

Part 2A of Form ADV: Firm Brochure

December 13, 2024

Unifi Asset Management LP

One Battery Park Plaza
Suite 2930
New York, New York 10004

This brochure provides information about the qualifications and business practices of Unifi Asset Management LP (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer, Frederick Shaw, at 212-351-5609 or fshaw@unifi.com. This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about the Adviser is also available on the SEC’s website at www.adviserinfo.sec.gov.

Registration with the SEC does not imply a certain level of skill or training.

Item 2. Material Changes

There have been no material changes since the last filing of this Form ADV Part 2A on September 24, 2024.

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Item 4. Advisory Business

The Adviser is an investment adviser with its principal place of business in New York, New York. The general partner of the Adviser is Unifi Advisors LLC. Omer Gundogdu is the Chief Executive Officer and Chief Investment Officer of the Adviser, and is the managing member of the general partner of the Adviser.

The Adviser provides investment advisory services on a discretionary basis to its clients, which currently consists of a separately management account. The Adviser will provide in the future investment advisory services on a discretionary basis to clients, which will consist of pooled investment vehicles (each, a “Fund”) and separately managed accounts (each, a “SMA” and collectively with the Funds, the “Clients”) intended for sophisticated investors and institutional investors.

The Adviser will provide advice to Clients based on specific investment objectives and strategies.

As of December 13, 2024, the Adviser has approximately \$120,000,000 of net assets under management which are managed on a discretionary basis.

Item 5. Fees and Compensation

Asset-Based and Performance-Based Compensation. The fee schedules for the Clients will be described in detail in each Client’s offering memorandum or an investment management agreement.

As a general matter, the Clients will pay the Adviser an asset-based investment management fee each month in advance ranging from 0.50% to 1.75% per annum based on the value of the net assets of the respective Client on the first business day of each month (the “Management Fee”). The Adviser may waive or modify the Management Fee for investors that are members, partners, principals, employees or affiliates of the Adviser or the General Partner, relatives or entities of such persons, and for certain large or strategic investors. Certain strategic investors may be entitled to receive a portion of the Management Fee that would otherwise be payable to the Adviser.

As a general matter, Unifi Advisors LLC (the “General Partner”), an affiliate of the Adviser, will be entitled to receive annual performance-based compensation (the “Incentive Allocation”) from the Clients at a rate of 20%, which is compensation that is based on a share of net capital appreciation of the assets of a Client. The Incentive Allocation will be calculated on an investor-level basis and be subject to a loss carryforward provision. In some cases, the Incentive Allocation will be subject to a hurdle. The General Partner may waive or modify the Incentive Allocation for investors that are members, partners, principals, employees or affiliates of the Adviser or the General Partner, relatives or entities of such persons, and for certain large or strategic investors. Certain strategic investors may be entitled to receive a portion of the Incentive Allocation that would otherwise be allocable to the General Partner.

Expenses. In addition to bearing the Management Fee and Incentive Allocation, if any, the Clients will also be subject to other expenses related to its investments and operations, such as all investment-related costs and expenses (i.e., expenses that, in the Adviser’s sole discretion, are related to the investment of a Client’s assets, whether or not such investments are consummated), including commissions and charges, interest on margin accounts and other indebtedness, expenses relating to short sales, clearing and settlement charges, option premiums and custodial and service fees, research-related expenses (including research-related travel expenses) and expenses relating to consultants, attorneys, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments; fees and expenses related to portfolio exposure and performance management systems, risk management services and software related to trade reconciliation, treasury, margin, financial and counterparty management, risk monitoring, performance reporting, valuation quotation services (e.g., Bloomberg terminals, historical and live financial data and other similar services and data feeds) and trade order management systems (including systems that facilitate trade compliance, commission management, execution management, stock locates and transaction cost analysis, and third party service providers used for implementation, custom reporting, updates, consultations, support, maintenance, monitoring and data extracts); a Client’s legal, accounting, tax preparation and other tax-related

expenses (including preparation and mailing costs of financial statements, tax returns and other reports to investors), auditing, consulting and other professional expenses; third-party administration costs, fees and expenses (including any costs, fees and expenses related to investor communications, relations, reporting or other investor materials, performance information, data extraction and other types of reporting and any audit or accounting services provided by a third-party administrator); all fees and charges of custodians, clearing agencies and banks; compliance and reporting expenses and expenses attributable to regulatory filings that are made with respect to a Client or its assets (including Section 13, Section 16, Form D, Form PF, the Foreign Account Tax Compliance Act, anti-money laundering compliance, state security filings, general regulatory compliance and non-U.S. position reporting filings, if applicable, and any other non-U.S. filings); a Client's pro rata share of Client-related insurance costs (including the Client's pro rata portion of director's and officer's insurance, errors and omissions insurance, fidelity insurance and other similar policies covering the General Partner and/or the Adviser); any taxes (including, without limitation, any withholding taxes, transfer taxes, stamp duties and other governmental or self-regulatory agency-related charges or duties); all costs and expenses incurred in attempting to protect and enhance the value of a Client's investment (including any fees and expenses associated with any pending or threatened litigation, audit, investigation, administrative or other proceeding, as well as any settlement costs); fees and expenses of any independent representative of a Client; any fees and expenses related to a Client's liquidation, if applicable; fees paid to proxy and securities class action advisory firms; expenses relating to the offer and sale of interests in a Client and withdrawals and transfers thereof; a Client's pro rata share of the expenses of a master fund, if applicable, (which may include expenses of the Client and other investment vehicles invested in the master fund); other reasonable expenses related to the purchase, sale, preservation or transmittal of Client assets; and any extraordinary expenses (e.g., indemnification expenses).

The allocation of expenses by the Adviser between it and a Client and, to the extent the Adviser manages multiple Client accounts, among Clients represents a conflict of interest for the Adviser. The Adviser will adopt an expense allocation policy that is designed to address this conflict. The Adviser will allocate expenses to each Client in accordance with the Client's governing documents. The Adviser will seek to allocate any shared expenses for products and services benefitting multiple Clients or both the Adviser and a Client, and not covered in the Client's governing documents, in a fair and reasonable manner.

Item 6. Performance-Based Fees and Side-by-Side Management

The Adviser (or an affiliate of the Adviser) will be entitled to be paid performance-based compensation by its Clients. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. In addition, the Adviser's investment personnel may be compensated on a basis that includes a performance-based component. The Adviser and its investment personnel, including investment personnel that may share in performance-based compensation, will manage both Client accounts that are charged performance-based compensation and accounts that are charged an asset-based fee, which is a non-performance-based fee. In addition, certain Client accounts in the future may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts or have asset-based fees or performance-based compensation arrangements providing for payment to the Adviser at different times or over different time intervals. When the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel will have a greater incentive to favor Client accounts that pay the Adviser (and indirectly its investment personnel) higher fees, performance-based compensation, or compensation that is paid at different times or over different time intervals.

The Adviser anticipates that it will manage multiple Client accounts. The management of multiple Client accounts creates a conflict of interest because the Adviser may have an incentive to favor one Client account over another. Accordingly, the Adviser will adopt and implement policies and procedures intended to address conflicts of interest relating to the management of multiple Client accounts. In particular, the Adviser will review investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts will also be reviewed to determine whether there are any unexplained significant discrepancies. In addition,

the Adviser's procedures relating to the allocation of investment opportunities will require that eligible Client accounts with the same or substantially similar investment mandates and strategies participate in investment opportunities pro rata based on the relative value of the assets of each participating account to all participating accounts; provided, however that the Adviser may allocate investment opportunities to such accounts on a non-pro rata basis due to a consideration of factors including but not limited to timing of cash inflows/outflows, ability to participate in new issues, etc. To the extent orders are aggregated, Client orders will be price-averaged and allocated in accordance with the aggregated order; provided, that the aggregated order may be allocated on a different basis for reasons including but not limited to partially filled orders and to avoid odd lots or excessively small allocations. Finally, the Adviser's procedures will also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair allocation among accounts. These areas will be monitored by the Adviser's Chief Compliance Officer.

Item 7. Types of Clients

The Adviser's clients currently consist of a separately managed account. The Adviser anticipates that in the future its clients will consist of pooled investment vehicles and other separately managed accounts. Any initial and additional subscription minimums with respect to investment in a Client are disclosed in the offering memorandum for each Fund or investment management agreement for each SMA.

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

A. Methods of Analysis and Investment Strategies

Investment Objective and Strategy

The investment objective of the Clients managed by the Adviser will be to generate significant risk-adjusted returns through the construction of an investment portfolio comprised of a variety of proprietary investment strategies. Each of the principal investment strategies employed in furtherance of the investment objective are generally designed to seek to realize profit from trading inefficiencies, such as mispriced trades, and other opportunities across many assets and markets.

The Adviser will seek to generate such returns for its Clients across a variety of strategies and assets, in a variety of market neutral paired positions mainly within domestic and international credit markets with a portfolio primarily consisting of long-short single name credit, credit index and credit-oriented derivative positions. The Adviser will seek to optimize return opportunities and manage aggregate portfolio risk by employing a diverse multi-strategy investment approach pursuant to which the Adviser will seek to provide preservation of capital while maximizing opportunities for growth. Investment strategies may be expected to include, but may not necessarily be limited to, long-short equity, sovereign debt, options, transactions, margin transactions, derivatives and futures, local interest rates, equities, fixed income, forward contracts, currencies, any direct lending or private credit strategies, and commodities. The Adviser will consider a number of factors in building each Client's portfolio, emphasizing global orientation, use of technical, and quality risk controls.

The Adviser aims to construct for each Client a market neutral portfolio of mispriced trade pairs while minimizing ancillary risk factors using proprietary technology infrastructure and models. These proprietary models will use proprietary cloud-based technology to gather, normalize, and transform market data across sectors.

The descriptions contained herein regarding specific investment strategies, trading practices, risk controls and securities that may be used by the Adviser should not be understood in any way to limit each Client's investment activities. The Adviser may engage the Clients in strategies and trading practices and use securities and other products not described herein that they deem appropriate. The Adviser reserves the right to direct other investments in, such as but not limited to, mutual funds, single name securities, or ETFs, etc., to accomplish each Client's investment objective.

B. Material Risks (Including Significant or Unusual Risks) Relating to Investment Strategies

The following summary identifies the material risks related to the Adviser's significant investment strategies and should be carefully evaluated before making an investment with the Adviser; however, the following does not intend to identify all possible risks of an investment with the Adviser or provide a full description of the identified risks. Investors and potential investors in a Client should refer to the offering memorandum for the Client for a further discussion of the applicable risks.

Credit Risk. The issuers of debt instruments may face significant ongoing uncertainties and exposure to adverse conditions that may undermine each issuer's ability to make timely payment of interest and principal. In addition, major economic downturns and financial market swings have adversely affected, and could in the future adversely affect, the ability of some issuers to repay principal and pay interest and may increase the incidence of default for debt instruments. Changes in the financial condition of an issuer, changes in general economic conditions, and changes in specific economic conditions that affect a particular type of issuer can impact the credit quality of an issuer and the value of an issuer's outstanding debt. Lower quality instruments are often considered to be speculative in nature and involve greater risk of default, and tend to be more sensitive to these changes than higher quality instruments.

Credit Risk of Futures Commission Merchants, Prime Brokers and Dealers. A Client assumes the credit risk associated with placing its cash, margin, collateral and other securities with its futures commission merchants, prime brokers, dealers and various other counterparties, and the failure or bankruptcy of any futures commission merchant, prime broker, dealer or other counterparty could have a material adverse impact on a Client. Under the Commodity Exchange Act, as amended (the "Commodity Exchange Act"), futures commission merchants are generally required to maintain customers' U.S. assets in segregated accounts. To the extent that a Client engages in futures contract trading and the futures commission merchants with whom the Client maintains accounts fail to so segregate the Client's assets, a Client is subject to a risk of loss in the event of the bankruptcy of any of its futures commission merchants. In certain circumstances, a Client might be able to recover, even with respect to property specifically traceable to the Client, only a pro rata share of all property available for distribution to a bankrupt futures commission merchant's customers. In addition, while the provisions of the Commodity Exchange Act are intended to afford customers certain protections, those provisions, even if met by futures commission merchants, may not actually provide protections. Finally, cash, margin, collateral and other securities held outside of the U.S. are not afforded protections under U.S. law and distributions upon bankruptcy may be unpredictable.

Credit Correlation Trading Risk. Clients will employ various credit strategies, including, without limitation, credit derivative indices, individually tailored baskets of credit derivatives, tranches of credit derivative indices and baskets, and other credit-related products, structures and vehicles.

Credit correlation strategies are exposed to certain assumptions and outcomes. Among them are the probability, as well as the timing, of individual defaults in diversified credit portfolios and the anticipated levels of correlation among credit spread movements and of defaults within credit portfolios and credit indices. Trade structures may be determined, among other factors, by the Client's outlook for individual credit indices, for changes in implied correlation levels and for technical market factors (including the supply of, and the demand for, different credit structures), as well as by the Client's credit market opinions and by the extent to which the Client expects to benefit from future unexpected credit events.

Market Neutral Strategy Risk. The Adviser generally intends for a Client's portfolio to generally be market neutral, although at times a Client's portfolio may have net long or net short exposure. Exposure will fluctuate over time due to a variety of factors, including, without limitation one-sided order fills, technology outages, model and/or optimizer errors and changes in the value of positions held in a Client's portfolio.

Additionally, a Client's use of short sales and other hedging transactions in combination with its long positions in an attempt to maintain a market neutral portfolio may not be successful and may result in greater losses or lower positive returns than if a Client held only long or short positions. When the general stock market is performing strongly, a Client is expected to underperform the market because a Client's short positions will likely lose money. If a Client's market neutral strategy is unsuccessful such that a

Client's portfolio has net long or net short exposure, a Client will be subject to the risk that stock prices overall will decline or increase, respectively. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Proprietary Investment Strategies and Quantitative Model Risk. The Adviser will use proprietary quantitative investment strategies that are based on considerations and factors that are confidential to the Adviser. These strategies may involve risks under some market conditions that are not anticipated by the Adviser. The Adviser may use investment strategies that differ from those typically employed by traditional managers of portfolios of stocks and bonds. The strategies employed by the Adviser may involve significantly more risk and higher transaction costs than more traditional investment methods. There is no guarantee that quantitative trading models and strategies that have been profitable in markets will continue to be so as the volatility, liquidity and trends observed historically in a particular market may change over time.

When executing an investment strategy using various proprietary quantitative or investment models, securities or other financial instruments selected can perform differently than expected, or from the market as a whole, as a result of a model's component factors, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction, implementation and maintenance of the models (e.g., data problems, software issues, etc.). There can be no assurance that a model will achieve its objective.

Interest Rate Risk. Clients managed by the Adviser will be subject to interest rate risk. Generally, the value of fixed income instruments will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income instruments tends to decrease. Conversely, as interest rates fall, the market value of fixed income instruments tends to increase. This risk will typically be greater for instruments based on longer-term interest rates than for instruments based on shorter-term interest rates. The Adviser may attempt to minimize the exposure of a Client's portfolio to interest rate changes through the use of interest rate swaps, interest rate futures, interest rate options and/or other hedging strategies. However, there can be no guarantee that such hedges will be implemented and, if implemented, will be successful in fully mitigating the impact of interest rate changes on a Client's portfolio.

Concentration of Investment. A Client may concentrate its investments in a small number of companies or sectors. The assets of a Client generally include loans made to, and debt securities issued by, companies which may be highly-leveraged, which may be experiencing financial difficulties, or which may have defaulted in obligations to pay interest or *principal*. If the Adviser's evaluation of the financial situation of a particular company should prove incorrect, a Client could experience substantial losses as a result of a decline in the market value of securities or other assets in which the Client holds a long position or an increase in the value of securities or other assets in which the Client holds a short position.

Liability Resulting from Investing Through Commingled Special Purpose Vehicles. The Adviser and/or the General Partner may establish special purpose vehicles to hold Client investments. Holding investments through special purpose vehicles may expose a Client to risks not present in direct investments, particularly if a Client invests in a special purpose vehicle with one or more other advisory clients of the Adviser and/or third parties. In certain circumstances, depending on the jurisdiction of organization, applicable tax treaties and other tax, legal and/or business considerations, special purpose vehicles through which multiple advisory clients of the Adviser (including a Client) and/or third parties make investments may not provide for complete segregation of assets and liabilities in respect of the applicable investors. Accordingly, if any of the other investors are unable to meet all of their respective obligations to the underlying investment in which they hold an interest through a special purpose vehicle, a Client may be adversely affected.

Over-the-Counter Markets. Bank loans, currency forward contracts and swaps and other forms of derivative instruments may not be traded on regulated exchanges or guaranteed by an exchange or clearing house. Over-the-counter transactions may be subject to less or no requirements with respect to record keeping, financial responsibility or segregation of customer funds and positions. The business failure of a counterparty with which a Client has entered into a forward contract or other derivative will most likely result in a default. The default of a party with which a Client has entered into a forward contract or derivative may

result in the loss of unrealized profits and force the Client to cover its resale commitments, if any, at the then current market price. Although generally a Client seeks to reserve for itself the right to terminate its derivative positions, it may not always be possible to dispose of or close out a derivative position without the consent of the counterparty, and the Client may not be able to enter into an offsetting contract in order to be able to cover its risk. There is no assurance that a liquid secondary market will exist for derivative instruments purchased or sold, and a Client may be required to maintain a position until exercise or expiration, which could result in losses.

Short Sales. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a Client's portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase, which might prevent or limit a Client's ability to exit the short position.

There is also the risk that the securities borrowed by a Client in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and a Client may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly exceeding the proceeds received in originally selling the securities short. A Client's inability to continue to borrow securities previously sold short may also force a Client to unwind other elements of an investment position, possibly at a loss.

Use of Leverage. A Client may engage third-party leverage providers, which could result a Client controlling substantially more assets than the Client has equity. Leverage increases a Client's returns if the Client earns a greater return on investments purchased with borrowed funds than the Client's cost of borrowing such funds. However, the use of leverage exposes a Client to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Client not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds a Client's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of a Client's assets, a Client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, the Adviser may find it difficult or impossible to obtain leverage for a Client. In such event, a Client could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Adviser being forced to unwind a Client's positions quickly and at prices below what the Adviser deems to be fair value for such positions.

To the extent that options, swaps, swaptions and other "synthetic" or derivative financial instruments are used by the Investment Manager, they inherently contain much greater leverage than a non-margined purchase or sale of the underlying security, commodity or instrument. This is due to the fact that generally only a very small portion (and in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions. Depending on conditions in the credit markets at any given time, the amount that the Partnership is required to pay in order to make such investments in "synthetic" or derivative financial instruments may increase substantially, thereby making it difficult or impossible for the Investment Manager to obtain leverage for the Partnership's portfolio.

Financing Arrangements; Availability of Credit. Borrowings may be a part of the investment strategies employed by the Adviser on behalf of a Client and may include the use of securities margin, futures margin, margined option premiums, repurchase agreements, bank or dealer credit lines and/or the notional principal amounts of swap transactions. There can be no assurance that a Client will be able to maintain adequate financing arrangements under all market circumstances.

As a general matter, the banks and dealers that may provide financing to a Client can apply essentially discretionary margin, “haircuts”, financing and security and collateral valuation policies. Banks and dealers could change these policies at any time, for any reason, including a change in market circumstances, government, regulatory or judicial action, or simply a change in the policy of the relevant bank. Changes by banks and dealers in one or more of these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances, government, regulatory or judicial action, may result in large margin calls, loss of financing, forced liquidations of positions at disadvantageous prices, termination of swap and repurchase agreements and cross-defaults to agreements with other banks and dealers. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants simultaneously. The imposition of any such limitations or restrictions could compel the Adviser to liquidate all or part of a Client’s portfolio at disadvantageous prices, perhaps leading to a complete loss of a Client’s equity.

A Client could also be subject to a “margin call”, pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the securities over which the broker has been granted security to compensate for the decline in value. A “margin call” can essentially be made at the discretion of the relevant broker, even if the securities over which that broker has been granted security to secure the Client’s margin accounts have not declined in value. In the event of a sudden drop in the value of a Client’s assets, sufficient assets might not be able to be liquidated quickly enough to pay off the margin debt. In such a case, the relevant broker may liquidate additional assets of the Client to satisfy such margin debt.

Margin Borrowing. The Adviser may employ margin borrowing as part of a Client’s investment strategy. Margin borrowing increases returns to investors if a Client earns a greater return on leveraged investments than the Client’s cost of such leverage. However, the use of margin borrowing exposes a Client to additional levels of risk, including: (i) greater losses from investments than would otherwise have been the case had the Client not borrowed to make the investments; (ii) margin calls or changes in margin requirements may force premature liquidations of investment positions; and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Client’s cost of leverage related to such investments. In case of a sudden, precipitous drop in value of a Client’s assets, the Client might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying the losses incurred by the Client.

Hedging Transactions. A Client may utilize a variety of financial instruments for both risk management and general investment and speculation purposes. With respect to a Client’s risk management and hedging transactions, there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for a Client than if it did not engage in any such hedging transactions. Moreover, a Client will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties). In addition, a Client may choose not to enter into hedging transactions with respect to some or all of its positions.

Lack of Liquidity of Certain Client Investments. A Client’s assets may include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments. Further, if at the time of a requested withdrawal a Client does not have a sufficient amount of cash or liquid assets, a Client may have to meet such withdrawal request through distributions of illiquid assets in-kind, either directly to the withdrawing Limited Partner or through a liquidating account mechanism or trust.

Volatility. The markets in which the investments of a Client trades may be volatile and/or illiquid and may not move in correlation with each other or in directions anticipated by the Adviser, so that hedging and arbitrage activities may not be successful. Substantial competition from other investors and market participants may render it difficult or impossible for a Client to achieve intended results or promptly to effect transactions in volatile markets. The risk management techniques which may be utilized by the Adviser will not provide any assurance that a Client will not be exposed to risks of significant investment losses.

Brokerage and Custodial Risks. There are risks involved in dealing with the custodians or prime brokers who settle Client trades. Clients may maintain custody accounts with its prime brokers and primary custodians. Although the Adviser monitors the prime brokers and believes that they are appropriate custodians, there is no guarantee that the prime brokers, or any other custodian that the Clients may use from time to time, will not become bankrupt or insolvent. While both the U.S. Bankruptcy Code and the Securities Investor Protection Act of 1970 seek to protect customer property in the event of a bankruptcy, insolvency, failure or liquidation of a broker-dealer, there is no certainty that, in the event of a failure of a broker-dealer that has custody of Client assets, a Client would not incur losses due to its assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

Portfolio Turnover. The investment strategy of a Client may require the Adviser to actively trade its portfolio, and as a result, turnover and brokerage commission expenses of a Client may significantly exceed those of other investment entities of comparable size.

Non-Diversification. Although Clients have no investment restrictions with respect to types of securities, countries or industry sectors, Client portfolios may not be as diversified as other investment vehicles. Accordingly, a Client's portfolio may be subject to more rapid change in value than would be the case if a Client was required to maintain a wide diversification.

Non-U.S. Securities. Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options and swaps on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Non-U.S. Commodities, Derivatives or Other Financial Instruments. Investing in commodity futures and options and other financial instruments of non-U.S. governments which are generally denominated in non-U.S. currencies, and utilization of non-U.S. currency forward contracts and options on non-U.S. currencies, involve certain considerations comprising both risks and opportunities not typically associated with investing in commodity futures and options and other financial instruments in the United States of America. These considerations include changes in exchange rates and exchange control regulations; different or diminished investor protections; political and social instability; expropriation; imposition of non-U.S. taxes; less liquid markets and less available information than is generally the case in the United States of America; higher transaction costs; less government supervision of exchanges, brokers and issuers; difficulty in enforcing contractual obligations; lack of uniform accounting and auditing standards; and greater price volatility.

A Client may invest in commodity interests on exchanges located outside the United States of America. Such trading may not fall within the jurisdiction of the U.S. Commodity Futures Trading Commission (the "CFTC") and, in many cases, will take place without the benefit of all the detailed financial, trade practice and customer protection regulations that apply to the activities of U.S. exchanges and their members. Furthermore, changes in the regulation of futures markets outside the United States may adversely affect the value of investments held by a Client and the ability of a Client to otherwise pursue its trading strategies in such non-U.S. futures markets.

A Client could incur substantial losses from trading on non-U.S. exchanges to which a Client would not have otherwise been subject had the Client's trading been limited to U.S. markets.

Emerging Markets. Clients of the Adviser may invest in emerging markets. Investing in emerging markets involves certain risks and *special* considerations not typically associated with investing in other more established economies or securities markets. Such risks may include: (i) the risk of nationalization or expropriation of assets or confiscatory taxation; (ii) social, economic and political uncertainty including war;

(iii) dependence on exports and the corresponding importance of international trade; (iv) price fluctuations, less liquidity and smaller capitalization of securities markets; (v) currency exchange rate fluctuations; (vi) rates of inflation (including hyperinflation); (vii) controls on *foreign* investment and limitations on repatriation of invested capital and on a Client's ability to exchange local currencies for U.S. dollars; (viii) governmental involvement in and control over the economies; (ix) governmental decisions to discontinue support of economic reform programs generally and to impose centrally planned economies; (x) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (xi) less extensive regulation of the securities markets; (xii) longer settlement periods for securities transactions; (xiii) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and/or (xiv) certain considerations regarding the maintenance of Client portfolio securities and cash with non-U.S. sub-custodians and securities depositories.

Over-the-Counter FX Prime Brokerage Structure Risks. The Adviser will utilize a prime brokerage structure for purposes of its FX trading. This structure poses additional risks as compared to the Adviser's futures trading. The Adviser may enter into agreements with its FX prime brokers in which limits may be imposed on the net open position amount and the daily settlement amount outstanding between an FX prime broker and each FX dealer, on the time frame in which a transaction has to be recorded between an FX prime broker and the dealers measured from the moment of trade execution with an FX dealer, and on the tenor of the transactions. If any of the limits mentioned herein were to be breached in the course of one of the Adviser's FX transactions, each FX prime broker reserves the right to not accept this transaction or even to terminate its relevant agreements with the Adviser with immediate effect. Also, under certain circumstances, an FX prime broker may have the right to unilaterally amend the mentioned limits.

The aforementioned limits pose certain risks to a Client. For example, the Adviser may not, from time to time, be able to trade through a preferred FX dealer if the position limit with this FX dealer has been fully utilized. Additionally, an immediate termination of a prime brokerage or related give-up agreement would force the Adviser to continue its FX trading without give-up facilities (i.e., to execute all of its FX transactions through its FX prime brokers). This could lead to increased slippage because the FX prime broker(s) may provide less competitive bid-ask prices than the other FX dealers under the prime brokerage structure.

Currency Risks. A Client may have exposure to fluctuations in currency exchange rates. From time to time, the Adviser may try to hedge these risks by investing in currencies and options thereon, forward currency exchange contracts, or any combination thereof, but there can be no assurance that such strategies will be implemented or, if implemented, will be effective. Clients may also invest in currencies for speculative purposes. These transactions involve a significant degree of risk and foreign exchange markets are volatile, specialized and technical. Significant changes, including changes in liquidity and prices, can occur in these markets within very short periods of time. Changes in exchange rates over time are the result of many factors directly or indirectly affecting the economic and political conditions in the country or economic region associated with a specific currency. Exchange rates fluctuate for a number of reasons, including, without limitation:

- existing and expected rates of inflation,
- existing and expected interest rate levels,
- the balance of payments between the relevant country and its major trading partners,
- political, civil or military unrest in the relevant country or economic region, and
- monetary, fiscal and trade policies of the relevant country or economic region (including pegging, de-pegging, flooring or capping an exchange rate relative to another currency).

Governments use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Foreign exchange rates can

either be fixed by sovereign governments or floating. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the value of other currencies. However, governments do not always allow their currencies to float freely in response to economic forces. Governments use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the trading value of their respective currencies. They may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. The value of a Client could be affected by the actions of sovereign governments. Additionally, market perceptions of the relative strength or cohesion of a specific political state or monetary union can dramatically affect the value of a currency. Fluctuations in exchange rates may negatively impact the value of an investment in a Client to the extent a Client has currency exposure in the form of a hedge, a non-U.S. dollar denominated instrument or as a standalone position.

Currency Hedging. While a Client is denominated in U.S. dollars, some of the underlying investments of a Client may be denominated in multiple currencies. Accordingly, any hedging of currency exposure that is implemented by a Client will primarily involve hedging back to the U.S. dollar, but in certain circumstances may involve other hedging activities. If such hedges generate losses in any month or quarter, the Adviser may liquidate a portion of a Client's investment portfolio to cover such losses. While a Client intends to hedge its overall currency exposure, there can be no assurance that such hedges will be effective.

Speculative Position Limits and Daily Price Fluctuation Limits. The CTFC and the U.S. commodities exchanges impose limits, referred to as "speculative position limits," on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on U.S. commodities exchanges. All accounts owned or managed by the Adviser are likely to be combined for speculative position limit purposes. The Adviser could be required to liquidate Client portfolio positions, or may not be able to fully implement trading ideas, in order to comply with such limits. Any such liquidation or limited implementation could result in substantial costs to a Client. Further, any violation of speculative position limits by a Client could lead to regulatory action materially adverse to a Client. It is also possible that, in the future, the rules concerning speculative position limits may be amended and/or supplemented in a manner that may be detrimental to a Client. Any such a change may alter to a material extent the nature of an investment in a Client and/or the ability of a Client to continue to implement its investment approach.

In addition, some US commodity exchanges limit fluctuations in certain prices during a single day by imposing what are known as "daily price fluctuation limits" or "daily limits." The existence of these limits may reduce liquidity or effectively curtail trading in particular markets. Once the price of a particular contract has increased or decreased by the daily limit, positions in the contract can neither be taken nor liquidated. Contract prices in various investments may occasionally fluctuate beyond the daily limit for several consecutive days with little or no trading. Such occurrences could prevent a Client from promptly liquidating unfavorable positions and subject a Client to substantial losses, which could exceed the margin initially committed to such trades. Daily limits may reduce liquidity, but they do not limit ultimate losses, as such limits apply only on a day-to-day basis. In addition, even if contract prices have not fluctuated beyond the daily limit, a Client may not be able to execute trades at favorable prices if there is only light trading in the contracts involved.

Arbitrage Risk. Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage, statistical arbitrage, debt spread arbitrage and index arbitrage. The Adviser will employ any one or more of these arbitrage strategies on behalf of a Client. If the requisite elements of an arbitrage strategy are not properly analyzed, or unexpected events or price movements intervene, losses can occur which can be magnified to the extent a Client is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable "spreads," which can also be identified, reduced or eliminated by other market participants. In other situations, the favorable spread is contingent on trading a basis (i.e., an imperfect hedge for a specific spread). While the risk relative to an outright position may be lower, arbitrage strategies typically entail taking on certain basis risks.

Convertible Arbitrage Risk. Convertible arbitrage generally involves acquiring convertible securities and selling short a corresponding amount of the underlying equity security, although this relationship may be reversed. While this investment strategy is considered to be relatively "market neutral," there are many associated risks that can affect the results of this strategy. These risks include, without limitation, the following: (i) dramatically rising interest rates or escalating market volatility may adversely affect the relationship between securities; (ii) convertible securities tend to be significantly less liquid and have wider bid/offer spreads making it more difficult to enter and profitably exit such trades; (iii) convertible arbitrage involves an inherently imperfect and dynamic hedging relationship and must be adjusted from time to time (the failure to make timely or appropriate adjustments may limit profitability or lead to losses); (iv) convertible arbitrage involves selling securities short; (v) a material change in the dividend policy of the underlying common equity may adversely affect the prices of the securities involved; (vi) changes in the issuer's credit rating may adversely affect the prices of the securities involved; and (vii) unexpected merger or other extraordinary transactions affecting the convertible security or common equity may adversely affect the prices of the securities involved.

C. Risks Associated with Types of Securities that are Primarily Recommended (Including Significant or Unusual Risks)

Options on Stock and Bond Indexes. Clients of the Adviser will purchase put and call options on global equity, commodity and fixed income indices and securities to hedge against risks of market-wide price movements affecting its assets. An index measures the movement of a certain group of assets by assigning relative values to the assets included in the index. Options on an index are similar to options on securities. Because no underlying security can be delivered, however, the option represents the holder's right to obtain from the writer, in cash, a fixed multiple of the amount by which the exercise price exceeds (in the case of a put) or is less than (in the case of a call) the closing value of the underlying index on the exercise date. The advisability of using stock or bond index options to hedge against the risk of market-wide movements will depend on the extent of diversification of a Client's investments and the sensitivity of its investments to factors influencing the underlying index. The effectiveness of purchasing or writing index options as a hedging technique will depend upon the extent to which price movements in certain Client investments correlate with price movements in the index selected. In addition, successful use by a Client of options on indices will be subject to the ability of the Adviser to predict correctly changes in the relationship of the underlying index to a Client's portfolio holdings. No assurance can be given that the Adviser's judgment in this respect will be correct.

Swaps. A Client may enter into swap agreements and/or options on swaps agreements ("swaptions"). Whether the Client's use of swap agreements or swaptions will be successful will depend on the Adviser's ability to select appropriate transactions for a Client. Swap agreements and swaptions can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes and/or market factors. Depending on their structure, swap agreements may increase or decrease the holder's exposure to, for example, equity securities, long-term or short-term interest rates, non-U.S. currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of a Client's portfolio. Moreover, a Client bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. A Client will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of a Client to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect a Client's ability to terminate swap transactions or to realize amounts to be received under such transactions.

Interest Rate Transactions (Swaps, Swaptions, Caps and Floors). Clients may enter into interest rate swap, cap or floor transactions for speculative or hedging purposes. Interest rate swaps involve the exchange by a Client with another party of their respective commitments to pay or receive interest (e.g., an exchange of floating rate payments for fixed rate payments) computed based on a contractually-based principal (or "notional") amount. Interest rate swaps are entered into on a net basis (i.e., the two payment streams are netted out, with a Client receiving or paying, as the case may be, only the net amount of the two payments).

Swaptions are options granting its owner the right, but not the obligation, to enter into an underlying swap. Swaptions can be traded on a variety of swaps, but typically are done so on interest rate related instruments. Payor swaptions give the owners the right, but not the obligation, to enter into a swap whereby they pay the fixed leg and receive the floating leg. Receiver swaptions gives the owners the right, but not the obligation, to enter into a swap whereby they pay the floating and receive the fixed leg.

Interest rate caps and floors are similar to options in that the purchase of an interest rate cap or floor entitles the purchaser, to the extent that a specified index exceeds (in the case of a cap) or falls below (in the case of a floor) a predetermined interest rate, to receive payments of interest on a notional amount from the party selling the interest rate cap or floor.

Futures, Forwards and Options Thereon. Trading in commodity futures and forward contracts and related options involves a high degree of risk. The prices for such contracts and options tend to be very volatile, and may be influenced by changing supply and demand relationships, weather, governmental, agricultural, commercial and trade programs and policies, and world political and economic events. Due to the small amount of margin required, trading in futures involves a high degree of leverage. A relatively small change in market prices, interest rates or other factors may produce a disproportionately large profit or loss. Although a Client ordinarily purchases or sells commodity futures contracts only if there is an active market for each such contract, no assurance can be given that a liquid market will exist for the contracts at any particular time. Futures exchanges and boards of trade may limit the amount of fluctuation permitted in certain futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Futures contract prices could move to the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses.

Mortgage-Backed and Asset-Backed Securities. A Client may invest in mortgage-backed securities, asset-backed securities, collateralized debt obligations and other similar instruments representing interests in pools of underlying residential or commercial mortgage loans, commercial loans, lease obligations, or other assets. Payments of principal and interest on the underlying loans are passed through to the holders of mortgage-backed and asset-backed securities over the lives of the securities. The investment characteristics of mortgage-backed and asset-backed securities differ significantly from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying residential or commercial mortgage loans or other assets generally may be prepaid at any time. Early repayments of principal can ordinarily be expected to accelerate during periods of declining interest rates. For certain types of asset pools, such as collateralized mortgage obligations, prepayments may be allocated to one tranche of securities ahead of other tranches, in order to reduce the risk of prepayment for the other tranches. On the other hand, mortgage-backed and asset-backed securities are subject to substantially the same risk of depreciation during periods of rising interest rates as other fixed-income securities. A Client may also invest in derivative mortgage-backed securities, such as principal-only ("POs") and interest-only ("IOs") or inverse floating-rate securities, which are more exposed to mortgage repayments, and which therefore generally involve a greater amount of risk. Small changes in repayments can significantly impact the cash flow and the market value of these securities. In addition, particular derivative securities may be leveraged such that their exposure (*i.e.*, price sensitivity) to interest rate and/or prepayment risk is magnified.

Distressed Securities. Clients of the Adviser will invest in debt and equity securities, accounts and notes payable, loans, private claims and other financial instruments and obligations of troubled companies that may result in significant returns to a Client, but which involve a substantial degree of risk. A Client may lose its entire investment in a troubled company, may be required to accept cash or securities with a value less than a Client's investment and may be prohibited from exercising certain rights with respect to such investment. Troubled company investments may not show any returns for a considerable period of time. It may be difficult to obtain information as to the true financial condition of troubled companies. In addition, the market prices of instruments issued by troubled companies may be subject to abrupt and erratic market movements and above average price volatility, and the spread between the bid and ask prices of such instruments may be greater than normally expected. Funding a plan of reorganization involves additional risks, including risks associated with equity ownership in the reorganized entity. Troubled company

investments may be adversely affected by state and Federal laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the Bankruptcy Court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation.

Clients of the Adviser will from time to time also invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to a Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Client may invest, there is a potential risk of loss by a Client of its entire investment in such companies.

Exchange-Traded Funds. A Client will invest in shares of exchange-traded funds ("ETFs"), including for hedging purposes. As an investor in ETFs, a Client will bear its ratable share of various fees, allocations, and expenses of the ETF, all of which are embedded in the net asset value of the ETF. ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. A primary risk factor relating to ETFs is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of their expenses and other factors. It should also be noted that the Investment Company Act places certain restrictions on the percentage of ownership that a private investment fund may have in a registered investment company (an ETF is a registered investment company).

Mutual Fund Investments. A client may invest a portion of its assets in open-end, as well as closed-end, mutual funds. These investments will involve the payment of duplicative fees through the indirect payment of a portion of the expenses, including advisory fees, of such mutual funds. Investments in mutual funds will be valued at the net asset values provided by those funds (which may in certain circumstances be unaudited valuations). These investments may cause the expense of investing in a Client to be greater than an investment in other investment vehicles.

Structured Credit. Structured credit generally refers to a method of pooling debt obligations and then redistributing the associated cash flows, in theory reallocating the associated risks at the same time. The Adviser will seek to invest in structured credit both long and short where its single name corporate credit research views give it an advantage versus model driven investors including, without limitation, CDX index tranches, bespoke equity and mezzanine tranches, collateralized loan obligations liabilities and equity, Bank Trust Preferred CDOs and CMBX.

High Yield Securities. A Client will invest in "high yield" bonds and preferred securities that are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and

investor perceptions about lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Equity Securities and Equity-Related Instruments in General. Clients of the Adviser will invest in equity-related instruments. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. Any investment in equities or equity-related instruments entails a significant risk of loss.

Clients of the Adviser may invest in equity securities, which represent ownership interests in their respective issuers and generally carry the most risk associated with a specific issuer's capital structure. The value of equity securities fluctuates in response to issuer, political, market and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

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

Special Investment and Trading Risks. A Client may invest in structured finance securities such as, for example, equipment trust certificates, collateralized mortgage obligations, collateralized bond obligations, collateralized loan obligations or similar instruments. Special risks may be associated with investments in structured credit products, collateralized loan obligations, synthetic credit portfolio transactions and asset-backed securities. The performance of a structured finance security will be affected by a variety of factors, including its priority in the capital structure of the issuer thereof, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, remoteness of those assets from the originator or transferor, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. In addition, synthetic portfolio transactions may be structured with two or more classes of tranches that receive different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of a tranche may be extremely sensitive to the rate of defaults in the underlying reference portfolio. A rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that a Client may incur losses on its investments in structured products regardless of their ratings by S&P or Moody's. Additionally, the securities in which the Adviser is authorized to invest a Client's assets include securities that are subject to legal or contractual restrictions on their resale, or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

Investment Grade Loans and Bonds. A Client will invest in investment grade loans and bonds. Investment grade securities typically do not contain significant covenants or other restrictions on the ability of the issuers to engage in certain activities, which can lead to deterioration in their credit quality. Such activities can include the declaration of dividends, the spin-off of substantial corporate assets, increases in corporate leverage for any purpose, and engaging in mergers and acquisitions, whether as a buyer or a seller. Such activities can lead to sudden changes in the credit profile of such issuers and consequently to downgrades of their credit ratings. In addition, a deterioration of an issuer's operating performance, competitive position

or outlook for any reason can also lead to negative rating agency actions. These factors and others can ultimately lead to reduced prices for an issuer's securities and losses for a Client.

Preferred Stocks. A Client will invest in preferred stocks. Preferred stocks, like many debt obligations, are generally fixed-income securities. Shareholders of preferred stocks normally have the right to receive dividends at a fixed rate when and as declared by the issuer's board of directors, but do not participate in other amounts available for distribution by the issuing corporation. In some countries, dividends on preferred stocks may be variable, rather than fixed. Dividends on the preferred stock may be cumulative, and all cumulative dividends usually must be paid prior to shareholders of common stock of the issuer receiving any dividends. Because preferred stock dividends must be paid before common stock dividends, preferred stocks generally entail less risk than common stocks. Upon liquidation, preferred stocks are entitled to a specified liquidation preference, which is generally the same as the par or stated value, and are senior in right of payment to common stock. Preferred stocks are, however, equity securities in the sense that they do not represent a liability of the issuer and, therefore, do not offer as great a degree of protection of capital or assurance of continued income as investments in corporate debt securities. Preferred stocks are generally subordinated in right of payment to all debt obligations and creditors of the issuer, and convertible preferred stocks may be subordinated to other preferred stock of the same issuer.

Commodity-Related Securities. The production and marketing of commodities may be affected by actions and changes in governments. In addition, commodity-related securities may be cyclical in nature. During periods of economic or financial instability, commodity-related securities may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various commodities. Commodity-related securities may also experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such securities may rise at a faster rate, and conversely, in time of falling commodity prices, such securities may suffer a greater price decline.

Derivatives. To the extent that a Client invests in swaps, derivative or synthetic instruments, or enters into repurchase agreements or other over-the-counter transactions, a Client may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, more frequent mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of a Client, and hence a Client should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

Equity Derivatives. A Client may use equity derivatives in its investment program, including, without limitation, listed equity options and over-the-counter ("OTC") equity derivatives, such as variance swaps, conditional variance swaps, correlation swaps and dividend swaps. These types of equity derivatives are frequently valued based on implied volatilities of these derivatives rather than the historical volatility of their underlying securities or instruments. Fluctuations or prolonged changes in the volatility of these underlying securities or instruments can adversely affect the value of equity derivative positions held by a Client.

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

Credit default swaps involve greater risks than if a Client had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and credit risk. A buyer also may lose its investment and recover nothing should no credit event occur. If a credit event were to occur, the value of the reference obligation received by the seller, coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to a Client. The buyer of credit default swaps will incur a loss if the seller fails to perform on its obligation should a credit event occur. In certain circumstances, the buyer can receive the notional value of a credit default swap only by delivering a physical security to the seller, and is at risk if deliverable security is unavailable or illiquid.

Credit Derivatives. A Client may invest in credit derivatives. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts. Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default or acceleration, etc. Such payments may be for notional amounts, actual losses or amounts determined by formula.

The market for credit derivatives is somewhat illiquid and there are considerable risks that it may be difficult to either buy or sell the contracts as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative 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.

Forward Foreign Exchange Contracts. A Client will enter into forward foreign exchange contracts. A forward foreign exchange contract is a contractually binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform as to the quantity or time at which a currency is to be delivered. Changes in the forward markets may entail increased costs and result in burdensome reporting requirements.

Certain of the forward foreign exchange contracts which a Client trades are effected through the interbank market. The interbank market is not a market with a specific location but rather a network of electronically linked participants. Central clearing is only offered in respect of certain types of forward foreign exchange contracts entered into on this market and accordingly, if a Client wishes to 'close out' any such contract before the specified date, it will be reliant upon the agreement of the relevant counterparty. There is currently no limitation on the daily price movements of forward contracts, and none of a Client's counterparties will be required to make or continue to make a market in any forward contracts. In exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. The imposition of credit restrictions on

the dealing facilities which any counterparty may agree to provide to a Client may subsequently limit the ability of the Client to enter into transactions in forward foreign exchange contracts. For forward foreign exchange contracts that are not regulated as swaps by the CFTC or not yet subject to mandatory exchange trading or clearing by the CFTC, a Client will be subject to the risk that a Client's counterparties may be unable or refuse to perform with respect to such contracts. Any such default would eliminate any profit potential and compel a Client to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses.

Over-the-Counter Derivatives. OTC derivatives, and the risks associated with OTC derivatives, are different from financial instruments traded on exchanges or through clearing houses. The risks related to OTC derivatives include, but are not limited to the following: (i) credit risk (the exposure of the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (ii) legal risk (the characterization of a transaction, particularly the enforceability of such contract in the context of insolvency or bankruptcy); (iii) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (iv) documentation risk (exposure to loss created by poor documentation); (v) liquidity risk (reliance on the dealer to make a market in the underlying derivative); and (vi) systematic risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system).

Transaction in OTC derivatives may involve other risks as well, as there is no exchange market on which a counterparty can close out an open position. OTC transactions are bilateral agreements, and therefore, there is a certain reliance on the dealer to provide liquidity to an existing position and to assess the value of a position, particularly if the derivative is not standard. Certain OTC derivatives may require little or no initial margin, and generally, variable margin (i.e., the amount posted after the initial transaction) is much lower than margin for exchange traded instruments. As a result, to the extent a Client has entered into an OTC derivative, these lower margin amounts will allow a Client to amplify its gains and losses. A large movement against a Client's OTC derivative positions will result in a loss and you may lose some or all of your investment.

The SEC and the CFTC will also require a substantial portion of derivative transactions that are currently executed on a bi-lateral basis in the OTC markets to be executed through a regulated securities, futures, or swap exchange or execution facility. Certain CFTC-regulated derivatives trades are subject to these rules. It is not yet clear when the parallel SEC requirements will go into effect. These requirements may make it more difficult and costly for investment funds, including a Client, to enter into highly tailored or customized transactions. They may also render certain strategies in which a Client might otherwise engage impossible or so costly that they will no longer be economical to implement. If a Client decides to become a direct member of one or more of these exchanges or execution facilities, a Client would be subject to all of the rules of the exchange or execution facility, which would bring additional risks and liabilities, and potential additional regulatory requirements.

OTC derivative dealers are now required to register with the CFTC and will ultimately be required to register with the SEC. Dealers are subject to new minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest, and other regulatory burdens. These requirements further increase the overall costs for OTC derivative dealers, which costs may be passed along to market participants as market changes continue to be implemented. The overall impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") on a Client remains highly uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators.

Debt Instruments. The Adviser on behalf of a Client may invest in fixed income securities and other debt instruments. Certain of these instruments may be unrated by a recognized credit-rating agency or below investment grade, which are subject to greater risk of loss of principal and interest than higher-rated debt instruments. A Client may invest in debt instruments which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. A Client may invest in debt instruments which are not protected by financial covenants or

limitations on additional indebtedness. A Client will therefore be subject to credit and liquidity risks. In addition, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. Investment in a debt instrument will normally involve the assumption of interest rate risk.

Illiquidity of Debt Securities. Debt instruments and interests in debt instruments have significant liquidity risks and market value risks since they are not generally traded in organized exchange markets but are traded by certain banks and other institutional investors. The primary resale opportunities for such debt instruments are privately negotiated transactions with a limited number of purchasers. This may restrict the ability of a Client to dispose of investments in a timely fashion and/or at a favorable price, which could result in losses to a Client. The debt of highly leveraged companies or companies in default also may be less liquid than other debt. Investors engaged in investment strategies similar to some of the investment strategies engaged in by a Client have in the past, especially during periods of market turmoil, experienced periods of substantial illiquidity with respect to certain types of investments that may be held by a Client. The inability of a Client or other investors to sell certain types of investments has and could lead to a potential inability of a Client and other investors to meet margin calls or fund withdrawals, the impact of which can be further aggravated as dealers and counterparties reduce available credit lines and investors withdraw additional capital. In extreme market conditions, these factors can lead to a downward cycle that can have a significant adverse effect on the market prices of investments.

Sovereign Notes and Bonds and Related Derivatives. The Adviser on behalf of a Client will invest in U.S. and/or other government securities, as well as derivatives of those instruments. Generally, these securities include U.S. and/or other treasury obligations, and obligations issued or guaranteed by U.S. government agencies, instrumentalities, or sponsored enterprises. U.S. government securities also include Treasury receipts and other stripped U.S. government securities, where the interest and principal components of stripped U.S. government securities are traded independently. These securities are subject to market and interest rate risk. A Client may also trade in U.S. or non-U.S. government-issued inflation-protected securities (e.g., Treasury Inflation-Protected Securities, Inflation Linked Gilts, etc.) and in futures, swaps and other derivatives on these securities and/or other inflation-related underlying notes, bonds or related derivatives.

A Client may also trade non-U.S. or U.S. sovereign notes and bonds that may be unrated by a recognized credit-rating agency or below investment grade. Such investments are subject to greater risk of loss of principal and interest than higher-rated debt securities. In addition, Clients may trade non-U.S. or U.S. debt securities that rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets.

A Client may trade non-U.S. or U.S. sovereign notes and bonds that are not protected by financial covenants or limitations on additional indebtedness. Clients may trade distressed sovereign notes and bonds that are subject to the significant risk of the issuer's inability to meet principal and interest payments on the obligations (credit risk), and may also be subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity risk. Clients may therefore be subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for non-U.S. or U.S. sovereign notes and bonds involves uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, which can make it difficult to accurately calculate discounting spreads for valuing financial instruments. Clients may also trade derivatives on any or all these sovereign notes and bonds.

Micro to Small Capitalization Companies. Clients of the Adviser may invest in securities of companies with micro and small market capitalizations and recently organized companies and, conversely, a Client may establish significant short positions in such securities. Historically, such securities have been more volatile in price than those of larger capitalized, more established companies. The securities of micro and small capitalization and recently organized companies pose greater investment risks because such companies may have limited product lines, distribution channels and/or financial and managerial resources. Further, there is often less publicly available information concerning those companies than for larger, more

established businesses. In addition, the equity securities of micro and small capitalization companies are often traded over-the-counter or on regional exchanges and may not be traded in the volumes typical on a national securities exchange. Consequently, the Adviser may be required to dispose of those securities or cover a short position over a longer period of time *than* is required to dispose of or cover a short position with respect to the securities of larger, more established companies and at potentially less favorable prices. Investments in companies with limited operating histories are more speculative and entail greater risk than do investments in companies with more established operating records.

Additional Risks Relating to the Adviser

Business and Regulatory Risks of Private Funds. Legal, tax and/or regulatory changes could occur that may adversely affect a Client. Changes in the regulation of private funds may adversely affect the value of a Client's investments and/or the Adviser's ability to employ investment strategies on behalf of a Client. In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is subject to modification by government and judicial actions. The effect of any future regulatory change on a Client could be substantial and adverse.

Cybersecurity Risk. A Client, the Adviser, and their service providers, including banks, broker-dealers, custodians and their affiliates, may be subject to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information, unauthorized asset transfers and various other forms of cybersecurity breaches. Cyber-attacks affecting a Client, the Adviser, or their respective service providers may adversely impact a Client. For instance, cyber-attacks may interfere with the processing or execution of Client transactions, cause the release of confidential information, including private information about investors, subject a Client, the Adviser, or their respective affiliates to regulatory fines or financial losses or cause reputational damage. Additionally, cyber-attacks or security breaches (e.g., hacking or the unlawful withdrawal or transfer of funds), affecting any of a Client's key service providers, such as the Adviser, banks, broker-dealers, custodians or other counterparties holding assets of a Client, may cause significant harm to a Client, including the loss of capital. Similar types of cybersecurity risks are also present for issuers of securities in which a Client may invest. These risks could result in material adverse consequences for such issuers and may cause a Client's investments in such issuers to lose value.

Operational Risk. Operational risks include the possibility of mistakes being made in the confirmation or settlement of transactions, transactions not being properly booked, evaluated or accounted for, or other similar disruptions in the Adviser's operations. These mistakes may arise, for example, due to keystroke errors that occur when entering trades into an electronic trading system, failures of oral communication between the investment staff and trading staff, or typographical or drafting errors related to derivatives contracts or confirmations or similar agreements. These events may cause a Client to suffer financial loss, disruption of business, liability to clients or third parties, regulatory intervention, or reputational damage.

No Operational History. The Adviser is a recently-formed entity and has no operating history upon which a Client can evaluate its likely performance. Accordingly, an investment in the Adviser entails a significant degree of risk.

Reliance on Technology. Certain strategies and critical aspects of the Adviser's operations are reliant on technology, including hardware, software and telecommunications systems. Significant parts of the technology used in the management of a Client may be provided by third parties and are therefore beyond the Adviser's direct control. Forecasting, trade execution, data gathering, risk management, portfolio management, IT infrastructure and support, compliance and accounting systems all are designed to depend upon a high degree of automation and computerization. Although the Adviser seeks, on an ongoing basis, to ensure adequate backups of software and hardware where possible and the Adviser will attempt to conduct adequate due diligence and monitoring of providers, if such efforts are unsuccessful or inadequate, software or hardware errors or failures may result in errors, data loss and/or failures in trade execution, risk

management, portfolio management, compliance or accounting. Errors or failures may also result in the inaccuracy of data and reporting or the unavailability of data or vulnerability of data to the risk of loss or theft. Errors may occur gradually and once in the code may be very hard to detect and can potentially affect results over a long period of time. If an unforeseeable software or hardware malfunction or problem is caused by a defect, virus or other outside force, a Client may be materially adversely affected. In particular, the Adviser may rely on cloud (including private and public cloud-based) technology for certain operations, including data storage. Cloud-based technology, like any electronic data storage or processing technology, is not fail-safe. It may be subject to certain defects, failures or interruptions of service beyond the Adviser's direct control. It is also possible that such technology could be compromised by a third party, including through the use of malicious software or programs, such as viruses, which may expose the Adviser and a Client to theft (of data or other assets) and/or significant business interruption. In addition, software provider may cease operations or be relatively thinly capitalized and the Adviser's and a Client's ability to be made whole after any loss may be compromised as a result.

Risk Management Failures. Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of Clients may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Clients.

Dependence on Service Providers. Clients depend upon counterparties and other businesses that are not controlled by the Adviser that provide services to the Clients (collectively, the "Service Providers"). Examples of Service Providers include the administrator and the prime brokers, as well as a Client's custodian, legal counsel and auditor. Errors are inherent in the operations of any business, and although the Adviser has adopted measures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact with counterparties and Service Providers that it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on a Client's investments therein.

Investment Flexibility. The Adviser has broad and flexible authority to invest a Client's capital. In particular, the Adviser is not required to invest any particular percentage of a Client's portfolio in any type of investment, sector or region, and the amount of a Client's portfolio which is invested in any type of investment, long or short, or which is weighted in different countries or different sectors can change at any time based on the availability of attractive market opportunities. Accordingly, at any time, a Client may have significant investments in strategies, sectors or instruments not specifically described in the offering memorandum and therefore be subject to risks that are not specifically described in the offering memorandum. Prospective investors must recognize that, by investing in a Client, they are placing their capital under the full discretionary management of the Adviser and authorizing the Adviser to trade for the Client. There can be no assurance that the Adviser will be successful in applying its approach, and there is material risk that an investor may suffer significant impairment or total loss of its capital.

Effects of Health Crises and Other Catastrophic Events. Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on Clients' investments and the Adviser's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for Client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

Item 9. Disciplinary Information

This Item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

The Adviser is registered as a commodity pool operator and a commodity trading advisor with the CFTC. In connection with the Adviser's registration as a commodity pool operator and a commodity trading adviser, certain of the Adviser's management persons expect to register as associated persons of the Adviser. The Adviser does not act in any capacity as a broker-dealer or a futures commission merchant.

Each of the Clients may enter into agreements, or "side letters," with certain prospective or existing Client investors whereby such investors including such persons that may be affiliated with the Adviser or its related persons may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Client. For example, such terms and conditions may provide for special rights to make future investments in a Client, other investment vehicles or managed accounts; special redemption rights, including those relating to frequency or notice; a waiver or rebate in management fees or incentive allocations or redemption charges to be paid by the and/or other terms; rights to receive reports from the Client on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and/or such other rights as may be negotiated by the Client and such investors. The modifications are solely at the discretion of the Client and may, among other things, be based on the size of the investor's investment in the Client, an agreement by an investor to maintain such investment in the Client for a significant period of time, or other similar commitment by an investor to the Client.

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

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser to put the interests of the Adviser's Clients before its own interests and to act honestly and fairly in all respects in their dealings with Clients. In addition to compliance with the Adviser's policies and procedures, all of the Adviser's personnel are required to comply with applicable federal securities laws. Clients or prospective Clients may obtain a copy of the Code by contacting us at the address or telephone number listed on the first page of this brochure. See below for further provisions of the Code as they relate to the reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of Clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to its Clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Client or using such information for the Client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the Client for not disclosing such information to the Client (or the fact that the Adviser possesses such information), or not using such information for the Client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

In addition, the Adviser or its access persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser or an access person recommends to Clients. The Adviser or its access persons may trade in a particular security in a manner that is the same as, different from, or even opposite to the trading activity undertaken by the Adviser on behalf of its Clients with respect to that same security. Such practices present a conflict when, because of the information an Adviser has, the Adviser

or its access persons are in a position to trade in a manner that could adversely affect the Adviser's Clients (e.g., place their own trades before or after Client trades are executed in order to benefit from any price movements due to the Clients' trades). In addition to affecting the Adviser's or its access person's objectivity, these practices by the Adviser or its access persons may also harm Clients by adversely affecting the price at which the Clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: the Adviser requires its access persons to preclear only certain limited offerings and initial public offerings in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its Clients. In addition, the Adviser's Code prohibits the Adviser or its access persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's access persons are required to disclose their securities transactions on a quarterly basis. In addition, the Adviser's access persons are required to disclose the holdings in their personal accounts upon commencement of employment with the Adviser and on an annual basis thereafter. The Adviser's access persons are also required to provide monthly or quarterly brokerage statements. Trading in the personal accounts of the Adviser's supervised persons are reviewed by the Chief Compliance Officer and compared with transactions for Client accounts.

To the extent that the Adviser or a related person or any personnel of the Adviser own securities that the Adviser or its related persons also recommends to Clients, such Clients' proxies will be voted according to predetermined guidelines rather than subject to the Adviser's (or its related person's) discretion. Please refer to Item 17 for further information regarding the Adviser's proxy voting policy and procedures.

Item 12. Brokerage Practices

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions. The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to stability, the actual executed price and the commission, research (including but not limited to economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a Client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer and traders will meet periodically to evaluate the broker-dealers used by the Adviser to execute Client trades using the foregoing factors.

Research and Other Soft Dollar Benefits. While generally not expected due to the Adviser's investment strategy, the Adviser will from time to time receive research or other products or services other than execution from a broker-dealer and/or a third party in connection with Client securities transactions. This is known as a "soft dollar" relationship. Except for services that would be a Client expense, the Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)").

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from broker-dealers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services

between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser will periodically review and evaluate its soft dollar practices and determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of Client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other Client accounts. The Adviser does not seek to allocate soft dollar benefits to Client accounts proportionately to the soft dollar credits the accounts generate.

In determining whether to direct Client brokerage transactions to particular broker-dealers, the Adviser's Chief Compliance Officer and portfolio managers meet periodically to review and evaluate the soft dollar practices of the Adviser and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer.

Brokerage for Client Referrals. From time to time, the Adviser will participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend investments in these private funds as investments to the clients of the broker-dealer. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

To the extent the Adviser manages multiple Client accounts, the Adviser anticipates purchasing or selling the same security for more than one Client at or near the same time and using the same executing broker. It is the Adviser's practice, where appropriate, to aggregate Client orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction.

When an aggregated order is completely filled, the Adviser will allocate the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. To the extent an order is price-averaged, a Client account participating in the trade may pay a higher price than if the Adviser did not aggregate the order. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or

proceeds are to be allocated in a manner deemed fair to Clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Clients.

Item 13. Review of Accounts

Frequency and Nature of Review. Each Client is reviewed by the Adviser's investment professionals on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Matters to be reviewed will include specific securities held, adherence to investment guidelines and the performance of each Client.

Factors Prompting a Non-Periodic Review of Accounts. Significant market events affecting the prices of one or more securities in Client accounts, changes in the investment objectives or guidelines of a particular Client or specific arrangements with particular Clients may trigger reviews of Client accounts on other than a periodic basis.

Content and Frequency of Regular Account Reports. Pooled investment vehicle investors will receive reports from the Clients pursuant to the terms of each Client's offering memoranda or as otherwise described in the offering document of the Client.

Item 14. Client Referrals and Other Compensation

The Adviser expects that it will compensate third-party solicitors or other promoters for referrals of clients or private fund investors. The Adviser's arrangements with third-party solicitors or other promoters may vary. Any compensation paid pursuant to these arrangements creates an incentive for the third-party solicitor or other promoter to recommend the Adviser, resulting in a material conflict of interest.

Item 15. Custody

While the Adviser does not expect to have custody of the assets of separately managed account clients, the Adviser or the General Partner will be deemed to have custody of its pooled investment vehicle client's assets. The Adviser intends to comply with Rule 206(4)-2 under the Advisers Act by meeting the conditions of the pooled vehicle annual audit provision.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to Clients. Please see Item 4 for a description of any limitations Clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a Client's assets, the Adviser will enter into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary Client, the Adviser will have the authority to determine (i) the securities to be purchased and sold for the Client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for the Client account. Because of the differences in Client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among Clients in invested positions and securities held. The Adviser will submit an aggregated order to the Adviser's trading desk describing the allocation of securities to (or from) Client accounts for each trade/order submitted. The Adviser may consider the following factors, among others, in allocating securities among Clients: (i) a Client's investment objectives and strategies; (ii) risk profiles; (iii) tax status and restrictions placed on a Client's portfolio by the Client or by applicable law; (iv) size of the Client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; (viii) account liquidity, account requirements for liquidity and timing of cash flows; and (ix) amount of trade away fees or other transaction fees. Although it is the Adviser's policy to allocate investment opportunities to eligible Client accounts on a pro rata basis (based on the value of the assets of

each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to Client accounts in varying amounts. Even Client accounts that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among Client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a Client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a Client's status as a "restricted person" under applicable regulations.

Securities acquired by the Adviser for its Clients through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Adviser will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those Client accounts eligible to hold such securities. Eligibility will be based on the legal status of the Clients and the Clients' investment objectives and strategies.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that Clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a Client incurs a trade error as a result of the Adviser's violation of the standard of care that is applicable to the Client, the Adviser will reimburse the Client for losses attributable to such violation. Trade errors that do not result from the Adviser's violation of the standard of care applicable to the Client are borne by the Client. The Adviser is not responsible for the errors of other persons, including third-party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

To the extent the Adviser has authority, pursuant to the investment management agreement or other governing documents of a Client, to participate in class action claims (each, a "Claim") it will do so on a case-by-case basis. Once the Adviser receives a Claim, the Adviser will determine whether any Clients or former Clients of the Adviser owned the security during the period covered by the Claim. Appropriate personnel of the Adviser will determine whether they agree with the basis of the Claim and whether or not to participate in the Claim depending upon (i) the nature of the Claim; (ii) prospects for recovery; (iii) resources required to pursue the Claim; (iv) other relevant factors pertaining to the particular Claim; and (v) any other factors that the Adviser deems relevant. To the extent the Adviser receives proceeds from a Claim on behalf of a Client, including a Client, the Adviser's general policy is that only current investors at the time of receipt of the proceeds will participate in the proceeds. The Adviser may under certain circumstances elect not to participate in the proceeds of a Claim.

Item 17. Voting Client Securities

To the extent the Adviser has been delegated proxy voting authority on behalf of its Clients, the Adviser will comply with its proxy voting policies and procedures that will be designed to ensure that in cases where the Adviser votes proxies with respect to Client securities, such proxies are voted in the best interests of its Clients. The Adviser generally will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Adviser will determine whether a proposal is in the best interests of the Client and may take into account the following factors, among others: (i) whether the proposal was recommended by management and the Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Item 18. Financial Information

This Item is not applicable.