

# **PART 2A FORM ADV**

## **FIRM BROCHURE**

**Item 1.** Cover Page

### **SIR CAPITAL MANAGEMENT, L.P.**

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**This brochure provides information about the qualifications and business practices of SIR Capital Management, L.P. If you have any questions about the contents of this brochure, please contact us at (212) 993-7100 and/or FormADV@sirfunds.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about SIR Capital Management, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**The information contained herein is accurate as of the date hereof and is likely to change.**

**Being a “registered investment adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.**

THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE  
SOLICITATION OF ANY OFFER TO BUY ANY SECURITY.

**Item 2.** Material Changes

There are no material changes to report.

**Item 3.** Table of Contents

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#### **Item 4.** Advisory Business

SIR Capital Management, L.P. is a Delaware limited partnership that was founded in 2007. For purposes of this Form ADV Part 2A only, the term “SIR” means SIR Capital Management, L.P. and/or SIR Advisors (as defined below), as the context requires. SIR provides advice on a discretionary basis to the following investment funds: (i) Standard Investment Research Hedged Equity Fund, L.P., a Delaware limited partnership (the “Hedged Equity Onshore Fund”); (ii) Standard Investment Research Hedged Equity Overseas Fund, Ltd., a Cayman Islands exempted company (the “Hedged Equity Offshore Fund”, and together with the Hedged Equity Onshore Fund, the “Hedged Equity Funds”); (iii) Standard Investment Research Energy Opportunities Fund, L.P., a Delaware limited partnership (the “Energy Opportunities Onshore Fund”); (iv) Standard Investment Research Energy Opportunities Overseas Fund, Ltd., a Cayman Islands exempted company (the “Energy Opportunities Offshore Fund”, and together with the Energy Opportunities Onshore Fund, the “Energy Opportunities Funds”) (collectively, the “Funds”). Our affiliate, SIR Advisors, L.L.C., a Delaware limited liability company (“SIR Advisors”), acts as the general partner for our U.S.-based funds. Messrs. Vincent S. Maddi and Shawn M. Brennan (together, the “Managing Members”) are the principal owners of SIR.

The Funds are privately-offered hedge funds that focus on investments in energy and related industries. The Funds are organized in master-feeder structures, pursuant to which feeder funds invest substantially all of their assets in master funds. The Hedged Equity Funds invest in the Standard Investment Research Hedged Equity Master Fund, Ltd., a Cayman Islands exempted company (the “Hedged Equity Master Fund”), and the Energy Opportunities Funds invest in Standard Investment Research Energy Opportunities Master Fund Ltd., a Cayman Islands exempted company (the “Energy Opportunities Master Fund”, and together with the Hedged Equity Master Fund, the “Master Funds”). The operating and trading activities of the Funds are conducted, and the portfolios of the Funds are held, by the Master Funds. SIR also provides advice on a discretionary basis to the Master Funds. References in this Brochure to the Hedged Equity Funds, the Energy Opportunities Funds and the Funds should be construed to refer to the Hedged Equity Master Fund, the Energy Opportunities Master Fund and the Master Funds, respectively, unless otherwise specified or the context so requires.

SIR currently does not provide investment advisory services to any clients other than the Funds, although it and/or one or more affiliates may do so in the future. SIR does not participate in wrap fee programs.

SIR manages the Funds’ assets on a discretionary basis. As of December 31, 2021, the regulatory assets under management of SIR was \$1,921,165,166.

Please see Item 7 (Types of Clients), Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and Item 10 (Other Financial Industry Activities and Affiliations).

#### **Item 5.** Fees and Compensation

The fees, performance-based compensation and expenses applicable to each Fund are set forth in detail in each Fund’s governing and offering documents. Summaries of such fees, performance-based compensation and expenses are set forth below. Please refer to the documents for each Fund

for a complete description of the fees, performance-based compensation and expenses an investor in a Fund may bear.

### **Management Fees**

The Funds pay SIR a fixed management fee (the “Management Fee”), calculated and payable quarterly in advance, in the sum of (i) 0.50% (2.0% annualized) of the beginning net asset value (“Net Asset Value”) of each series of shares or the beginning balance of each capital account balance, as applicable (prior to the deduction of any Investor-Related Taxes<sup>1</sup> that are accrued as of the applicable calculation date or have been paid during the applicable calculation period, if any), with respect to the Hedged Equity Funds and (ii) 0.25% (1.0% annualized) of the beginning Net Asset Value of each series of shares or the beginning balance of each capital account balance, as applicable (prior to the deduction of any Investor-Related Taxes that are accrued as of the applicable calculation date or have been paid during the applicable calculation period, if any), with respect to the Energy Opportunities Funds. The Management Fee will be prorated or refunded, as applicable, for additions to, and withdrawals or redemptions from, a Fund during a quarter.

SIR may, in its sole discretion, reduce, waive or calculate differently the Management Fee with respect to investors that are members, partners or employees of SIR or any of its affiliates, members, officers or employees (collectively, “Affiliates”), or members of their immediate families, or entities formed for the benefit of the principals, such employees or members of their immediate families (collectively, “Related Persons”) of such persons.

### **Performance-Based Compensation**

Generally, as of each December 31, SIR receives an annual performance-based incentive allocation (the “Incentive Allocation”), or in the case of the Hedged Equity Offshore Fund, an annual performance-based incentive fee (the “Incentive Fee”) as described further below.

#### *Hedged Equity Funds*

Generally, at the end of each fiscal year of the Hedged Equity Onshore Fund, 20% of the excess of the net capital appreciation allocated to an investor’s capital account (prior to the deduction of any Investor-Related Taxes that are accrued as of the applicable calculation date or have been paid during the applicable calculation period, if any) for such fiscal year over the Management Fee debited to such investor’s capital account for such year will be reallocated to SIR, subject to a loss recovery mechanism. An Incentive Allocation will also be determined with respect to all or a portion of the net capital appreciation allocated to an investor’s capital account for a partial fiscal year in the event of a withdrawal from the Hedged Equity Onshore Fund other than as of the end of a fiscal year.

The Hedged Equity Onshore Fund will maintain a memorandum loss recovery account for each capital account of an investor (a “Loss Recovery Account”), the opening balance of which will be

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<sup>1</sup> “Investor-Related Taxes” means any tax withheld from the Funds or the Master Funds, as applicable, or paid over by the Funds or the Master Funds, as applicable, in each case, directly or indirectly, with respect to or on behalf of a direct or indirect investor, and interest, penalties and/or any additional amounts with respect thereto.

zero. At the end of each fiscal year, the balance in the Loss Recovery Account attributable to such capital account will be adjusted as follows: (i) if, in the aggregate, there is net capital depreciation with respect to such capital account since the immediately preceding date as of which a calculation of an Incentive Allocation was made, there will be added to such Loss Recovery Account an amount equal to such net capital depreciation; and (ii) if, in the aggregate, there is net capital appreciation with respect to such capital account since the immediately preceding date as of which a calculation of any Incentive Allocation was made, an amount equal to such net capital appreciation will be subtracted from and reduce any unrecovered balance in such Loss Recovery Account, but not below zero. For the avoidance of doubt, such net capital appreciation or net capital depreciation is determined after payment of any Management Fee for the applicable period. In addition, the unrecovered balance in a Limited Partner's Loss Recovery Account will be adjusted for withdrawals of capital. Additional capital contributions will not affect a Limited Partner's Loss Recovery Account.

Generally, at the end of each fiscal year of the Hedged Equity Offshore Fund, an Incentive Fee will be determined with respect to each series of its shares. Additionally, an Incentive Fee will be determined with respect to shares redeemed at other times of the year. The Incentive Fee is equal to 20% of the increase in the net asset value of a series of shares (adjusted for any issuance or redemption and prior to the deduction of any Investor-Related Taxes) (the “Adjusted NAV”) above the Prior High NAV of such series. The “Prior High NAV” of a series of shares is the net asset value of that series immediately after the determination of an Incentive Fee with respect to such series (or if no Incentive Fee has yet been determined with respect to such series, the Net Asset Value of the series immediately following its initial offering). The Prior High NAV of a series will be appropriately adjusted for issuances and redemptions (on a dollar-for-dollar basis for (i) issuances and (ii) redemptions made at such time as the Adjusted NAV is the same as, or greater than, the Prior High NAV; on a pro rata basis for redemptions made at such time as the Adjusted NAV is less than the Prior High NAV).

With respect to the Hedged Equity Funds, the Incentive Allocation or the Incentive Fee, as applicable, is paid at the feeder fund level.

#### *Energy Opportunities Funds*

Generally, at the end of each fiscal year of the Energy Opportunities Master Fund, an amount equal to 20% of the excess of the net capital appreciation (other than net capital appreciation in Special Investments (as defined below)) allocated to the capital account of an investor in the Energy Opportunities Onshore Fund will be reallocated to SIR through its class M shares at the Energy Opportunities Master Fund, subject to a loss recovery mechanism. For the avoidance of doubt, such net capital appreciation or net capital depreciation is determined after payment of any Management Fee and prior to the deduction of any Investor-Related Taxes for the applicable period. An Incentive Allocation will also be determined with respect to all or a portion of the net capital appreciation (other than net capital appreciation in Special Investments) allocated to a capital account of an investor for a partial fiscal year in the event in the event of a withdrawal from the Energy Opportunities Onshore Fund other than as of the end of a fiscal year.

The Energy Opportunities Onshore Fund will maintain a Loss Recovery Account, the opening balance of which will be zero. At the end of each fiscal year, the balance in the Loss Recovery

Account attributable to each capital account of an investor will be adjusted as follows: (i) if, in the aggregate, there is net capital depreciation with respect to such capital account since the immediately preceding date as of which a calculation of an Incentive Allocation was made, there will be added to such capital account's Loss Recovery Account an amount equal to (A) such net capital depreciation or (B) if an investor has fully withdrawn from the Energy Opportunities Onshore Fund except with respect to its interest in Special Investment Accounts, an amount equal to the net capital depreciation as of, and subsequent to, such withdrawal; and (ii) if, in the aggregate, there is net capital appreciation with respect to such capital account since the immediately preceding date as of which a calculation of any Incentive Allocation was made, an amount equal to such net capital appreciation (before any Incentive allocation) will be subtracted from and reduce any unrecovered balance in such capital account's Loss Recovery Account, but not below zero.

Generally, at the end of each fiscal year of the Energy Opportunities Master Fund, an amount equal to 20% of the increase in the net asset value of each series of shares of the Energy Opportunities Offshore Fund during the year (adjusted for any issuance or redemption of shares in such series made during such year and prior to the deduction of any Investor-Related Taxes) in excess of the Prior High NAV of such series will be reallocated to SIR through its class M shares at the Energy Opportunities Master Fund. Additionally, an Incentive Allocation will be determined with respect to shares redeemed at other times of the year.

With respect to the Energy Opportunity Funds, the Incentive Allocation is made at the master fund level. To the extent that the Energy Opportunities Funds make direct investments, rather than through the Energy Opportunities Master Fund, then, at the end of each fiscal year of the Energy Opportunities Funds, 20% of the excess of the net capital appreciation relating to such investments will be reallocated to SIR, subject to a loss recovery mechanism similar to those described above.

With respect to the Energy Opportunities Funds, the Incentive Allocation does not take into consideration gains and losses applicable to Special Investments that continue to be designated as Special Investment as of the end of each fiscal year. No Incentive Allocation will be calculated with respect to a Special Investment until a Realization Event (as defined below) occurs with respect to the Special Investment.

SIR may, in its sole discretion, reduce, waive or calculate differently the Incentive Allocation and the Incentive Fee with respect to investors in the Funds that are Affiliates or Related Persons of SIR.

### **Expenses**

In consideration of the Management Fee, SIR bears the administrative expenses of the Funds and the Master Funds and provides news, quotation and computer equipment and services (in each case except to the extent paid for through the permitted use of "soft dollars" (as described herein) generated by the Funds and/or the Master Funds), office space and utilities, administrative services and secretarial, clerical and other personnel. The Management Fee may exceed the expenses borne by SIR on behalf of the Funds and the Master Funds.

The Funds bear their own expenses (including investment-related expenses, to the extent the Funds invest directly) and their pro rata share of the Master Funds' expenses related to the Master Funds'

operations, such as investment-related expenses (i.e., expenses that SIR reasonably determines to be related to the investment of the Master Funds' assets, such as brokerage commissions, research expenses, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, bank service fees, withholding and transfer fees, entity-level taxes, clearing and settlement charges, professional fees (including, without limitation, expenses of consultants and experts) relating to investments and other expenses related to the purchase, sale or transmittal of investments), travel expenses related to investments (including, without limitation, attendance at industry conferences), legal, administration, accounting, audit and tax preparation fees and expenses, fees of the Funds' administrator, corporate licensing fees, third-party proxy service fees, the Management Fee, organizational and offering expenses, premium payments of the directors' and officers' and general partner's insurance/errors and omissions insurance and other similar expenses related to the Funds and any extraordinary expenses as SIR determines in its sole discretion.

In the event that investment-related or other similar expenses are allocable to the Master Funds, the Funds and/or any other investment funds and other accounts to which SIR and its Affiliates may provide discretionary investment management services in the future (collectively, the "Other Accounts"), such expenses generally are allocated to the Master Funds, the Funds and/or such Other Accounts pro rata based on their respective interests in, use or receipts of the related investment, service, product and/or benefit.

The Funds and any other investment entity that may invest in the Master Funds indirectly bears the portfolio and other expenses of the Master Funds referred to above pro rata based on their respective interests in the Master Funds. Notwithstanding the foregoing, to the extent the Master Funds pay any costs, fees or expenses that are particular to one or more of the Funds or other investment entities, on behalf of such Funds or on such entities, such amounts are attributable solely to such investment entities (including without limitation, the Funds). Expenses of the Funds generally are shared by all investors pro rata in accordance with their capital account balances or the net asset value of their shares, as applicable. With respect to the Energy Opportunities Funds, such funds specially allocate expenses related to Special Investments to investors that participate in Special Investments, such allocation to be in proportion to the extent of such investors' participation in Special Investments.

Please see Items 8 (Methods of Analysis, Investment Strategies and Risk of Loss), 10 (Other Financial Industry Activities and Affiliations) and 12 (Brokerage Practices).

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

SIR only manages the Funds, which are subject to the Incentive Allocation and the Incentive Fee described above. SIR may provide investment advisory services to additional clients in the future that may have similar or different fees than the fees and/or allocations of the Funds.

The Incentive Allocation and the Incentive Fee paid to SIR may create an incentive for SIR to cause the Funds to make investments that are riskier or more speculative than would be the case if such allocation or fee were not made. In addition, because the Incentive Allocation and the Incentive Fee are calculated on a basis that includes unrealized gains of the Funds' net assets, such allocation or fee may be greater than if it were based solely on realized gains.



Please see Items 5 (Fees and Compensation) and 10 (Other Financial Industry Activities and Affiliations).

**Item 7.**           Types of Clients

SIR currently provides investment advisory services to the Funds but may in the future provide investment advisory services to additional types of clients, including, but not limited to, individuals, trusts, investment companies, pension plans, sovereign wealth funds, family offices and endowments.

The Funds advised by SIR are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”), pursuant to Section 3(c)(1) or Section 3(c)(7) thereof. Investors in the Funds are required to represent that they meet the respective suitability requirements under the Securities Act of 1933, as amended, the Investment Advisers Act of 1940, as amended, and the Investment Company Act, as applicable, as well as other suitability requirements.

Minimum investment requirements vary for each Fund although the Funds reserve the discretion to accept less, but in no case will the minimum subscription amount be less than the minimum amount specified under Cayman Island law from time to time with respect to the offshore Funds.

Please see Items 4 (Advisory Business) and 10 (Other Financial Industry Activities and Affiliations).

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

The investment strategies, approaches and techniques discussed below may evolve over time due to, among other factors, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, these investment strategies, approaches and techniques may not reflect the investment strategies, approaches and techniques actually employed by the Funds or SIR. Nevertheless, the investments made on behalf of the Funds will be consistent with the Funds’ investment objectives.

**Hedged Equity Funds**

The Hedged Equity Funds’ investment objective is to achieve superior absolute returns that are not correlated with or dependent upon changes in commodity prices, the S&P 500 Index, energy equity indices or any other equity market index. The Hedged Equity Funds seek lower risk exposure to principal and lower volatility than what is usually associated with equity-like returns.

The Hedged Equity Funds have a highly disciplined investment and portfolio construction process. The Hedged Equity Funds rely on fundamental research to exploit relative value opportunities in global energy equities and equities of issuers in related industries. The Hedged Equity Funds generally takes offsetting long and short positions in comparable securities which typically have an economic relationship to each other and where a distortion exists between either the historical price or the fair value of that relationship. A key objective of the portfolio construction process is limiting

the risk of significant loss. The key elements of portfolio construction and risk controls are low net exposure, diversification, high liquidity and a well-researched fundamental view.

The Hedged Equity Funds primarily employ a bottom-up approach in their investment decision-making process, while at the same time taking significant account of investor sentiment, company-specific events, liquidity, current macroeconomic conditions and political developments in determining the appropriate relative weightings of positions. Generally, the selection of a long or short position is determined primarily by its relative attractiveness to other stocks in the portfolio rather than a view that the stock is likely to go up or down in absolute terms. SIR believes that its strategy will have little correlation to the market and will exhibit significantly less volatility than the equity markets as a whole. Furthermore, periods of increased market volatility may create dislocations in the relative value of individual stocks and, as a result, may create attractive opportunities in these types of strategies.

The fundamental research process involves frequent interaction with company managements, sell-side analysts, buy-side analysts and industry experts. In addition, proprietary financial models are maintained for most of the portfolio investments and many potential investments.

Equity securities in which the Hedged Equity Funds may invest include companies involved in exploration and production, refining and marketing, oil field services, drilling, shipping, coal, chemicals, energy transition, steel, engineering and construction, alternative energy and natural gas processing, transportation and distribution, as well as regulated utilities. The Hedged Equity Funds may invest in master limited partnerships and limited liability companies taxed as partnerships (collectively, “MLPs”), U.S. royalty trusts and income trusts (“royalty trusts”), exchange-traded funds (“ETFs”), listed and over-the-counter derivatives, private placements and other securities. This universe currently includes more than 400 companies SIR considers to have sufficient liquidity to be potential investments for the Hedged Equity Funds.

The Hedged Equity Funds’ core investments usually have a 3 to 6 month expected time horizon. However, a portion of the portfolio’s investments will have a time horizon as long as 12 to 18 months or more or as short as several days. The Hedged Equity Funds may also actively trade around positions in their core portfolios, in an effort both to reduce the Hedged Equity Funds’ overall volatility and to generate additional returns over time.

The Hedged Equity Funds will generally maintain a diversified investment portfolio consisting of approximately 50 to 100 long positions and 50 to 100 short positions. The Hedged Equity Funds expect the total number of positions will gradually increase as SIR continues to expand the number of companies it researches. The Hedged Equity Funds may, in the future, diversify beyond energy into related industries and sectors in which SIR believes its investment strategy may be successful.

The Hedged Equity Funds invest across a wide variety of market caps. Large and mid-cap positions are expected to comprise the bulk of the Hedged Equity Funds’ portfolio, generally representing 70% to 90% of the Hedged Equity Funds’ gross assets. Smaller capitalization investments (defined as issuers with market capitalization of less than \$2 billion) are likely to remain a more modest allocation at approximately 10% to 30% of gross assets.

SIR places great importance on overall portfolio liquidity and individual stock liquidity. Generally, SIR expects that it will limit the size of most investments to a maximum of one to two days of average trading volume. However, the Hedged Equity Funds will invest in less liquid positions when the risk/reward opportunity is very compelling. Less liquid positions (i.e., where positions size exceeds two days average trading volume) generally will represent less than 10% of the portfolio and may include, for example, late stage private equity or direct investments with lock-up arrangements.

The Hedged Equity Funds intend to pursue opportunities globally within energy and related industries. The majority of investments are expected to be in North America (60% to 80%), with the remainder invested in foreign investments. The Hedged Equity Funds expect that any emerging market exposure will be limited to less than 5% to 10% of the overall portfolio.

As a key part of their risk management philosophy, the Hedged Equity Funds intend to maintain a fairly balanced long/short exposure. Net long exposure within the Hedged Equity Funds is generally expected to be in a range of -10% to +10%, although from time to time the Hedged Equity Funds could be up to 25% net long or short if compelling directional opportunities arise. In addition to balancing overall long/short exposure, the Hedged Equity Funds closely monitor exposures by geography, market capitalization and sub-sectors (e.g., oil field services, integrated oils, exploration and production) and typically limit net exposures by these categories.

The Hedged Equity Funds expect to use a moderate amount of financial leverage, which provides flexibility in managing the portfolio. Gross exposure (defined as longs plus shorts divided by fund equity) generally will be in the range of 150 to 300%. The level of gross exposure is determined by the amount and timing of specific relative value opportunities and by the overall level of portfolio volatility.

The Hedged Equity Funds generally operate under position sizing guidelines whereby no position is expected to exceed 5% of the Hedged Equity Funds' gross exposure, although these guidelines may be exceeded from time to time. In practice, it is anticipated that individual positions usually will represent 1 to 4% of gross exposure. Therefore, the Hedged Equity Funds' top ten long holdings generally will represent less than 50% of the long portfolio and, likewise, their top ten short holdings generally will represent less than 50% of the short portfolio.

Although the Hedged Equity Funds have no current intention to do so, sub-advisers may be retained to manage discrete portions of the Hedged Equity Funds' investments. Investments with sub-advisers will not comprise in the aggregate more than 15% of the Hedged Equity Funds' net assets (determined at the time of any such investment). Compensation to sub-advisers will be borne by SIR.

The Hedged Equity Funds also may invest through special purpose vehicles or other collective investment schemes, including those managed or administered by SIR or any of its Affiliates or by any company or firm managed or controlled by any member, partner, officer or employee of SIR.

In seeking to achieve the Hedged Equity Funds' investment objective, SIR generally has the flexibility to allocate the Hedged Equity Funds' assets among a wide range of relative-value strategies and instruments as opportunities arise. The Hedged Equity Funds expect to manage their

portfolios with low net exposure, although the Hedged Equity Funds may be net long or short at any given time. From time to time, a portion of the Hedged Equity Funds' assets may be invested in cash equivalents and short-term debt securities.

### **Energy Opportunities Funds**

The investment objective of the Energy Opportunities Funds is to achieve long term capital appreciation and superior risk adjusted returns by investing in a portfolio of securities of companies in the energy and related industries. The Energy Opportunities Funds seek to achieve their investment objective by implementing a traditional long/short hedge fund strategy.

Although the universe of companies and securities that the Energy Opportunities Funds invest in are substantially similar to those securities that the Hedged Equity Funds currently invest in, the overall investment strategy of the Energy Opportunities Funds differ in material aspects from the investment strategy that is employed in the management of the Hedged Equity Funds and that has been employed by the principals with respect to various pooled investment vehicles and other accounts.

The Energy Opportunities Funds rely on fundamental research to identify absolute return opportunities in global energy equities and equities of issuers in related industries. The Energy Opportunities Funds generally take long and short positions in companies that SIR believes are valued at a discount or a premium to their intrinsic value. A key objective of the portfolio construction process is to achieve long term capital appreciation while reducing the risk of significant loss.

The key elements of portfolio construction and risk controls are high liquidity and a well-researched fundamental view. Gross and net exposure is also adjusted as market risks and opportunities are identified. The Energy Opportunities Funds may also use options and other derivatives for managing risk.

The Energy Opportunities Funds primarily employ a bottom-up approach in their investment decision-making process, while at the same time taking significant account of investor sentiment, company-specific events, liquidity, current macroeconomic conditions and political developments in determining the appropriate relative weightings of positions. Generally, the selection of a long or short position is determined primarily by SIR's belief in, or doubts about, a company's market value versus its intrinsic value. SIR believes that Energy Opportunities Funds' returns will exhibit a level of volatility that may exceed broad equity markets as a whole and will be likely to correlate to energy and related market indices.

Furthermore, periods of increased market volatility may create dislocations between the market and intrinsic value of individual stocks and, as a result, may create attractive opportunities in the strategy.

The fundamental research process involves frequent interaction with company managements, sell-side analysts, buy-side analysts and industry experts. In addition, proprietary financial models are maintained for most of the portfolio investments and many potential investments. Investment

decisions are influenced by weighing the constant flow of new information against SIR's long-term thesis on investments in the portfolio and SIR's view of valuation of these investments.

Equity securities in which the Energy Opportunities Funds may invest include companies involved in exploration and production, refining and marketing, oil field services, drilling, shipping, coal, chemicals, energy transition, steel, engineering and construction, alternative energy and natural gas processing, transportation and distribution, as well as regulated utilities. The Energy Opportunities Funds may invest in MLPs, royalty trusts, ETFs, listed and over-the-counter derivatives, private placements and other securities. The Energy Opportunities Funds may, in the future, diversify beyond energy into related industries and sectors in which SIR believes its investment strategy may be successful.

SIR expects the Energy Opportunities Funds to maintain relatively concentrated investment portfolios consisting of approximately 10 to 40 long positions and 10 to 40 short positions. The core investments will generally be directionally biased and have a 6- to 36-month expected time horizon.

The Energy Opportunities Funds invest across a wide variety of market capitalizations. Large and mid-cap positions are expected to comprise the bulk of the Energy Opportunities Funds' portfolio, likely representing 80% to 100% of each Energy Opportunities Fund's gross assets. Smaller capitalization investments (defined as issuers with market capitalization of less than \$2 billion) are likely to remain a more modest allocation at approximately 0% to 20% of gross assets.

SIR places great importance on overall portfolio liquidity and individual stock liquidity. Generally, SIR expects that it will limit the size of most investments to a maximum of one day of average trading volume. The trading volume limitation will be considered in conjunction with the Hedged Equity Funds. However, the Energy Opportunities Funds may invest in less liquid positions and securities (including private placements, derivative contracts, and hard assets) when the risk/reward opportunity is very compelling. Less liquid positions (*i.e.*, where position size exceeds one day average trading volume) generally will represent less than 10% of the portfolio and may include, for example, private equity or direct investments with lock-up arrangements.

The Energy Opportunities Funds intend to pursue opportunities globally within energy and related industries. The majority of investments are expected to be in North America (60% to 80%) with the remainder invested in foreign investments. The Energy Opportunities Funds expect that any emerging market exposure will be limited to less than 15% of the overall portfolio.

The Energy Opportunities Funds' directional view on the energy market and the broader market will generally be expressed through portfolios constructed with a "net" long bias, which the Energy Opportunities Funds define as the gross amount of all long positions minus: (i) any leverage used to open such positions (if any); and (ii) other liabilities associated with such positions. Net long exposure within the Energy Opportunities Funds is generally expected to be in a range of 40% to 80%, although from time to time the Energy Opportunities Funds could be net neutral to the market when there are compelling reasons to take down risk or net short if fundamentals change sufficiently to justify such a position.

The Energy Opportunities Funds expect to use some financial leverage, which provides flexibility in managing the portfolio. Gross exposure (defined as longs plus shorts divided by fund equity) generally will be in the range of 100% to 200%. The level of gross exposure is determined by the quantity of opportunities, the conviction level of SIR in the opportunity set and the overall level of portfolio volatility.

The Energy Opportunities Funds generally operate under position sizing guidelines whereby no position is expected to exceed 15% of their assets under management, although these guidelines may be exceeded from time to time. In practice, it is anticipated that individual positions usually will represent 1% to 10% of gross exposure. Therefore, the Energy Opportunities Funds top five long holdings generally will represent less than 50% of the long portfolio and, likewise, their top five short holdings generally will represent less than 50% of the short portfolio.

The Energy Opportunities Funds also may invest through special purpose vehicles or other collective investment schemes, including those managed or administered by SIR or any of its Affiliates or by any company or firm managed or controlled by any member, partner, officer or employee of SIR and/or its Affiliates.

In seeking to achieve the Energy Opportunities Funds' investment objective, SIR generally has the flexibility to allocate the Energy Opportunities Funds' assets among a wide range of absolute value strategies and instruments as opportunities arise. From time to time, a portion of the Energy Opportunities Funds' assets may be invested in cash equivalents and short-term debt securities.

### *Special Investments*

As part of their investment program, the Energy Opportunities Funds may acquire assets or securities that SIR believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstance. In these circumstances, the Energy Opportunities Funds have the authority to designate such investments, along with corresponding hedge positions, if any, as special investments ("Special Investments"). Additionally, SIR may determine that, for various reasons, an asset that initially was not a Special Investment should be designated as a Special Investment.

Special Investments are allocated only to those investors (i) that are invested in an Energy Opportunities Fund at the time it makes a Special Investment or designates an existing investment as a Special Investment and (ii) whose participation in prior Special Investments does not equal or exceed 10% of the net assets of such investor in the applicable Energy Opportunities Fund.

\* \* \*

The Funds' trading methods are confidential and proprietary and the descriptions in this Form ADV Part 2A are not exhaustive. Investment decisions require the exercise of judgment by SIR. SIR may, at times, decide not to make investments, thereby possibly foregoing trading activity that may have yielded profits or avoided losses. There can be no assurance that the strategies or methods utilized by SIR will result in profitable trading for the Funds.

**There can be no assurance that the Funds' investment objectives will be achieved, and certain investment practices can, in some circumstances, potentially increase any adverse impact on the Funds' investment portfolios. In addition, investment results may vary substantially on a monthly, quarterly, annual and/or other periodic basis.**

### **General Risks**

**Cybersecurity Risk.** A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the Funds', the Master Funds', and/or SIR's (and/or any of their respective Affiliates) information systems. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. As part of their business, the Funds, the Master Funds, and SIR process, store and transmit large amounts of electronic information, including information relating to the transactions of the Master Funds and personally identifiable information of the investors. Similarly, service providers of the Funds, the Master Funds, and/or SIR may process, store and transmit such information. The Funds, the Master Funds, and SIR have procedures and systems in place that they believe are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third-parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third-parties may be susceptible to compromise, leading to a breach of the Funds', the Master Funds', and/or SIR's network. The Funds', the Master Funds', and/or SIR's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided to the investors may also be susceptible to compromise. Breach of the Funds', the Master Funds', and/or SIR's information systems may cause information relating to the transactions of the Master Funds and personally identifiable information to be lost or improperly accessed, used or disclosed. The service providers of the Master Funds are subject to the same electronic information security threats as the Funds, the Master Funds, and SIR. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Funds and personally identifiable information may be lost or improperly accessed, used or disclosed. The loss or improper access, use or disclosure of the Funds', the Master Funds', and/or SIR's proprietary information may cause, among other things, financial loss, the disruption of business, liability to third-parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds and the Master Funds and the investments therein.

**Disaster Recovery.** SIR has put in place safeguards designed to protect the interests of the Funds and the Master Funds in case of disruption of information technology, including transmission failures. Such measures may include the use of parallel or back-up systems, emergency power and alternative data feeds. There can be no guarantee that such measures will be effective in all situations, and SIR, the Funds and the Master Funds may be adversely affected by the occurrence of any such disruption.

**Coronavirus (COVID-19) and Other Public Health Risks.** The recent outbreak of the novel coronavirus (“COVID-19”) is adversely impacting global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak of COVID-19 has been rapidly evolving, and as an increasing number of cases of the virus have continued to be identified in countries across the world, many countries have reacted by instituting quarantines and restrictions on travel. Such actions are creating disruption in global demand and supply chains and are adversely impacting a wide range of different industries. While the longer term scope of the potential impact of the COVID-19 on global markets is not yet clear, the COVID-19 pandemic and any other outbreak of any infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on economic and market conditions and trigger a period of global economic slowdown. Any such economic impact could adversely affect the performance of the Funds’ investments and, as a result, COVID-19 presents material uncertainty and risk with respect to the Funds’ overall performance and financial results. Any prolonged restrictive measures instituted in order to prevent or control a pandemic or other public health crisis, such as the one posed by COVID-19 may have a material and adverse effect on the Funds and the Master Funds and the ability of the Funds’ administrator and other key service providers to adequately render services in fulfillment of their obligations to the Funds.

#### **Risks Relating to the Funds’ Investment Programs**

An investor should be aware that it may lose all or part of its investment in the Funds. All investments involve the risk of loss of capital. No guarantee or representation is made that the Funds’ investment programs will be successful. The Funds’ investment programs may utilize such investment techniques as option transactions, margin transactions, short sales, limited diversification, leverage and forward contracts, which can, in certain circumstances, increase the adverse impact to which the Funds’ portfolios may be subject.

**Risks of Investments in Securities Generally.** The Funds’ investment programs may involve, without limitation, risks associated with interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Funds’ activities. Certain investment techniques of the Funds can, in certain circumstances, maximize the impact of adverse market moves to which the Funds may be subject. In addition, the Funds’ investments in securities may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Funds invest their assets.

The Funds’ methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

**Energy Sector Risks.** As a result of the Funds’ investments in companies engaged in the energy industry and companies involved in energy infrastructure, the Funds will be more susceptible to adverse economic or regulatory occurrences affecting the energy sector. There are several risks associated with investments in companies operating in the energy sector, including the following:



*Commodity Price Volatility Risk.* Companies operating in the energy sector may be affected by fluctuations in the prices of energy commodities, including, for example, natural gas, natural gas liquids, crude oil and coal, in the short- and long-term. Fluctuations in energy commodity prices would directly impact companies that own such energy commodities and could indirectly impact companies that engage in transportation, storage, processing, distribution or marketing of such energy commodities. Fluctuations in energy commodity prices can result from changes in general economic conditions or political circumstances (especially of key energy-consuming countries); market conditions; weather patterns; domestic production levels; volume of imports; energy conservation; domestic and foreign governmental regulation; international politics; policies of the Organization of Petroleum Exporting Countries (“OPEC”); taxation; tariffs; and the availability and costs of local, intrastate and interstate transportation methods. The energy sector as a whole may also be impacted by the perception that the performance of energy sector companies is directly linked to commodity prices.

*Supply and Demand Risk.* Companies operating in the energy sector may be impacted by the levels of supply and demand for energy commodities. Companies operating in the energy sector could be adversely affected by reductions in the supply of or demand for energy commodities. The volume of production of energy commodities and the volume of energy commodities available for transportation, storage, processing or distribution could be affected by a variety of factors, including depletion of resources; depressed commodity prices; catastrophic events; labor relations; increased environmental or other governmental regulation; equipment malfunctions and maintenance difficulties; import volumes; international politics, policies of OPEC; and increased competition from alternative energy sources. Alternatively, a decline in demand for energy commodities could result from factors such as adverse economic conditions (especially in key energy-consuming countries); increased taxation; increased environmental or other governmental regulation; increased fuel economy; increased energy conservation or use of alternative energy sources; or increased commodity prices.

*Depletion Risk.* Companies engaged in the exploration, development, management or production of energy commodities face the risk that commodity reserves are depleted over time. Such companies seek to increase their reserves through expansion of their current businesses, acquisitions, further development of their existing sources of energy commodities, or exploration of new sources of energy commodities or by entering into long-term contracts for additional reserves; however, there are risks associated with each of these potential strategies. If such companies fail to acquire additional reserves in a cost-effective manner and at a rate at least equal to the rate at which their existing reserves decline, their financial performance may suffer. Additionally, failure to replenish reserves could reduce the amount and affect the tax characterization of the distributions paid by such companies.

*Risks of Investing in the Renewable Energy Sector.* Investments in renewable energy and companies with environmentally-friendly products are subject to political priorities and changing government regulation, which may not be enforced. New renewable energy technologies may be feasible, but not cost effective, as research and development costs for such technologies are high. Potential advantages of renewable energy may be slow in development and recognition. Additionally, interest in achieving a clean environment may diminish, particularly if the cost of non-renewable energy declines.

*Regulatory Risk.* The energy sector is highly regulated. Companies operating in the energy sector are subject to significant regulation of nearly every aspect of their operations by federal, state and local governmental agencies. Examples of governmental regulations which impact companies operating in the energy sector include regulation of the construction, maintenance and operation of facilities, environmental regulation, worker safety regulation, labor regulation, trade regulation and the regulation of the prices charged for products and services. Compliance with these regulations is enforced by numerous governmental agencies and authorities through administrative, civil and criminal penalties. Stricter laws or regulations or stricter enforcement policies with respect to existing regulations would likely increase the costs of regulatory compliance and could have an adverse effect on the financial performance of companies operating in the energy sector.

*Acquisition Risk.* MLPs owned by the Funds may depend on their ability to make acquisitions that increase adjusted operating surplus per unit in order to enhance distributions to unit holders. The ability of such MLPs to make future acquisitions is dependent on their ability to identify suitable targets, negotiate favorable purchase contracts, obtain acceptable financing and outbid competing potential acquirers. To the extent that MLPs are unable to make future acquisitions, or such future acquisitions fail to increase the adjusted operating surplus per unit, their growth and ability to make distributions to unit holders will be limited. There are risks inherent in any acquisition, including erroneous assumptions regarding revenues, acquisition expenses, operating expenses, cost savings and synergies; assumption of liabilities; indemnification; customer losses; key employee defections; distraction from other business operations; and unanticipated difficulties in operating or integrating new product areas and geographic regions.

*Interest Rate Risk.* Rising interest rates could increase the costs of capital thereby increasing operating costs and reducing the ability of companies operating in the energy sector to carry out acquisitions or expansions in a cost-effective manner. As a result, rising interest rates could negatively affect the financial performance of companies operating in the energy sector in which the Funds invest.

*Catastrophic Event Risk.* Companies operating in the energy sector are subject to many dangers inherent in the production, exploration, management, transportation, processing and distribution of natural gas, natural gas liquids, crude oil, refined petroleum and petroleum products and other hydrocarbons. These dangers include leaks, fires, explosions, damage to facilities and equipment resulting from natural disasters, inadvertent damage to facilities and equipment and terrorist acts. Since the September 11th terrorist attacks, the U.S. government has issued warnings that energy assets, specifically U.S. pipeline infrastructure, may be targeted in future terrorist attacks. These dangers give rise to risks of substantial losses as a result of loss or destruction of commodity reserves; damage to or destruction of property, facilities and equipment; pollution and environmental damage; and personal injury or loss of life. Any occurrence of such catastrophic events could bring about a limitation, suspension or discontinuation of the operations of companies operating in the energy sector. Companies operating in the energy sector may not be fully insured against all risks inherent in their business operations and therefore accidents and catastrophic events could adversely affect such companies' financial conditions and ability to pay distributions to shareholders.

**Infrastructure Sector Risk.** Companies involved in developing commercial, industrial or residential capital infrastructure (“Infrastructure Companies”) are typically subject to a variety of factors that may adversely affect their businesses or operations, including high interest costs in

connection with capital construction programs, costs associated with environmental and other regulations, the effects of economic slowdowns and surplus capacity, increased competition from other providers of services, uncertainties concerning the cost of energy and the effects of energy conservation policies.

*Regulatory Risk.* Infrastructure Companies may be subject to regulation by various governmental authorities and may also be affected by governmental regulation of rates charged to customers, service interruption due to environmental, operational or other mishaps, the imposition of special tariffs and changes in tax laws, regulatory policies and accounting standards.

*Technology Risk.* This risk arises where a change could occur in the way a service or product is delivered rendering the existing technology obsolete. While the risk could be considered low in the infrastructure sector given the massive fixed costs involved in constructing assets and the fact that many infrastructure technologies are well established, any technology change that occurs over the medium term could threaten the profitability of an Infrastructure Company. If such a change were to occur, these assets have very few alternative uses should they become obsolete.

*Regional or Geographic Risk.* This risk arises where an Infrastructure Company's assets are not moveable. Should an event that somehow impairs the performance of an Infrastructure Company's assets occur in the geographic location where the issuer operates those assets, the performance of the issuer may be adversely affected.

*Through-put Risk.* The revenue of many Infrastructure Companies may be impacted by the number of users who use the products or services produced by the Infrastructure Companies' assets. Any change in the number of users may negatively impact the profitability of the issuer.

*Project Risk.* To the extent the Funds invest in Infrastructure Companies dependent to a significant extent on new infrastructure projects, the Funds may be exposed to the risk that the project will not be completed within budget, within the agreed time frame or to agreed specifications. Each of these factors may adversely affect the Funds' returns from that investment.

*Strategic Asset Risk.* Infrastructure Companies may control significant strategic assets. Strategic assets are assets that have a national or regional profile, and may have monopolistic characteristics. The very nature of these assets could generate additional risk not common in other industry sectors. Given the national or regional profile and/or their irreplaceable nature, strategic assets may constitute a higher risk target for terrorist acts or political actions. Given the essential nature of the products or services provided by Infrastructure Companies, there is also a higher probability that the services provided by such issuers will be in constant demand. Should an Infrastructure Company fail to make such services available, users of such services may incur significant damage and may, due to the characteristics of the strategic assets, be unable to replace the supply or mitigate any such damage, thereby heightening any potential losses.

*Interest Rate Risk.* Infrastructure assets can be highly leveraged. As such, movements in the level of interest rates may affect the returns from these assets more significantly than other assets in some instances. The structure and nature of the debt encumbering an infrastructure asset may therefore be an important element to consider in assessing the interest risk of the infrastructure asset. In particular, the type of facilities, maturity profile, rates being paid, fixed versus variable

components and covenants in place (including the manner in which they affect returns to equity holders) are crucial factors in assessing any interest rate risk. Due to the nature of infrastructure assets, the impact of interest rate fluctuations may be greater for Infrastructure Companies than for the economy as a whole in the country in which the interest rate fluctuation occurs.

***Inflation Risk.*** Many companies operating in the infrastructure sector may have fixed income streams and, therefore, be unable to pay higher dividends. The market value of Infrastructure Companies may decline in value in times of higher inflation rates. The prices that an Infrastructure Company is able to charge users of its assets may be linked to inflation, whether by government regulation, contractual arrangement or some other factor. In this case, changes in the rate of inflation may affect the forecast profitability of the Infrastructure Company.

***Operation Risk.*** The long-term profitability of an Infrastructure Company may be partly dependent on the efficient operation and maintenance of its infrastructure assets. Should an Infrastructure Company fail to efficiently maintain and operate the assets, the Infrastructure Company's ability to maintain payments of dividends or interest to investors may be impaired. The destruction or loss of an infrastructure asset may have a major impact on the Infrastructure Company. Failure by the Infrastructure Company to carry adequate insurance or to operate the asset appropriately could lead to significant losses and damages.

***Customer Risk.*** Infrastructure Companies can have a narrow customer base. Should these customers or counterparties fail to pay their contractual obligations, significant revenues could cease and not be replaceable. This would affect the profitability of the Infrastructure Company and the value of any securities or other instruments it has issued.

**Limited Diversification; Concentration of Investments.** The Funds' portfolios are expected to be concentrated in a single sector. Accordingly, the risk of loss to the Funds is greater than if their portfolios were invested in a more diversified manner among various industry sectors. In addition, although the Funds' investments among a variety of different securities are intended to reduce the Funds' exposure to adverse events associated with specific issuers, the number of investments by the Funds may be limited. As a consequence, the Funds' returns as a whole may be adversely affected by the unfavorable performance of even a single investment.

**General Economic and Market Conditions.** The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices of securities, commodities or other financial instruments and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.

**Leverage and Borrowing Risks.** The Funds may leverage their capital because SIR believes that the use of leverage may enable the Funds to achieve a higher rate of return. Accordingly, the Funds may pledge their securities in order to borrow additional funds for investment purposes.

The Funds also may leverage their investment returns with options, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which the Funds may have outstanding at any time may be substantial in relation to their capital. It is anticipated that the amount of leverage that will be utilized will generally not exceed 300% of net assets. However, the Funds will not have formal leverage limits and opportunistic investments by SIR may cause the Funds to exceed this amount from time to time. In addition, the amount of leverage used by the Funds for a substantial period of time after commencement of operations of the Funds may be higher than SIR generally expects to employ on an ongoing basis. It is anticipated that substantially all of the leverage utilized will be with recourse to the Funds.

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

In general, the anticipated use of short-term margin borrowings results in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to "margin calls" pursuant to which the Funds must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to satisfy their margin requirements.

In addition, the lender or counterparty, as the case may be, may have a security interest in, or otherwise acquire, all or a portion of the Funds' assets. In the event that the Funds default under any such arrangement, such lender or counterparty may have the right to become or remain the owner of all or that portion of the Funds' assets secured pursuant to such arrangement.

**Systemic Risk.** The Funds may be subject to risk arising from a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Funds interact on a daily basis.

**Volatility Risk.** The Funds' investment programs may involve the purchase and sale of relatively volatile instruments such as derivatives, which are frequently valued based on implied volatilities of such derivatives compared to the historical volatility of underlying financial instruments. Fluctuations or prolonged changes in the volatility of such instruments, therefore, can adversely affect the value of investments held by the Funds. In addition, many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, price volatility may be higher for the Funds' investments.

**Liquidity Risk.** Liquidity may be essential to the Funds' businesses. Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise

impaired, the liquidity of the Funds' portfolio positions may be reduced. During such times, the Funds may be unable to dispose of certain assets, which would adversely affect the Funds' abilities to rebalance their portfolios or to meet withdrawal requests. In addition, such circumstances may force the Funds to dispose of assets at reduced prices, thereby adversely affecting the Funds' performances. If there are other market participants seeking to dispose of similar assets at the same time, the Funds may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if the Funds incur substantial trading losses, the need for liquidity could rise sharply while their access to liquidity could be impaired. In addition, in conjunction with a market downturn, the Funds' counterparties could incur losses of their own, thereby weakening their financial conditions and increasing the Funds' credit risk to them. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity may be reduced for the Funds' investments.

**Counterparty Risk.** The Funds may enter into many transactions, including derivatives and over-the-counter options transactions, with or through third parties in which the failure of the third-party to perform its obligations under a contract with the Funds could have a material adverse effect on the Funds. The Funds also will face counterparty risks in connection with their securities lending businesses. The Funds generally do not perform extensive credit analyses on their counterparties. Furthermore, any misconduct on behalf of the counterparties, including, without limitation, fraudulent activities, will increase the Funds' possible exposure to risk.

The Funds' assets may be generally held in accounts maintained for the Funds by their prime brokers. The prime brokers, as brokerage firms or commercial banks, are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker or any of their respective sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on the Funds and their assets. Investors should assume that the insolvency of any of the Funds' prime brokers or other service providers would result in the loss of all or a substantial portion of the Funds' assets held by or through such prime broker.

**Co-Investments with Third Parties.** The Funds may co-invest in portfolio investments with affiliated or unaffiliated third parties through joint ventures or other entities. Such investments may involve risks in connection with such third party involvement, including the possibility that a third party co-venturer may have financial difficulties, resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Funds or may be in a position to take (or block) action in a manner contrary to the Funds' investment objectives. In those circumstances where unaffiliated third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

**Position Limits.** "Position limits" imposed by various regulators also may limit the Funds' ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular financial instrument. All

positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. Thus, even if the Funds do not intend to exceed applicable position limits, it is possible that different accounts managed by SIR may be aggregated. If at any time positions managed by SIR were to exceed applicable position limits, SIR would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those limits. Further, to avoid exceeding the position limits, the Funds might have to forego or modify certain of their contemplated trades.

**Limitations Due to Regulatory Restrictions.** The Funds may seek to acquire a significant stake in certain securities. In the event such stake exceeds certain percentage or value limits, the Funds may be required to file a notification with a governmental agency or comply with other regulatory requirements. Certain notice filings are subject to review that requires a delay in the acquisition of the security. Compliance with such filing and other requirements may result in additional costs to the Funds, and may delay the Funds' abilities to respond in a timely manner to changes in the markets with respect to such securities.

**LIBOR.** LIBOR is a forward-looking interest rate at which a sub-set of banks (known as the panel banks) could borrow money on an uncollateralized basis from other banks. The Financial Conduct Authority, which regulates LIBOR, has decided to phase out LIBOR after 2021, due to some irregularities in the market. At this stage, certain banks may no longer be providing submissions for the calculation of LIBOR. It is uncertain whether or for how long LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, whether the new rate will be a forward-looking rate or an aggregate of historic rates, or what the effect any such changes may have on the financial markets for LIBOR-linked financial instruments. Similar statements have been made by regulators with respect to the other Inter-Bank Offered Rates ("IBORs"). The Funds and the Master Funds may undertake transactions in instruments that are valued using LIBOR or other IBOR rates or enter into contracts which determine payment obligations by reference to LIBOR or one of the other IBORs. Until their discontinuance, the Funds and the Master Funds may continue to invest in instruments that reference LIBOR or the other IBORs. Regulators and market participants are working to develop successor rates, spread adjustments and transition mechanisms to amend existing instruments and contracts to replace an IBOR with a new rate. Nonetheless, the termination of LIBOR and the other IBORs presents risks to the Funds and the Master Funds. It is not possible at this point to identify those risks exhaustively, but they include the risk that an acceptable successor rate, spread adjustments and transition mechanism may not be found or may not be suitable for the Funds and the Master Funds. In addition, any alternative reference rate and any pricing adjustments required in connection with the transition from LIBOR or another IBOR may impose costs on the Funds and the Master Funds or may not be suitable for the Funds and the Master Funds, resulting in costs incurred to close out positions and enter into replacement trades.

### **Risks Relating to Investment Instruments and Strategies**

**Equity and Equity-Related Securities Risks.** A principal risk of investing in the Funds is equity risk, which is the risk that the securities held by the Funds will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Funds participate, or factors relating to specific companies in which the Funds invest. Stock

of an issuer in the Funds' portfolios may decline in price if the issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition.

**Common Stock Risks.** Common stock in which the Funds will invest is structurally subordinated to preferred stock, bonds and other debt instruments in a company's capital structure, in terms of priority to corporate income, and therefore will be subject to greater dividend risk than preferred stock or debt instruments of such issuers. In addition, while common stock has historically generated higher average returns than fixed income securities, common stock has also experienced significantly more volatility in those returns. An adverse event, such as an unfavorable earnings report, may depress the value of common stock of an issuer held by the Funds. Also, the price of common stock of an issuer is sensitive to general movements in the stock market. A drop in the stock market may depress the price of most or all of the common stocks held by the Funds.

**Preferred and Hybrid Securities Risks.** The Funds may also invest in preferred stock and hybrid securities, which may have special risks. Preferred and hybrid securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If the Funds own a preferred or hybrid security that is deferring its distributions, the Funds may be required to report income for tax purposes even though it has not yet received such income. Some preferred and hybrid securities are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. A portion of the Funds' portfolios may include investments in non-cumulative preferred or hybrid securities, under which the issuer does not have an obligation to make up any arrears to its shareholders. Should an issuer of non-cumulative preferred or hybrid securities held by the Funds determine not to pay dividends on such a security, the amount of dividends the Funds pay may be adversely affected.

There is no assurance that dividends or distributions on non-cumulative preferred securities in which the Funds invest will be declared or otherwise made payable or paid. Preferred and hybrid securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments and, therefore, will be subject to greater credit risk than more senior debt instruments. Because preferred stock and hybrids are generally junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of such instruments than senior debt securities with similarly stated yield characteristics. Preferred and hybrid securities may be substantially less liquid than many other securities, such as common stocks or U.S. government securities. Generally, preferred and hybrid security holders (such as the Funds) have no voting rights with respect to the issuing company unless preferred dividends have been in arrears for a specified number of periods, at which time the security holders generally may elect a number of directors to the issuer's board. Generally, once all the arrears have been paid, the security holders no longer have voting rights. In certain varying circumstances, an issuer of preferred or hybrid securities may redeem the securities prior to a specified date. For instance, for certain types of preferred or hybrid securities, a redemption may be triggered by a change in federal income tax or securities laws. As with call provisions, a redemption by the issuer may negatively impact the return of the security held by the Funds.

**Convertible Securities Risks.** The Funds may invest in convertible securities. Convertible fixed income securities generally offer lower interest or dividend yields than non-convertible securities



of similar quality. As with all fixed income securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus may not decline in price to the same extent as the underlying common stock. Convertible securities rank senior to common stocks in an issuer's capital structure and consequently entail less risk than the issuer's common stock. The Funds may invest in convertible securities of any maturity and will determine whether to hold, sell or convert any security in which it has invested, depending upon SIR's outlook for the market value for such security and the security into which it converts.

**Concentration Risk.** The Funds will invest a substantial portion of their assets in companies in the energy sector of the economy. Such concentration may present more risks than if the Funds were broadly diversified over numerous industries and sectors of the economy. A downturn in the energy sector of the economy could have a larger impact on the Funds than on an investment company that does not concentrate in such sector. At times, the performance of securities of companies in the energy sector of the economy may lag the performance of other sectors or the broader market as a whole.

**Short Selling.** The Funds' investment portfolios may include short positions. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in the price of a particular security to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Exchange-Traded Funds.** Shares of ETFs and other similar instruments may be purchased or sold short by the Funds. An ETF is an investment company that is registered under the 1940 Act that holds a portfolio of common stocks designed to track the performance of a particular index. ETFs sell and redeem their shares at net asset value in large blocks (typically 50,000 of its shares) called "creation units." Shares representing fractional interests in these creation units are listed for trading on national securities exchanges and can be purchased and sold in the secondary market in lots of any size at any time during the trading day.

Instruments the Funds may purchase that are similar to ETFs represent beneficial ownership interests in specific "baskets" of stocks of companies within a particular industry sector or group. These securities also may be listed on national securities exchanges and purchased and sold in the secondary market, but unlike ETFs are not registered as investment companies under the 1940 Act.

Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument.

In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held.

Because ETFs and pools that issue similar instruments bear various fees and expenses, the Funds' investments in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. SIR may consider the anticipated expenses associated with an investment in determining whether to invest in an ETF or other instrument that otherwise might be suitable for investment by the Funds.

**Currency Exchange Exposure.** The Funds may invest a portion of their assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. The Funds, however, value their securities and other assets in U.S. dollars. The Funds may or may not seek to hedge their non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts, currency spot contracts and cross-currency swaps. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time when the Funds wish to use them, or that hedging techniques employed by the Funds will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all.

To the extent unhedged, the value of the Funds' positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which the Funds makes their investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the Funds' securities in their local markets and may result in a loss to the Funds. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the Funds' non-U.S. dollar investments.

**Non-U.S. Investments.** The Funds may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the U.S. involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding and other taxes on interest, dividends, capital gains and other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. The legal and regulatory environment also may be different, particularly as to bankruptcy and reorganization. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Funds may be unable to structure their transactions to achieve the intended results or to mitigate all risks associated with such markets. It also may be difficult to enforce the Funds'

rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the U.S. Commodity Futures Trading Commission (the “CFTC”) or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

**Emerging Markets.** The Funds intend to pursue opportunities globally within energy and related industries, although the majority of investments are expected to be in the United States, Western Europe and Canada. Emerging market exposure, including, without limitation, many developing markets in Asia, Latin America, emerging Europe and Africa, involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may be subject to the following risks: less publicly available information; more volatile markets; less liquidity or available credit; political or economic instability; less strict securities market regulation; less favorable tax or legal provisions; price controls and other restrictive governmental actions; a greater likelihood of severe inflation; unstable currency; and war and expropriation of personal property.

Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally and transactions may need to be made on a non-local exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. The quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported. The issuers of some non-U.S. securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and, therefore, potentially carry greater risk. In addition, the Funds’ investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities or restrictions on the ability to convert currency or to take currencies out of certain countries.

Due to the foregoing risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities of issuers based in developed countries.

In addition, economic problems in a single emerging market country are increasingly affecting other markets and economies. A continuation of this trend could adversely affect global economic conditions and world markets and, in turn, could adversely affect the Funds’ performance.

**Highly Volatile Markets.** Price movements of forwards, futures, derivative contracts and other instruments in which the Funds’ assets may be invested can be highly volatile and are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instrument futures and options. Such intervention often is intended directly to influence

prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

**Futures Contracts.** The value of futures depends upon the price of the instruments, such as commodities, underlying them. The prices of futures are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, investments in futures are also subject to the risk of the failure of any of the exchanges on which the Funds' positions trade or of their clearinghouses or counterparties.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses or from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

**Forward Trading.** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which SIR would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in significant losses to the Funds.

**Call Options.** The Funds may incur risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the

loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

**Put Options.** The Funds may incur risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

**Other Derivative Instruments.** The Funds may enter into swaps and other derivative instruments, such as credit derivatives. It may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objectives of the Funds and legally permissible. Special risks may apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds. For example, risks with respect to credit derivatives may include determining whether an event will trigger payment under the contract and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk. Other swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

**Taxes and Derivatives.** The regulatory and tax environment for derivative instruments in which the Funds may participate is evolving, and changes in the regulation or taxation of such investments may materially adversely affect the value of such investments and the ability of the Funds to pursue their investment strategies.

### **General Private Equity Risks.**

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

*Control Issues.* Although SIR may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Funds

take minority positions in companies in which they invests, SIR may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect its position in such companies.

*Contingent Liabilities.* From time to time the Funds may incur contingent liabilities in connection with an investment. For example, the Funds may enter into agreements pursuant to which they agree to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to the Funds.

*Uncertain Exit Strategies.* Due to the illiquid nature of some of the positions which the Funds are expected to acquire, as well as the uncertainties of the reorganization and active management process, SIR is unable to predict with confidence what the exit strategy will ultimately be for any given core position, or that one will definitely be available. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political or other factors.

**Valuation of the Funds' Assets and Liabilities.** The assets and liabilities of the Funds are valued in accordance with the Funds' governing documents. There is no guarantee that the value given to an investment will represent the value that will be realized by the Funds on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. As a result, an investor withdrawing or redeeming from a Fund prior to realization of such an investment may not participate in gains or losses therefrom. The use of inaccurate valuations may prohibit the Funds from effectively managing their investment portfolios and risks, may result in the Funds exceeding certain investment guidelines and may affect the diversification and risk management of the Funds' portfolios.

**Hedging Transactions.** The Funds may utilize financial instruments for hedging purposes. The Hedged Equity Funds may utilize a variety of financial instruments both for investment purposes and for hedging purposes. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk (including unidentified or unanticipated risks), thereby incurring losses to the Funds. In addition, such hedging transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transactions. Moreover, it should be noted that (i) SIR may determine not to hedge against, or may not anticipate, certain risks and (ii) the portfolios always will be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).

### **Additional Risks for the Energy Opportunities Funds**

**Special Investments.** From time to time, SIR expects that the Energy Opportunities Funds will acquire securities and other instruments that are illiquid and/or lack a readily assessable market value and that SIR determines are Special Investments. Special Investments are generally difficult to value as observable market prices may not be available and valuation may be highly dependent on the judgment of SIR.

A Special Investment is not limited to a financial instrument. An investor generally may not withdraw or redeem any portion of its investments that have been designated as Special

Investments or receive any proceeds from such investments until a Realization Event occurs with respect to such Special Investment. A “Realization Event” occurs with respect to a Special Investment when SIR determines, in its sole discretion, that: (i) the Special Investment has become liquid (including, without limitation, when there is a public offering of the securities constituting the Special Investment that provides a reasonable value); (ii) the Special Investment is liquidated, sold or otherwise disposed of by the Energy Opportunities Fund; or (iii) circumstances otherwise exist that, in the judgment of SIR, establish a value for the Special Investment other than fair value or cost (including, without limitation, when additional securities substantially similar to the Special Investment have been issued by the issuer of the such Special Investment).

A Realization Event with respect a particular Special Investment may not occur for several years and applicable investors will continue to hold their respective portions of a Special Investment and will be at risk with respect to their investment performance until such Realization Event occurs. Special Investments may include minority positions in companies, and the rights associated with minority ownership may be insufficient to exercise influence on the management of the investment and timing of any exit strategies with respect to the investment. Furthermore, the risk exists that other investors in the investment may have interests that conflict with those of the Energy Opportunities Funds.

Special Investments generally require substantial due diligence and the ability to conduct such diligence may vary depending on the resources available to the Energy Opportunities Funds, including information provided to the Energy Opportunities Funds by the targets involved and third party advisors, and the overall timing for consummating the investment opportunity. Such diligence may not reveal all relevant facts as may be necessary or helpful in evaluating such investment opportunity. The market risk associated with a Special Investment may be difficult to hedge and may result in greater losses than a more liquid or public investment for which hedges may be available. Special Investments may also be denominated in currencies other than U.S. dollars and SIR may choose to enter into transactions to hedge all or a portion of the currency risk. Such hedges may or may not be successful and could result in greater losses than if such risk had not been hedged.

Each of the Energy Opportunities Funds is a single legal entity. Generally, creditors of the Energy Opportunities Funds may enforce claims against all assets of the applicable Energy Opportunities Fund, even if the claim or liability relates to a particular Special Investment and any corresponding hedge positions attributable to a Special Investment. Thus, for example, in the event that the assets attributable to a Special Investment were completely depleted by losses or liabilities, a creditor could enforce a claim against the assets of the applicable Energy Opportunities Fund which would be borne by the other investors of the applicable Energy Opportunities Fund, including those investors that did not participate in such Special Investment.

SIR generally classifies an investment as a Special Investment if, among other factors, the investment is illiquid, SIR believes that such investment should be held until the resolution of a specific event or circumstance or there is no readily assessable market value for such investment. Such assessment and classification may be made initially or at such later time as SIR, in its sole discretion, believes is appropriate after consideration of these and other relevant factors. However, SIR may not designate an investment meeting such criteria as a Special Investment if it believes that not designating the investment as a Special Investment is consistent with the overall investment

programs and risk profiles of the Energy Opportunities Funds. SIR considers these and/or other relevant factors when initially classifying an investment, and any time it evaluates a reclassification of a Special Investment. Although SIR strives to make each determination of whether an investment should be characterized as a Special Investment in good faith, the fact that a performance allocation will not be taken on unrealized gains on investments in respect of the Special Investments may create a potential conflict of interest because SIR has an interest to deem that a Realization Event has occurred with respect to Special Investments realized, even if the liquidity, and therefore, the value of such Special Investments is uncertain or unstable. Conversely, the fact that unrealized losses on Special Investments are not considered in calculating the Incentive Allocation may create a potential conflict of interest because SIR could delay the determination that a Realization Event has occurred with respect to Special Investments which have an unrealized loss despite circumstances (e.g., a readily assessable market value) that would otherwise result in the determination that a Realization Event has occurred.

Please see Item 10 (Other Financial Industry Activities and Affiliations).

**Item 9.** Disciplinary Information

None.

**Item 10.** Other Financial Industry Activities and Affiliations

**Industry Affiliations**

SIR Capital Management, L.P., a Delaware limited partnership, provides advice on a discretionary basis to the Funds and the Master Funds and its affiliate, SIR Advisors, L.L.C., a Delaware limited liability company, acts as the general partner for the U.S.-based Funds.

**Potential Conflicts of Interest**

The Funds are subject to a number of actual and potential conflicts of interest, as described below:

SIR currently provides investment advisory services to the Funds. The Funds invest in the same universe of companies and securities as each other, but employ a materially different investment strategy. The strategies of the Hedged Equity Funds and the Energy Opportunities Funds differ in many ways. For example, the Energy Opportunities Funds are significantly more volatile and have a higher level of concentration than the Hedged Equity Funds. The Energy Opportunities Funds generally will have a much higher net exposure to the energy sector and generally may, therefore, be more highly correlated to energy indices and the broader markets. SIR expects that the Energy Opportunities Funds will trade less frequently than the Hedged Equity Funds and that the Energy Opportunities Funds will have a longer time horizon in pursuing their investment objective with limited short-term trading. The Energy Opportunities Funds generally will be much more focused on the absolute value of securities, including a much higher reliance on the macro outlook for energy markets as opposed to the relative value strategy pursued by the Hedged Equity Funds. In allocating investment opportunities, the interests of one or both of the Hedged Equity Funds may be given priority over the interests of one or both of the Energy Opportunities Funds. Accordingly, investment opportunities identified by SIR and its Affiliates may be allocated only to certain of the Funds. In



addition, SIR takes into account the interests of each of the Funds in making investment decisions for the Funds. For example, SIR may decide that the one Fund should not invest in a thinly traded security that is held by another Fund if SIR determines in its sole discretion that the Fund's investment may adversely impact the liquidity of such security (and, as a result, the liquidity of the Funds). As a result, a Fund may not be afforded the chance to participate in attractive investment opportunities in which another Fund is given the opportunity to participate, or in some cases may be allocated a small part of an investment opportunity when the other Funds are allocated a larger portion.

SIR currently does not provide investment advisory services to any clients other than the Funds, although it and/or one or more affiliates may do so in the future. If SIR were to provide investment advisory services to Other Accounts in the future, it is possible that the Other Accounts will take positions either similar or opposite to positions taken by the Funds in connection with their investment strategies, and may from time to time be competing with the Funds for similar investments.

A Fund may co-invest in portfolio investments at substantially the same time as other Funds. There can be no assurance that a Fund would dispose of such a portfolio investment at substantially the same price or time as another Fund due to many factors that may or may not be foreseeable at the time of investment, including, but not limited to, the availability of capital, differing basis in the investment, differing financing terms applicable to different investments and different investment objectives and investment programs of the Funds.

The Funds regularly may acquire confidential information and enter into confidentiality and/or "standstill" agreements when assessing investment opportunities. These activities could prevent the Funds from disposing of (or acquiring additional) securities of an issuer, potentially for an extended period.

A Fund may hold interests in an issuer that are of a different class or type than the class or type of interest held by other Funds. From time to time, a Fund may acquire securities or other assets of an entity that are senior or junior to, or otherwise have different rights, preferences and privileges than, securities or assets of the same entity that are held by, or acquired for, another Fund. The Funds will not be required to take any action or withhold from taking any action to mitigate losses in such a scenario.

The Managing Members and certain employees of SIR may serve as a member of the board of directors, as a member of an investment or advisory committee, or otherwise in an advisory capacity for one or more corporations, foundations or other organizations, some of which may be shareholders or partners, as applicable, of the Funds. Such positions may create a conflict between the services and advice provided to such organizations and the responsibilities owed to the Funds. Although the Managing Members and such employees of SIR will seek to limit any such conflicts and will act in a manner that is in accordance with their fiduciary duties to the Funds and such organizations, there can be no assurance that serving in such positions will have no impact on the person's ability to perform his responsibilities on behalf of the Funds.

SIR's Affiliates may from time to time make personal investments in securities or instruments in which SIR may invest the Funds' assets. However, all such trades will require approval by SIR.

Generally, such approval will be denied to the extent that the Funds hold such securities in their portfolios at the time of the request.

From time to time, various additional potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of SIR and its Affiliates. SIR has established policies and procedures to monitor and resolve conflicts and will endeavor to resolve conflicts with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances. Certain investments may be appropriate investments for the Funds as well as appropriate investments for Other Accounts (to the extent that SIR serves as investment advisor to Other Accounts). Nonetheless, for various reasons, SIR may give advice and recommend securities to other clients which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar to those of the Funds. SIR or its Affiliates may invest on behalf of themselves in securities and other instruments that would be appropriate for, are held by or fall within the investment guidelines of, the Funds. SIR or its Affiliates may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for the Funds.

SIR devotes as much of its time to the activities of the Funds as SIR deems necessary and appropriate. By the terms of the Funds' organizational documents, SIR is not restricted from forming managed accounts or other investment partnerships or funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Funds and/or may involve substantial time and resources of SIR. These activities could be viewed as creating a conflict of interest in that the time and effort of SIR and its Affiliates are not be devoted exclusively to the business of the Funds, but will be allocated between the business of the Funds and other business activities of SIR and its Affiliates.

If it is determined by SIR that a Fund and/or one or more Other Accounts (to the extent that SIR serves as investment advisor to Other Accounts) will participate in the same investment opportunity, SIR may seek to execute orders for all of the participating investment accounts, including the Funds, on an equitable basis, taking into account such factors as SIR in its sole discretion may deem appropriate. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, investments may be allocated among the different accounts on a basis which SIR considers equitable. Average pricing, however, is not permitted under applicable CFTC regulations and, therefore, it is possible that different accounts will have orders for the same commodity interest transactions filled at different prices.

Subject to the priority which may be given to the Hedged Equity Funds over the Energy Opportunity Funds, in allocating investment opportunities, investments generally will be allocated among clients pro rata based on the net asset value of each respective client; provided, however, that the following factors, among others, may be considered with respect to each respective client in determining that an allocation other than pro rata is appropriate: the investment objectives and guidelines of each client; risk management guidelines; relative historical participation of a client in the proposed investment and related exposure considerations; cash and liquidity needs of each of the clients; ability to borrow and the cost of borrowed funds; regulatory differences among the clients; legal restrictions, including those that arise in foreign jurisdictions; tax status differences among the

clients; nature and size of the trade allotment made available to clients; new clients with substantial amount of investable cash; and to avoid odd-lots.

The Funds (and the Master Funds) may engage in agency, agency cross and principal transactions with Affiliates of SIR to the extent permitted by applicable securities laws.

The use of a master-feeder structure also may create a conflict of interest in that different tax considerations for the domestic and offshore Funds may cause the Master Funds to structure or dispose of an investment in a manner that is more advantageous to one feeder fund than to another feeder fund.

Please see Items 4 (Advisory Business), 8 (Methods of Analysis, Investment Strategies and Risk of Loss), 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and 12 (Brokerage Practices).

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

SIR has adopted a code of ethics pursuant to Advisers Act Rule 204A-1. SIR's code of ethics requires compliance with all applicable laws and regulations governing the provision of investment management services to SIR's clients. In addition, SIR's code of ethics highlights the fiduciary duty that SIR owes to its clients, including the affirmative duty to act in the best interests of its clients and to make full and fair disclosure of material facts. SIR expects each supervised person to act with integrity, competence, dignity, and in an ethical manner when dealing with the public, the Funds, investors and prospective investors in the Funds, service providers and fellow supervised persons. SIR also expects supervised persons to adhere to the highest standards with respect to any potential conflict of interest with clients.

SIR's code of ethics has specific provisions relating to identifying potential conflicts of interest. The provisions prohibit a supervised person from directing client transactions for the purpose of obtaining a personal benefit. They also generally prohibit certain personal business dealings with clients or investors without the prior approval of the Chief Compliance Officer or his designee. The code of ethics includes provisions relating to accepting offers of gifts or entertainment from third parties.

Access persons are required to conduct all personal securities transactions in full compliance with SIR's code of ethics, and should not take any action in connection with personal securities transactions that could cause even the appearance of unfairness or impropriety, relative to SIR's clients. Ambiguous situations should be promptly brought to the attention of the Chief Compliance Officer or his designee, and should be resolved in favor of client interests.

Finally, SIR's code of ethics requires access persons, among other things, to: (i) have all personal securities transactions involving IPO's, Limited Offerings and securities of issuers within energy or energy related industries pre-approved by the Chief Compliance Officer or his designee and are subject to a day holding period; (ii) report all their personal securities transactions involving reportable securities to the Chief Compliance Officer or his designee periodically in accordance

with Rule 204A-1; and (iii) certify their compliance with SIR's code of ethics on at least an annual basis.

All violations of the code of ethics must be promptly reported to the Chief Compliance Officer or his designee, who is primarily responsible for administering and enforcing SIR's code of ethics.

SIR will provide any client or prospective client with a copy of SIR's code of ethics upon request by contacting the Chief Compliance Officer at the following address:

c/o SIR Capital Management, L.P.  
Attention: Chief Compliance Officer  
640 Eighth Avenue, 34<sup>th</sup> Floor  
New York, New York 10036

SIR and its Related Persons do not recommend to clients, or buy or sell for client accounts, securities in which SIR or its Related Persons have a material financial interest. Although the principals, employees and officers may buy and sell securities for their own account or the account of others, they may not buy securities from or sell securities to the Funds or the Master Funds.

Please see Items 10 (Other Financial Industry Activities and Affiliations) and 12 (Brokerage Practices).

#### **Item 12.** Brokerage Practices

As part of its fiduciary duty, SIR has an obligation to seek the best execution of securities transactions for the Funds when SIR is in a position to direct brokerage transactions. SIR conducts the following types of reviews to evaluate the qualitative and quantitative factors that influence execution quality: (i) contemporaneous reviews by SIR's traders; (ii) periodic (which SIR expects generally to be on a weekly basis) broker/dealer score sheets completed by SIR's analysts and portfolio managers; and (iii) periodic (which SIR expects to be no less frequently than on a semi-annual basis) meetings of the Best Execution Committee, which is comprised of SIR's portfolio managers, traders and the Chief Compliance Officer. The Chief Compliance Officer is responsible for documenting the date of each Best Execution Committee meeting, the participants, and any substantive determinations made by the committee.

SIR allocates transactions for the Funds to brokers in consideration of such factors as price, transaction costs, a broker's ability to effect the transactions, its facilities, reliability and financial responsibility, commitment of capital, access to company management, access to deal flow and the provision or payment by the broker of the costs of research and research-related services which are of benefit to SIR and the Funds, as well as other factors that are deemed appropriate to consider under the circumstances. Accordingly, the commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Funds by brokers in the foregoing circumstances may be higher than those charged by other brokers who may not offer such services.

The use of commission dollars (or dealer markups and markdowns arising in connection with riskless principal transactions) for research services comes within the safe harbor for the use of

soft dollars provided under Section 28(e) of the Securities Exchange Act of 1934, as amended. SIR's traders are responsible for monitoring the commissions paid to SIR's soft dollar brokers, while the Best Execution Committee is responsible for overseeing the soft dollar relationships. Finally, the Chief Compliance Officer is responsible for approving soft dollar products and services and monitoring SIR's overall compliance with this policy.

In some instances, SIR may obtain a product or service that is used, in part, by SIR for Section 28(e) eligible purposes and, in part, for other purposes. In such instances, SIR will make a good faith effort to determine the relative proportion of the product or service used to assist SIR in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). Such determination will be made based on the actual use of the product or service by SIR personnel. The proportion of the product or service attributable to assisting SIR in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions. The determination of the appropriate allocation of "mixed use" products and services creates a potential conflict of interest between SIR and clients.

Research products or services generated using soft dollars by SIR's advisory clients may be used by SIR to service one or more client accounts, including, but not necessarily limited to, client accounts that may not have paid for the soft dollar benefits. SIR does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the clients generate.

The Funds may, from time to time, avail themselves of short-term trading opportunities and the turnover rate of the Funds' portfolios in those circumstances may be substantially greater than the turnover rates of other types of investment vehicles.

Subject to the considerations described above, the selection of a broker-dealer (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker-dealer of the following: consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow. Generally, SIR and the Funds do not separately compensate any broker-dealer for any of these other services. Such services and items may influence SIR's selection of brokers.

The prime brokers clear (generally on the basis of payment against delivery) the securities transactions for the Funds which are effected through other brokerage firms. The Funds may select additional or different brokers in the future to act as prime brokers for the Funds, and such prime brokers are selected from the leading prime brokerage service providers in the marketplace.

### **Item 13.      Review of Accounts**

SIR performs periodic reviews of the Funds' portfolios. These reviews are conducted by various groups within SIR, including: (i) the Managing Members, (ii) investment committee members, traders and research analysts who monitor and review positions and risk, (iii) certain back office personnel who are responsible for valuation, confirmations, settlements, and position reconciliation and allocating profits and losses of the Funds, and (iv) certain risk management personnel.

The Funds provide unaudited summary performance information to investors on a periodic basis. Investors in the Funds are sent the Funds' audited financial statements within the later of (i) 90 days after each fiscal year end or (ii) 10 business days after the completion of each year-end audit of the Funds' books and records, or as soon as reasonably practicable thereafter.

**Item 14.** Client Referrals and Other Compensation

SIR may enter into arrangements with placement agents to solicit investors in the Funds, and such arrangements may provide for the compensation of such placement agents at SIR's expense. A prospective investor solicited by a placement agent will be advised, and asked to acknowledge its understanding, of any such arrangement.

Please see Items 10 (Other Financial Industry Activities and Affiliations) and 12 (Brokerage Practices).

**Item 15.** Custody

SIR is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a Fund or otherwise withdrawing funds from a Fund. SIR is also deemed to have custody as its affiliate, SIR Advisors, L.L.C., serves as the general partner of the SIR Funds. Accordingly, SIR is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). The Funds' assets are held in custody by unaffiliated, long-standing broker dealers or banks, all of whom are qualified custodians as the term is defined in the Custody Rule. The Funds are subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the Funds audited financial statements are sent to all investors within 120 days of the end of the Fund's fiscal year end.

**Item 16.** Investment Discretion

Pursuant to the investment advisory agreements and limited liability operating agreements of the Funds, SIR and its Affiliates have discretionary authority to manage the Funds. These agreements generally include a power of attorney given by the Funds to SIR and its Affiliates.

There are no limitations placed on this authority.

Please see Item 4 (Advisory Business).

**Item 17.** Voting Client Securities

SIR has been delegated the authority and right to vote proxies received by the Funds. SIR has adopted a proxy voting policy that requires SIR to act in the best interests of its clients when exercising proxy voting authority. SIR has established a Proxy Voting Committee that includes the managing partners and the Chief Compliance Officer and has the authority to vote proxies on behalf of the Funds. The Proxy Voting Committee also is responsible for the periodic review of SIR's policies and procedures with respect to proxy voting and their implementation.

SIR has retained an independent proxy service and directed it to apply its proxy voting guidelines in making recommendations with respect to proxy voting. In most cases, SIR expects to follow the recommendation of the independent proxy service. If SIR does not follow the recommendation of the independent proxy service, it will document the reason for not doing so. Further, SIR will not vote proxies for which a client has expressly retained voting authority.

If the Proxy Voting Committee identifies a material conflict between SIR's interests and the interests of the Funds with respect to a particular proxy vote, it will vote in accordance with the recommendation of the independent proxy service.

Proxies will not be required to be voted if the Funds' interests are insignificant (less than \$1,000) or if the cost of voting would exceed the foreseeable benefit of the vote.

Clients may obtain, free of charge, a copy of SIR's proxy voting policies and procedures and/or a record of proxy votes cast since the effective date of SIR's registration with the SEC by contacting the Chief Compliance Officer at the following address:

c/o SIR Capital Management, L.P.  
Attention: Chief Compliance Officer  
640 Eighth Avenue, 34<sup>th</sup> Floor  
New York, New York 10036

**Item 18.** Financial Information

There is no current financial condition that is reasonably likely to impair SIR's ability to meet its contractual commitments to its clients.

**Item 19.** Requirements for State-Registered Advisers

Not applicable.