indemnify Chesapeake, its principals and affiliates, and their partners, directors, officers and employees against any loss, liability, damage, cost or expense resulting from any claim, action or proceeding relating to the business or activities undertaken by them on behalf of the Client or actions taken or omitted to be taken by Client in its capacity as investment manager for the Client, provided that the conduct of such person did not constitute willful malfeasance or gross negligence and that the person acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Client.

Management of Proprietary and Other Customer Accounts by Chesapeake and Its Affiliates. Please see Item 11 of this brochure for a discussion of certain conflicts of interest associated with our management of proprietary accounts. Our customer accounts consist of those of our Funds as well as those of our individual clients. The investment methods and strategies that we use in managing various customer accounts as well as our proprietary accounts may be the same or different. When we use the same strategy for multiple customer accounts, such accounts may nonetheless yield different results based on factors including the timing of trades and size of accounts, as well as hedging or portfolio adjustment trading or both undertaken in one account and not the other. Chesapeake may engage in proprietary trading that involves taking positions in any market (including single stock futures or cash equities) that are opposite those taken for clients trading the Diversified Program; Chesapeake instructs the executing broker that such proprietary trades are executed only *after* the positions are established for client accounts and so Chesapeake believes that such proprietary trades do not have a material effect on trades initiated in the Diversified Program for Chesapeake's clients.

Substantial Fees and Expenses. Each Fund's operating expenses, which include, among other items, trading and investment expenses, costs related to principal transactions, interest expense, dividend expense and dividend withholding, as well as administrative, legal and accounting expenses, (and which expenses may also be borne by our individual clients in some circumstances) are expected to equal a substantial percentage of a Client's assets under management with us each year. These expenses are in addition to the Management Fees and Incentive Fees charged to a Fund Client, and the amounts of each expense are reflected in the Fund's annual report available from the Fund's administrator or in an individual client's annual account statement. Incentive Fees are based on realized and unrealized gains and losses as of each calculation date, usually at the end of each calendar year. As a result, Incentive Fees payable to Chesapeake could be made on unrealized gains that may never be realized. Further, basing our Incentive Fees on trading profits may create an incentive for Chesapeake to select riskier or more

speculative investments than would be the case in the absence of such fees.

Our Other Activities. We currently manage and intend to manage accounts for other Clients (both Funds and individuals) in the future. Orders for various accounts may occur contemporaneously. We are not subject to any specific limit as to the number of accounts that we may manage. The performance of a Client's investments could be adversely affected by the manner in which particular orders are entered for all such accounts; although we use our reasonable best efforts to allocate orders among all of our Clients on an equitable basis over the long-term.

Taxes. Each Fund's governing documents contain disclosure of various tax considerations associated with an investment in that Fund. These disclosures are for the purpose of providing general information only, are not intended to be a substitute for the advice of an investor's own tax and legal advisors, and should not be interpreted as legal or tax advice. Investors in our Funds are advised to consult their own tax advisors and counsel with respect to their particular tax position before investing in a Fund. No advance tax ruling has been sought in connection with the operations of the Funds or the investment in interests in the Funds and there is no assurance that United States tax authorities will agree with the statements described in the Funds' private offering documents. In selecting investments for the Funds, consideration may be given to an instrument's tax treatment under U.S. law. We may establish positions in exchange traded instruments, rather than derivative contracts on the same underlying security or other asset, in order to minimize the potential tax liability of a Fund's U.S. taxable investors, a majority of which may be principals, officers or employees of Chesapeake. While consideration may be given to the U. S. tax consequences of various investments, we will not establish a position unless we determine that establishing the position is in the overall best interests of the relevant Fund.

Foreign Taxes. A Fund may invest in securities of entities engaged in business, organized or resident in foreign countries. Many foreign sovereigns impose a withholding tax on payments of interest, dividends and capital gains to investors residing in other countries and not otherwise subject to tax by that sovereign.

Accounting for Uncertainty in Income Taxes. In June 2006, the Financial Accounting Standards Board ("**FASB**") released final Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("**FIN 48**"), to provide consistent guidance on the recognition of uncertain tax positions. FIN 48 applies to all tax positions related to income taxes subject to FASB Statement No. 109, Accounting for Income Taxes and has since been codified as part of the FASB's Accounting Standard Codification 740 ("**ASC 740**"). ASC 740 prescribes the minimum recognition threshold that a tax position is required to meet before being recognized in an entity's financial statements. It also provides guidance on de-recognition, measurement, classification and interest and penalties with respect to tax positions. A prospective investor in one of our Funds should be aware that, among other things, ASC 740 could have a material adverse effect on the periodic calculations of the Net Asset Value of the Funds, including reducing the Net Asset Value of the Funds to reflect reserves for income taxes that may be payable in respect of then current or prior periods or both by a Fund. This could cause benefits or detriments to certain shareholders, depending upon the timing of their entry to, and exit from, a Fund.

Risk Management

Chesapeake's risk management is broken down into several categories. In terms of market risk, Chesapeake's allocation to different markets and sectors is inherently geared towards overall risk mitigation of the positions. Chesapeake measures market risk by individual market, by sector, and by the total portfolio. We generally limit the risk associated with each position as a percentage of the total amount that we could lose relative to the entire portfolio at the point of initiation. We size our individual positions relative to recent market volatility. The higher the volatility, the lower the number of contracts needed to satisfy the targeted risk position for the market. We recognize that correlations often exist between groups of similar markets (sectors) and further limit exposure to these groups of markets. We attempt to limit the total portfolio risk to approximately 25% of the total portfolio assets.

In addition, an intricate part of our strategy involves adjusting stops daily. We utilize stops on every position, but we do not place stop orders into the market. We retain that knowledge at our desk and are prepared to execute on a 24-hour basis if those stop points are triggered.

Furthermore, we continually back test our systems and models to check their validity to present market conditions. We have technology that ensures that accurate market data are fed into the systems. Our databases have data validation checks and cleaning methodologies in place that limit data errors to the bare minimum.

At the operational level, Chesapeake maintains staff to support the back and middle office/administrative functions as well as using a third party back-office service provider that together are responsible for reviewing all data received from the brokers or futures commission merchants ("*FCMs*") to ensure all trades have been recorded properly, reconciling any discrepancies noted, and resolving all issues with clients and brokers and FCMs. This service provider and Chesapeake's back office staff also prepare the monthly fund accounting for accounts and the monthly statements for the investors. The back office also reviews performance at the account level in case there are any notable outliers and to confirm that like accounts have similar performance.

Item 9 – Disciplinary Information

There have been no legal or disciplinary events within the past ten years or ever against Chesapeake or any of its principals or management persons that would be material to a client's or prospective client's evaluation of Chesapeake's advisory business or the integrity of its management.

Item 10 - Other Financial Industry Activities and Affiliations

In addition to serving as the Funds' investment adviser, Chesapeake is the commodity trading advisor and commodity pool operator for the Funds and is registered in those capacities with the Commodity Futures Trading Commission and is a member of the National Futures Association. In addition, certain of our management persons are registered as associated persons or listed as principals of Chesapeake.

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

General. Chesapeake seeks to provide fair and equitable treatment to all of its Clients and, as described below, has personal account dealing policies and procedures in place as well as other policies and procedures designed to minimize potential conflicts of interest. Nonetheless, Chesapeake and its affiliates and their principals and employees (together, the "*Chesapeake Parties*") may invest for

their own accounts. When any of the Chesapeake Parties invests for his or her proprietary accounts, he or she may or may not invest in parallel with our Clients. Any of the Chesapeake Parties at times may invest his or her proprietary accounts by employing different investment strategies, investing in private equities, effecting a different number of contracts, utilizing a different degree of leverage, testing new markets, conducting experimental investments to test new methods or variations of basic investment methods and strategies, and by using markets which any of the Chesapeake Parties judge to be too illiquid or volatile for investment by our Clients. Chesapeake may engage in proprietary trading that involves taking positions in any market (including single stock futures or cash equities) that are opposite those taken for clients trading the Diversified Program; Chesapeake instructs the executing broker that such proprietary trades are executed only *after* the positions are established for client accounts and so Chesapeake believes that such proprietary trades do not have a material effect on trades initiated in the Diversified Program for Chesapeake's clients. Moreover, any of the Chesapeake Parties at times may take positions in his or her proprietary accounts that are the same as or the opposite of those taken by Chesapeake on behalf of our Clients. Chesapeake Parties and our Clients may make investments in a Fund at the same or different times. In some cases, conflicts of interest may arise as a result of Chesapeake Parties' investments. For example, if a Chesapeake Party makes investments in a Fund before our Client invests in the same Fund, there may be less capacity remaining in the Fund for our Client to invest. The timing of purchases and sales of various investments by the Chesapeake Parties may be determined without reference to the investment strategy we follow for any of our Clients that is invested in the same investments, and therefore may be different from the timing of purchases or sales by that Client. Thus, for example, any of the Chesapeake Parties could redeem or sell investments and achieve profits at a time when one of our Clients does not. Moreover, since investments in Funds made by the Chesapeake Parties, directly or indirectly, may bear reduced advisory fees, Chesapeake Parties could achieve profits when a customer account does not.

When any of the Chesapeake Parties places the same or similar orders at or about the same time for our Client and proprietary accounts, orders for our Clients generally will be filled first. The difference in timing of orders, however, may result in some accounts, including proprietary accounts, receiving better prices than other accounts. Although the Chesapeake Parties do not seek preferential brokerage commission rates for proprietary investments, it is possible that proprietary investments may be charged brokerage commission rates that are lower than the rates that our Clients normally will be charged by their brokers. In light of the foregoing, proprietary accounts may produce investment results that are different from those experienced by our Clients.

Chesapeake acts as manager and commodity pool operator of several of its Funds and acts as a sub-advisor to several registered investment companies and may recommend those Funds or the securities of the registered investment companies to its Clients and from which Chesapeake would derive management or incentive fee income or both. Chesapeake will make any such recommendations consistently with its fiduciary responsibilities to its Clients to ensure that such investments are appropriate for the individual Client to whom the recommendation is made.

Code of Ethics. Chesapeake has adopted a Code of Ethics and Conflicts of Interest Policy that state that each of our employees shall place the interests of our Clients first. Our employees are permitted to invest in securities and other investment products for their own accounts, but may not use their knowledge of our Clients' portfolio transactions to benefit themselves.

Our Code of Ethics requires our employees to disclose all personal investments upon hire

and at least annually thereafter, report all personal securities transactions at least quarterly, disclose all personal investment accounts, obtain prior approval of investments in initial public offerings, private placements and other limited offerings, including pooled investment vehicles, and maintain their personal investment accounts with designated broker-dealer and futures commission merchant firms. Exceptions may be made for accounts for which the employee does not maintain investment control or participate in the investment decisions. Employees generally must arrange for their brokers and futures commission merchants to send us duplicate trade confirmations and account statements for their transactions, and must separately report on a quarterly basis any transaction for which a duplicate confirmation was not sent, or which does not appear on an account statement.

Our Code of Ethics also requires our employees to obtain prior approval to engage in certain outside business activities (such as serving as a director of a company). The Code of Ethics prohibits our employees from accepting gifts of material value from vendors, service providers, and counterparties. Employees are allowed to participate in customary business entertainment with broker-dealers, futures commission merchants, counterparties, and other persons with whom Chesapeake, its affiliates or the Funds do business. Participation in such events may be viewed as causing a conflict of interest for Chesapeake in selecting broker-dealers, futures commission merchants or other service providers. However, our Code of Ethics requires employees to comply with certain requirements that are intended to protect against such conflicts. Our Code of Ethics also prohibits insider trading by our employees.

Existing or prospective clients may obtain a copy of Chesapeake's Code of Ethics upon written request directed to our Chief Compliance Officer, Chesapeake Capital Corporation, 1721 Summit Avenue, Richmond, Virginia 23230.

Item 12 – Brokerage Practices

Chesapeake has complete discretion to determine, subject to each Client's disclosed investment objectives, policies and strategies, the securities to be purchased or sold and in what amounts, the broker-dealers and other financial intermediaries to use in effecting transactions for the Client, and the commission rates to be paid for such transactions. A more detailed discussion of how we make use of this authority follows.

Brokerage Transactions and Use of Soft Dollars. Chesapeake is solely responsible for selecting the commodities and securities broker or dealer used in each transaction that we institute for a Client and negotiating the fees to be paid by the Client to the broker-dealer or futures commission merchant, as the case may be (together, broker-dealers and futures commission merchants are "brokers"), in connection with such transactions. The primary consideration in allocating a Client's portfolio transactions to a particular broker is to obtain favorable prices and efficient executions. Consistent with this policy, we may place orders with brokers that also provide research and brokerage services to our Clients and to us, or pay the costs of such services (including the payment of such costs for which the Client or Chesapeake or its affiliates otherwise would be obligated), provided such research and brokerage services are to be used in connection with the investment management process. These research and brokerage services may include, but will not be limited to, the following: written information and analyses concerning specific security or commodity interests, issuers or sectors; market, financial or economic data, studies or forecasts; financial publications that are not mass-marketed; statistics or pricing services, as well as discussions with research personnel; software; clearance, settlement and short-term

custody services; communication services related to the execution, clearing and settlement of securities transactions; and consulting services utilized in connection with investment strategy. Accordingly, a Client may be deemed to be paying for research and brokerage services with “soft” or “client commission” dollars.

We intend that our brokerage allocation practices and policies (including arrangements whereby brokers provide research and brokerage services to us for soft dollars) will satisfy the conditions and requirements necessary to fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended, which confers certain protections on investment advisers who use portfolio commissions from their customers’ accounts to obtain research and brokerage services. The safe harbor provides that certain conduct is not deemed a violation of law or a breach of fiduciary duty, for example, and relieves an adviser from the obligation of justifying commission payments for research and brokerage services on an account-by-account basis.

Each Fund has consented and each investor, by signing a Fund’s subscription agreement or an individual management agreement, consents to our obtaining such research and brokerage services from brokers in consideration of commissions, fees, charges or other remuneration generated by the execution of the Client’s portfolio transactions. We may use such research and brokerage services in connection with the management of any or all of the accounts we manage, and in our own proprietary investment activities. However, we will not necessarily use all such research and brokerage services in connection with the management of each of our Client accounts. A Client may be charged higher brokerage commissions or other charges than might be obtainable if transactions were effected through brokers which do not provide research or brokerage services. We believe that such research and brokerage services will benefit our Clients by supplementing the research and brokerage services otherwise available to us and our Clients.

Obtaining research from brokers with commissions involves a conflict of interest in that we may have an incentive to cause our Clients to trade with certain brokers in order to obtain such research so that the Clients pay for the research, rather than us. In addition, executing trades with certain brokers in order to obtain research may conflict with our duty to seek best execution. We have adopted procedures intended to ensure that we use soft dollars to obtain research and brokerage services in accordance with applicable law. These procedures set forth the standards by which we will determine whether to enter into a soft dollar arrangement, and our procedures for reviewing and approving new soft dollar arrangements and for monitoring and reviewing existing arrangements. We generally do not obligate ourselves in advance to generate a particular amount of commissions in order to obtain research. We may, however, choose to pay in hard dollars the amount by which a broker’s expectation exceeded the amount of commissions actually paid during a period of time.

Aggregating Orders. If we deem an investment in a security, future or currency to be appropriate for more than one of our Clients, we may aggregate the orders into a single bulk order, provided that the aggregation of the order is consistent with seeking best execution. Each Client participating in a bulk order will generally be allocated an average price for the order. If a bulk order is only partially filled as of the end of a trading day, each participating Client generally will receive a pro-rata allocation of the purchase or sale, based on the size of each Client’s original order, subject to adjustment for rounding and odd lots or other relevant factors described below. For initial public offerings and secondary offerings, we may aggregate and allocate orders in a manner deemed equitable, based on a number of factors, including the size of the participating Clients and the size of the market for

the security and any specialized aspects to the security and the Clients (e.g., emerging markets).

Item 13 – Review of Accounts

Chesapeake monitors and reviews each Client's account on a daily basis for out-trades, performance review relative to other similarly-traded accounts and other accounting practices.

Our account review and risk management process features the allocation to different markets and sectors and is inherently geared toward overall risk mitigation of positions. We

- measure market risk by individual market, by sector, and by the total portfolio. We generally limit the risk associated with each position as a percentage of the total amount that we could lose relative to the entire portfolio at the point of initiation.
- size the individual positions relative to recent market volatility. The higher the volatility, the lower the number of contracts needed to satisfy the targeted risk position for the market.
- recognize that correlations often exist between groups of similar markets (sectors) and further limit exposure to these groups of markets.
- attempt to limit the total portfolio risk to approximately 25% of the total portfolio assets. An intricate part of our strategy involves adjusting stops daily. Stops are utilized on every position, but are not placed as stop orders into the market.
- retain that knowledge at our desk and are prepared to execute on a 24-hour basis if those stop points are triggered.
- continually back test our systems and models to check their validity to present market conditions.
- have technology that ensures that accurate market data are fed into the systems. Databases have data validation checks and cleaning methodologies in place that limit data errors to the bare minimum.
- maintain staff to support the back and middle office and administrative functions as well as using a third party back-office service provider that together are responsible for reviewing all data received from brokers and FCMs to ensure all trades have been recorded properly, reconciling any discrepancies noted, and resolving all issues with clients and brokers or FCMs. Our service provider and Chesapeake's back office staff also prepare monthly fund accounting for accounts and monthly account statements that are distributed to our clients.

Our back office reviews performance at the account level in case there are any notable outliers and to confirm that like accounts have similar performance. We utilize outside legal counsel, where needed, to help with some of our middle office and administrative activities.

Each of our Clients and investors in our Funds receives monthly written reports on his or her accounts that contain information about the Fund's or individual client account's net asset value, and the Fund's investors receive an annual report of the Fund's financial condition, which is audited by an

independent public accounting firm. Our Clients also receive periodic written communications from Chesapeake discussing our investment views and strategies and the performance of the Client's account.

Item 14 - Client Referrals and Other Compensation

Our Code of Ethics and Conflicts of Interest Policy generally prohibits employees from accepting gifts, favors or other inducements from counterparties or service providers, excepting certain common business courtesies.

Chesapeake does not compensate any person for referrals of clients. However, if we were in the future to pay cash compensation to financial intermediaries that, acting as placement agents for certain Funds, solicit investors on behalf of those Funds, those arrangements would be subject to a written agreement between Chesapeake and the intermediary, and would provide for us to pay to the intermediary a fee, which could vary on a case-by-case basis.

Item 15 - Custody

Our Clients' funds and securities are held by qualified independent custodians and regular account statements are furnished to our Clients by those custodians. As noted in Item 13, above, Fund investors receive annual financial statements audited by an independent public accounting firm for the Funds in which they have invested.

Item 16 - Investment Discretion

Chesapeake exercises discretion in managing the investments of each of our Clients, based on the Fund's particular investment objectives, policies and strategies disclosed in its private offering documents or an individual client's investment objectives as provided in its management agreement. For more information, please see Item 4, above.

Item 17 - Voting Client Securities

Chesapeake has adopted policies and procedures pursuant to SEC Rule 206(4)-6 according to which it will vote client securities and attempt to maximize the value of the accounts it manages. The policies and procedures are set forth in detail in Chesapeake's Policies and Procedures Manual. To address potential conflicts of interest between Chesapeake and its clients in voting client securities, Chesapeake's Chief Compliance Officer will review potential conflicts of interest to determine their materiality; if material, the CCO will consult with the portfolio manager and determine whether to take additional steps that may include discussing the proxy vote with clients, disclosing material facts concerning the disclosure to clients and seeking client approval for a vote and seeking recommendations of an independent third party. Chesapeake does not accommodate requests from clients that proxies be voted in a specific way on a specific issue. Clients may request information concerning how proxies were voted on client securities or for a copy of Chesapeake's proxy voting policies and procedures by contacting Chesapeake by telephone or email at the address listed on the cover of this brochure.

Item 18 – Financial Information

Chesapeake is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to our Clients and it does not require or solicit prepayment of fees from its clients.

Item 19 – Requirements for State-Registered Advisers

Item 19 is not applicable to Chesapeake because Chesapeake is not registering with any state securities authorities.