

# **Tessellis Capital Management LP**

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This Brochure provides information about the qualifications and business practices of Tessellis Capital Management LP. If you have any questions about the contents of this Brochure, please contact us at [jeff.rose@tesselliscapital.com](mailto:jeff.rose@tesselliscapital.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Tessellis Capital Management LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

**Item 2: Material Changes**

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This document is the initial Form ADV Part 2A, also referred to as the Firm Brochure (the “Brochure”) for Tessellis Capital Management LP. Accordingly, there are no material changes from prior versions of the Brochure.

**Item 3: Table of Contents**

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Item 1: Cover Page .....	1
<a href="#"><u>Item 2: Material Changes</u></a> .....	2
<a href="#"><u>Item 3: Table of Contents</u></a> .....	3
<a href="#"><u>Item 4: Advisory Business</u></a> .....	3
<a href="#"><u>Item 5: Fees and Compensation</u></a> .....	4
<a href="#"><u>Item 6: Performance-Based Allocations and Side-By-Side Management</u></a> .....	7
<a href="#"><u>Item 7: Types of Clients</u></a> .....	7
<a href="#"><u>Item 8: Methods of Analysis, Investment Strategies and Risk of Loss</u></a> .....	8
<a href="#"><u>Item 9: Disciplinary Information</u></a> .....	23
<a href="#"><u>Item 10: Other Financial Industry Activities and Affiliations</u></a> .....	23
<a href="#"><u>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</u></a> .....	23
<a href="#"><u>Item 12: Brokerage Practices</u></a> .....	25
<a href="#"><u>Item 13: Review of Accounts</u></a> .....	27
<a href="#"><u>Item 14: Client Referrals and Other Compensation</u></a> .....	28
<a href="#"><u>Item 15: Custody</u></a> .....	28
<a href="#"><u>Item 16: Investment Discretion</u></a> .....	28
<a href="#"><u>Item 17: Voting Client Securities</u></a> .....	28
<a href="#"><u>Item 18: Financial Information</u></a> .....	28

**Item 4: Advisory Business**

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Tessellis Capital Management LP (the “Adviser”) is a Delaware limited liability company formed in June 2023 with its principal office in New York, NY. Chiki Brahm (the “Principal”) is the founder, chief investment officer and sole limited partner of the Adviser as well as the sole owner of the Adviser’s general partner.

The Adviser intends to provide investment advisory services to private funds via a master feeder structure, whereby Tessellis Fund, LP (the “Domestic Fund”), a Delaware limited partnership, and Tessellis Offshore Fund, Ltd. (the “Offshore Fund”) a Cayman Islands exempted limited company invest substantially all of their assets in Tessellis Master Fund, LP (the “Master Fund”), a Cayman Islands exempted limited partnership.

Unless otherwise specified, the Domestic Fund, the Offshore Fund, and the Master Fund are each referred to as a “Fund” and collectively, as the “Funds”. The Domestic Fund and the Offshore Fund are collectively referred to as the “Feeder Funds”. Shareholders of the Offshore Fund and limited partners of the Domestic Fund are collectively referred to as “Investors”. The Funds offer founders shares or interests (“Founders Investments”) to certain early Investors in the Funds and standard shares or interests (“Standard Investments”) to other Investors. A single Investor may hold both Founders Investments and Standard Investments.

In addition to advising the Funds, the Adviser may provide portfolio management and investment advisory services to separately managed accounts (“SMAs”) generally for institutional investors; those are herein referred to each as an “SMA Client” or “SMA Client Account” and collectively as the “SMA Clients” or “SMA Client Accounts”.

Hereinafter, the Funds and the SMA Clients may be referred to as a “Client”, or collectively referred to as the “Clients”.

The Adviser will be responsible for the investment decisions made on behalf of the Clients and will be responsible for decisions relating to the management and operations of the Funds. An affiliate of the adviser, Tessellis Fund GP LLC (the “General Partner”) serves as general partner of the Domestic Fund and the Master Fund.

The investment objective of the Funds is to compound capital for investors through market cycles by delivering compelling risk adjusted returns while seeking to preserve capital. The Adviser intends to manage the Funds’ assets in accordance with the terms of the governing documents of the Funds. The Funds, the General Partner and the Adviser may enter into additional agreements, or “side letters,” with certain prospective or existing Investors in the Funds whereby such Investors (including such persons that may be affiliated with the Adviser) may be subject to terms and conditions that are more advantageous than those set forth in the governing documents and offering memorandum for the Fund. For example, such terms and conditions may provide for special rights to make future investments in the Fund; special redemption rights, including those relating to frequency or notice; a waiver or rebate in fees or redemption penalties to be paid by the Investor and/or other terms; rights to receive reports from the Fund on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by the Fund and such

Investors. The Funds, the General Partner and the Adviser have no obligation to offer any special arrangement to any other Investor. The modifications are solely at the discretion of the General Partner or the Adviser and may, among other things, be based on the size of the Investor's investment in the Funds or affiliated investment entities, an agreement by an Investor to maintain such investment in a Fund for a significant period of time, or other similar commitment by an Investor to the Funds.

The Adviser will manage each SMA Client pursuant to the investment guidelines set forth in the investment management agreement (the "IMA") that is entered into between the Adviser and the Client.

The Adviser does not tailor advisory services to the individual needs of Clients. Generally, Clients may not impose restrictions on investing in certain securities or certain types of securities.

The Adviser does not participate in wrap fee programs.

The Adviser currently has no assets under management but intends to advise assets in excess of the asset eligibility level requirements within 120 days of being approved as a registered investment adviser with the U.S. Securities and Exchange Commission (the "SEC"). In accordance with Rule 203A-2 promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Adviser intends to update this Form ADV Part 2A (along with the Form ADV Part 1) to reflect, among other things, its regulatory assets under management within 120 days of registration to indicate that it has met the asset eligibility requirements for registration.

## **Item 5: Fees and Compensation**

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### ***Advisory Fees and Compensation***

The Funds will pay the Adviser a quarterly fee (the "Management Fee") calculated at an annual rate of 1.5% (in the case of Founder Investments) or 1.75% (in the case of Standard Investments) of the value of an Investor's investment in the Funds. The Management Fee will be: (i) paid quarterly in advance, based on the value of the Investor's investment as of the first business day of each calendar quarter; (ii) adjusted for capital contributions and withdrawals made during a quarter; and (iii) calculated without accrual of the Incentive Allocation (as defined below), if any. The Management Fee is payable within 10 days after the first business day of each calendar quarter. For investments made at times other than the beginning of a quarter, the Management Fee will be payable on the date the contribution is made. To the extent the Adviser receives the Management Fees at the Feeder Fund level, no Management Fee will be paid at the Master Fund level. The Adviser may, in its sole discretion, waive or modify the Management Fee for Investors that are members, partners, principals, employees or affiliates of the Adviser or the General Partner, relatives of such persons or entities of any such persons (including such relatives), and for certain strategic and/or large investors.

Subject to a loss carryforward provision (as described below), at the end of each fiscal year, the General Partner will receive at the Master Fund level an incentive allocation (the "Incentive Allocation") in an aggregate amount equal to (i) seventeen percent (17.0%) of the net profits (including realized and unrealized gains and losses), if any,

attributable to each Founders' Investment of an Investor; and (ii) twenty percent (20.0%) of the net profits (including realized and unrealized gains and losses), if any, attributable to each Standard Investment of an Investor. When calculating the Incentive Allocation at the Master Fund level, the Management Fee and all items of income, loss and expense incurred at the Feeder Fund level will be taken into account. For the avoidance of doubt, the Incentive Allocation will be determined separately with respect to Founders and Standard Investments of an Investor. The Incentive Allocation may in the future be made at the Feeder Fund level, and in such case, no Incentive Allocation will be made at the Master Fund level. Under the loss carryforward provision, no Incentive Allocation will be made until any net loss previously allocated has been offset by subsequent net profits. Any such loss carryforward will be subject to reduction for withdrawals on a pro rata basis. In the event that an Investor makes a partial or complete withdrawal or an Investor is mandatorily withdrawn at any time other than the end of a fiscal year, the General Partner will be entitled to the Incentive Allocation with respect to the withdrawn amount, calculated as though the date of such withdrawal were the last day of the fiscal year. The General Partner may, in its sole discretion, waive or modify the Incentive Allocation for Investors that are members, partners, principals, employees or affiliates of the General Partner or the Adviser, relatives of such persons or entities of any such persons (including such relatives), and for certain strategic and/or large investors.

The above compensation is taken directly from the accounts of the Funds.

Generally, it is expected that if the Adviser has SMA Clients, instead of the Adviser deducting fees from SMA Client Accounts, SMA Clients will be billed for a management fee based on the capital managed on a quarterly basis and a performance-based fee on an annual basis. The amount of the management fee will be pro-rated for periods of less than a full billing period. The exact fee arrangements will be as specified in the relevant IMAs.

### ***Other Fees and Expenses***

#### **Withdrawal Fee**

An Investor in the Funds which withdraws an Investment within one year of making it is subject to a fee, payable to the Master Fund, equal to 5% of the value of the withdrawn amount.

#### **Fund Expenses**

All expenses relating to the ongoing structure and operations of the Funds will be borne by the Feeder Funds (or by the Master Fund and allocated to the Feeder Funds), including: the Management Fee; all investment-related costs and expenses (*i.e.*, expenses that, in the Adviser's sole discretion, are related to the investment of the Funds' 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, exchange fees, 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, stock locates and transaction cost analysis, and third party service providers used for implementation, custom reporting, updates, consultations, support, maintenance, monitoring and data extracts); execution management systems and portfolio management systems; the Funds' legal, accounting (including outsourced CFO services), tax preparation and other tax-related expenses (including preparation and mailing costs of financial statements, tax returns and other reports to Fund 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); fees of any third-party shareholder proxy voting firm; compliance and reporting expenses and expenses attributable to regulatory filings that are made with respect to the Funds or their respective assets (including Section 13, Section 16, Form D, Form PF, the U.S. Foreign Account Tax Compliance Act, anti-money laundering compliance (including, without limitation, fees and expenses of the AML Officers (as defined below), state security filings, general regulatory compliance and non-U.S. position reporting filings, if applicable, and any other non-U.S. filings); the Funds' pro rata share of Fund-related insurance costs (including the Funds' pro rata portion of director's and officer's insurance, errors and omissions insurance, fidelity insurance and other similar policies covering the Adviser and/or the General Partner); 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 Fund 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 related to any activist-related activities; fees and expenses of any Independent Partnership Representative or Governance Committee (as defined (in each case) in the governing or offering documents of the Funds); any fees and expenses related to the liquidation of a Fund, if applicable; fees paid to proxy and securities class action advisory firms; expenses relating to the offer and sale of shares of the Offshore Fund ("Shares") and limited partnership interests in the Domestic Fund ("Interests"), as well as redemptions, withdrawals and transfers thereof; Directors' fees and expenses; fees and expenses related to the cost of maintaining registered offices in the Cayman Islands; the Feeder Funds' pro rata share of the expenses of the Master Fund (which may include expenses of the Feeder Funds and other investment vehicles that invest in the Master Fund); other reasonable expenses related to the purchase, sale, preservation or transmittal of the Funds' assets; and any extraordinary expenses (e.g., indemnification expenses). The Funds shall bear all costs and expenses relating to: (i) the organization of the Funds; and (ii) the offer and sale of Shares and Interests (including government filing fees, stamp duties or other taxes, legal and accounting fees, printing and mailing expenses and any other organizational costs) (collectively, "Organizational Expenses"). To the extent that the Adviser or the General Partner incurs any Organizational Expenses payable by the Funds, the Adviser or the General Partner will be reimbursed by the Funds for the applicable amounts unless waived by the Adviser or the General Partner.

### SMA Client Expenses

It is expected that SMA Clients will bear their own custodial fees, brokerage commissions, transaction fees, transfer taxes, wire transfer and electronic fund fees, and other fees, and taxes on brokerage accounts and securities transactions. SMA Clients may also bear some of the types of expenses borne by the Funds to the extent provided in the relevant IMA.

### Allocation of Expenses between Clients

Common expenses may be incurred on behalf of the Funds and one or more other Clients. The Adviser will seek to allocate those common expenses among the Funds and the other Clients in a manner that is fair and reasonable over time. However, expense allocation decisions will involve potential conflicts of interest (e.g., an incentive to favor accounts that pay higher incentive compensation, or conflicts relating to different expense arrangements with certain clients). Currently, the Adviser generally expects to allocate common expenses among the Funds and the other Clients pro rata based on relative assets under management. The Adviser may, however, use other methods to allocate certain common expenses among the Funds and the other Clients if it deems another method more appropriate based on relative use of the product or service, the nature or source of the product or service, the relative benefits derived by the Funds and the other Clients from the product or service, or other relevant factors.

### Brokerage

Please see Item 12 of this brochure entitled “Brokerage Practices” for a description of the Adviser’s brokerage practices.

### Item 6: Performance-Based Allocations/Fees and Side-By-Side Management

The Adviser may be entitled to an annual performance-based allocation or fee with respect to each Fund and SMA Client that is calculated based upon a percentage of the net capital appreciation (i) of the accounts of Investors in each Fund and (ii) of the accounts of SMA Clients.

Performance-based allocation and fee arrangements may create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different arrangement. In addition, if the Adviser manages multiple Client accounts, certain Client accounts may have higher asset-based fees or performance-based compensation arrangements which are more favorable to the Adviser than other accounts. 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 have a greater incentive to favor Client accounts that pay the Adviser (and indirectly its investment personnel) higher fees or performance-based compensation. However, the Adviser has adopted and implemented policies and procedures intended to address and mitigate such conflicts of interest.



**Item 7: Types of Clients**

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The Adviser's clients will be the Funds and any future SMA Clients.

Details concerning applicable Investor suitability criteria are set forth in the Funds' governing documents, offering documents and subscription materials (collectively the "Offering Documents"). The minimum investment for an investor is outlined in the respective Funds' Offering Documents but is generally \$5 million. However, the Adviser and/or the General Partner maintain discretion to accept less than the minimum investment threshold.

Investors in each Fund will either be non-US persons or both (i) an "accredited investor", as defined in Regulation D promulgated under the U.S. Securities Act of 1933 and (ii) a "qualified purchaser", as defined in Section 2(a)(51) of the Investment Company Act of 1940.

It is anticipated that any future pooled investment vehicle managed by Adviser will have similar eligibility standards as the Funds. Also, it is anticipated that Adviser's SMA Clients will be institutional investors and will also be qualified purchasers.

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

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***Methods of Analysis and Investment Strategies***

The Adviser seeks to compound capital for its Clients through market cycles by delivering compelling risk adjusted returns while seeking to preserve capital. To achieve this objective, the Adviser combines deep fundamental research with proactive risk management. Employing a repeatable research process focused on differentiated diligence, the Adviser seeks out investments with asymmetric risk / rewards where it can develop a large difference of opinion versus the prevailing market view. The Adviser's regimented risk process supplements traditional risk factors with custom metrics to seek to manage portfolio-level risk, while seeking to optimize risk-adjusted returns from high-conviction ideas.

Building on the experience of the Principal, the Adviser will invest long and short primarily in companies in the Industrials, Consumer, TMT and Business Services sectors, with an emphasis on under-followed cross-sector opportunities. The Adviser believes that a combination of deep sector knowledge and the application of insights gleaned from one sub-sector to other sub-sectors will enable it to uncover high conviction investment opportunities where others may not be looking.

While taking risk is necessary to generate compelling returns, the Adviser recognizes that not all risks are created equal. Accordingly, the Adviser is deliberate about the types and quantities of risk it chooses to underwrite. The Adviser will proactively manage risk at both the security and portfolio levels and seek to limit exposure to factors that tend to periodically crash.

The investment process is designed to balance investment diligence with appropriate idea velocity to optimize risk-adjusted returns. The Adviser expects to find potential ideas within its investable universe from a wide variety of sources. If an initial



assessment reveals that the idea merits a deep-dive, the Adviser will engage in a bottom-up research process, marrying qualitative and quantitative analyses to seek to build conviction in differentiated insights.

In selecting investments, the Adviser will combine the research insights from its fundamental research process with experience-based market and investing judgment. In sizing positions, the Adviser will consider factors related to the security in which the investment is being made, the market and the portfolio of the Client. The Adviser expects to actively adjust position sizing to take advantage of catalysts throughout an investment's lifecycle. The Adviser may trim or exit a position when the position becomes a less compelling investment.

The Adviser seeks to make meaningful allocations to the names in which it has the highest conviction, while avoiding undue concentration risk. Client portfolios are expected to generally reflect theses with varying investment horizons, which the Adviser believes should result in lower volatility over time. The Adviser expects to use leverage but expects that gross exposure will generally be below 200%.

The Adviser intends to pursue the investment strategy described above as long as such strategy is in accord with the investment objective. In addition, it may formulate and implement new approaches to carry out the investment objective.

While it is anticipated that the Adviser will invest on behalf of its Clients primarily in equities and equity-related securities in the United States and in other developed markets, the Adviser has broad and flexible investment authority and is not limited in the types of investments it may make or the countries in which it invests. Accordingly, Client investments may at any time include, without limitation, long or short positions in U.S. or non-U.S. publicly traded or privately issued or negotiated common stocks, preferred stocks, stock warrants and rights, ETFs, corporate debt, bonds, notes or other debentures or debt participations, convertible securities, fixed income securities, swaps, options (purchased or written), futures contracts, commodities, forward contracts, foreign exchange (including, without limitation, spot transactions, forwards, futures on currencies and non-deliverable forwards) and other derivative instruments, partnership interests and other securities or financial instruments, including those of investment companies.

The Adviser may also invest in new issues, subject to the rules and regulations pertaining to such investments, including the rules of the Financial Industry Regulatory Authority, Inc. Further, the Adviser may cause Clients to utilize significant leverage.

### ***Risk of Loss***

The investment strategies used by the Adviser entail substantial risks, including, but not limited to, those listed below.

### **Risks of Investing in Individual Equities**

Substantially all of a Client's account is likely to be invested, long or short, in individual equities. The price of individual equities can be affected by, among other things,

general economic trends, including employment levels, economic growth, inflation, interest rates, changes in consumer sentiment, investor preferences, consumer spending, commodity prices, legislation, government regulation, taxation and spending, import controls, supply chain disruptions, competition, technological changes, labor actions and political events. The price of individual equities can also be affected by management, legal and financial decisions of the issuer. To the extent that the Adviser fails to accurately predict the impact of any of the above factors and fails to predict or hedge their effect on the equity positions in the portfolio, the Client could suffer losses, which could be significant.

#### Limited Diversification

The investments made by the Adviser are expected to predominately, but not exclusively, be focused geographically in the United States and to be focused on only certain sectors rather than diversified across the entire market. Furthermore, broad diversification of investments in number or by industry or geography is not a primary investment objective of the Adviser and the Adviser intends to run a relatively concentrated portfolio. At any given time, it is therefore possible that a Client's portfolio may be heavily concentrated in a particular issuer, geography, sector or industry and this limited diversification could expose the Client to losses disproportionate to market movements in general and to greater losses than if the Client's portfolio were more diversified.

#### Risk of Concentrating Investments in the Industrials, TMT, Consumer and Business Services Sectors

Among other things, the Adviser's focus on a limited number of sectors could cause the Client's investments to be more susceptible to particular economic, political, regulatory, technological or industry conditions or events compared with a fund that is more diversified or that has a broader sector focus. In other words, because the Adviser invests primarily in the industrials, TMT, consumer and business services sectors, Clients will be more exposed to particular risks affecting those sectors.

Companies in the industrials sector may be more exposed to liability for environmental damages or other forms of mass tort liability than companies in other sectors. Companies in the TMT, industrials and consumer sectors may be particularly reliant on strong intellectual property protection. Companies in the TMT and industrials sectors may need to make particularly large investments in order to remain competitive. Companies in the TMT and consumer sectors may be more exposed to changes in consumer sentiment, the availability of consumer credit and changing consumer preferences. Companies in the industrials and business services sectors may be more exposed to changes in levels of business investment. However, because of the heterogeneous nature of the different sectors, any of the companies in which the Adviser invests could be subject to the risks set forth above.

Companies in the consumer and TMT sectors may be more likely to attract the attention of retail investors, and accordingly, there is a possibility that they can become "meme stocks" and rise rapidly in value than stocks in other sectors without regard to fundamentals. A Client could incur significant losses if a stock that it holds short becomes a "meme" stock.

### Business and Regulatory Risks

Legal, tax and regulatory changes could occur that may adversely affect Clients. Changes in the regulation of private funds may adversely affect the value of Clients' investments and/or the Adviser's ability to employ investment strategies on behalf of Clients. In addition, such changes may materially increase cost of executing and financing certain strategies used by the Adviser. Further, action taken by regulators under current regulations that restrict the ability of the Adviser to pursue its investment program, or require additional disclosures of investments, could have a material adverse effect on Clients.

Securities and futures markets are also subject to comprehensive statutes, regulations and margin requirements which could limit the ability of the Adviser to employ particular investment strategies or increase the cost of doing so. Other markets are also subject to significant regulations. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies which could impair the ability of the Adviser to enter, exit or hedge investments. Such actions could impair the value of Client investments or directly result in significant losses to Clients. The effect of any future regulatory change or extraordinary action on Clients could be substantial and adverse.

### Market Risks

The profitability of a significant portion of the Adviser's investment program depends to a great extent upon correctly assessing the future course of movements in individual equities and other financial instruments. There can be no assurance that the Adviser will be able to accurately predict such price movements.

The Adviser may vary the Client exposure to equity markets from time to time. If equity markets move in a way that is inconsistent with the Adviser's views, Clients could suffer significant losses which could be exacerbated by the Adviser's decisions with regard to the level of the Client's net and gross exposure to equity markets. There can be no assurance that the Adviser will be able to accurately predict such market movements.

Unexpected volatility, illiquidity, governmental action, currency devaluation, or other events in markets in which the Adviser directly or indirectly invests could impair the Adviser's ability to carry out its business and could cause Client to incur substantial losses.

### Competition

Markets in which the Adviser may invest are generally extremely competitive and, as a result, there can be no assurance that the Adviser will be able to identify or successfully pursue attractive investment opportunities for Clients. Competition for suitable investments from other pooled investment vehicles and other investors, among other factors, may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make investments in such markets, resulting in increased competition for the Adviser in pursuing suitable investment opportunities. Some of the Adviser's competitors have greater resources,

have been established for a longer period of time, or have other potential advantages over the Adviser which may make it harder for the Adviser to be successful in its investments.

### Short Sales

Short selling, or the sale of securities not owned, exposes the Client to the risk of loss in an amount greater than the initial investment. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase. There is also the risk that the securities borrowed by Clients in connection with a short sale would need to be returned to the securities lender on short notice. If such 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 Clients may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. From time to time regulatory or legislative action may restrict the ability of Clients to engage in short selling, which could materially adversely impact the Adviser's ability to carry out its investment program.

### Exchange-Traded Funds (“ETFs”)

The Adviser may make investments, long or short, in the securities of ETFs. The ETFs the Adviser is most likely to invest in represent interests in: (i) portfolios of common stocks designed to track the price and dividend yield performance of broad-based securities indices; or (ii) “baskets” of industry-specific securities. ETFs are traded on an exchange and the value of ETF securities fluctuates in relation to changes in the value of its underlying assets. However, the market price of ETF securities may not be equivalent to the pro rata value of its underlying assets. In addition, ETFs are subject to the risks of an investment in their underlying assets. Further, U.S. securities laws place certain restrictions on the percentage of ownership that a private investment fund may have in an ETF, which could limit certain Clients' ability to invest in an ETF to the full extent the Investment Manager would think beneficial. Further, as an investor in an ETF, a Client will bear its proportionate share of various fees and expenses of the ETF, all of which are embedded in the net asset value of the ETF. Accordingly, such investments may cause the expense of investing to be greater than otherwise.

### Derivatives

The Adviser may trade both exchange-traded and over-the-counter (“OTC”) derivatives, including, without limitation, futures, forwards, swaps, options and contracts for differences, as part of its investment approach. Those instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount

of funds deposited as initial margin and may result in unquantifiable further loss exceeding any margin deposited. In addition, daily limits on price fluctuations on exchanges may prevent prompt liquidation of positions, resulting in potentially greater losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, potentially resulting in unexpected losses. Further, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Transactions in OTC contracts may involve additional risk as dealers or other market participants may be unwilling to transact or quote prices. It may therefore be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Contractual asymmetries and inefficiencies can also increase risk. These can include break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value, incorrect or disputed collateral calls or delays in collateral recovery.

### 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 potential 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 prior to the expiration of the option, so that the investor loses the premium it paid. The price of a purchased option can rise above the premium paid, so the exposure of a Client to mark to market losses on purchased options can exceed the premium paid. Selling options involves greater risk because the investor is exposed to the extent of the actual price movement in the underlying security, commodity or other instrument rather than only the premium payment received (which could result in a potentially unlimited loss). In addition to changes in the price of the underlying asset, the price of options reflects the volatility of the price of the underlying asset and accordingly a purchaser or seller of options is exposed to the risk of changes in the volatility of the underlying asset. Options traded on exchanges may be subject to wider bid-ask spreads than equities. Purchasers of options which do not have automatic exercise features expose the purchaser to the risk that it will fail to exercise options in a timely fashion. That could result in the option expiring and becoming worthless, which could result in significant losses. Purchasers of options which do have automatic exercise features may inadvertently exercise options when they do not intend to, potentially resulting in losses. In addition, options markets may be or become illiquid making it impossible to enter into or exit options position at the times or prices the Adviser would recommend, potentially subjecting Clients to losses.

### Forward Contracts

Clients may enter into forward contracts. Trading in forward contracts involves significant risks. Forward contracts are not traded on exchanges; rather, banks and dealers act as principals in these markets. Clients, in trading forward contracts, will therefore be subject to the risk of credit failure or the inability of or refusal of forward contract dealers to perform with respect to its forward contracts. There is no limitation on the daily price movements of forward contracts, and a dealer is not required to continue to make markets in such contracts. There have been periods during which

forward contract dealers have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the bid and ask price. Forward contract trading may therefore be highly illiquid.

Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. The imposition of credit controls by governmental authorities or the implementation of regulations might limit such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of Clients.

### Convertible Securities

The Adviser may invest in hybrid securities that may be exchanged for, converted into or exercised to acquire a number of shares of an issuer's common stock at the option of the holder during a specified time period (such as convertible preferred stocks, convertible bonds, stock purchase rights, and warrants). These investments are subject to a number of risks, depending on the exact nature of the instrument. For example, convertible preferred stock and convertible bonds are subject to the credit risk of the issuer and, if the price of the underlying equity is high relative to the conversion price, may also be subject to interest rate risk like other fixed income related instruments. Credit risk may be exacerbated by the financial position of many issuers of convertible securities. Convertible securities may have fewer rights and legal protections than other securities. Preferred stock, in particular, may be in a weak legal position and subject to adverse actions by the issuer thereof. Conversion provisions may be complicated and a decision to convert or a failure to convert in a timely fashion may result in losses.

### OTC Transactions

As discussed above, the Adviser may cause Clients to enter into OTC derivatives contracts. The risks posed by OTC derivatives contracts, which can be extremely complex include: (i) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset); (iii) legal risks (the characterization of a transaction or a party's legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could pre-empt otherwise enforceable contract rights); (iv) operational risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) systemic risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses resulting from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

For OTC derivatives that are cleared through a clearing house, there is the additional risk that the clearing house may become insolvent or lack the financial resources to assure performance in the event of a clearing house member's default.



Clients may receive collateral from and may deliver collateral to a counterparty or broker (a “Counterparty”) by way of title transfer or by way of a security interest and, in certain circumstances, where a Client delivers collateral to a Counterparty, may grant a right of reuse of such collateral to such Counterparty. The treatment of such collateral will vary according to the type of transaction and its contractual terms, the jurisdiction in which the Counterparty is located and the assets are traded, the legal status of the collateral and applicable law.

Where collateral is delivered by way of title transfer, a Client will be exposed to the creditworthiness of the Counterparty and, in the event of insolvency, the Client will rank as an unsecured creditor in relation to any amounts transferred as collateral in excess of the Client’s exposure to the Counterparty.

Where assets are delivered pursuant to a security interest, such assets should be protected from the insolvency of the Counterparty but subject to the Counterparty complying with its obligations pursuant to the terms of the agreement with the Client and applicable law.

Where the Counterparty exercises a right of use in respect of financial instruments provided to it by a Client as collateral, the Client’s rights in respect of such financial instruments will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments subject to the terms of the relevant arrangement. The relevant financial instruments will not be held by the Counterparty in accordance with client asset rules or similar rights and so will not be segregated from the Counterparty’s own assets or held on trust for the Client. In the event of the Counterparty’s insolvency or default, the Client’s claim for delivery of equivalent financial instruments will not be secured and will be subject to the terms of the relevant arrangement and applicable law and, accordingly, the Client may not receive such equivalent financial instruments or recover the full value of the financial instruments. Further, in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to the Counterparty, any rights the Client may have to take any action against the Counterparty, such as to terminate the relevant agreement, may be subject to a stay by the relevant resolution authority and/or the Client’s claim for delivery of equivalent financial instruments may be reduced (in part or in full) or converted into equity and/or a transfer of assets or liabilities may result in the Client’s claim being transferred to different entities.

Where collateral is held by a custodian, on the insolvency or default of the custodian the relevant financial instruments should, subject to the terms of the relevant agreement and applicable law, be unavailable to its general creditors. However, in the event of an irreconcilable shortfall following the default of a custodian the Client may share in that shortfall proportionately with the custodian’s other customers.

Collateral arrangements may be subject to a number of operational risks, including the failure of the Adviser or the Client to call for collateral where it is entitled to do so, the failure of the Counterparty to call for the correct amount of collateral or failure to redeliver any excess collateral and settlement failures.

In the event that the Adviser or a Client attempts to enforce remedies against collateral following a Counterparty’s default, there may be no or limited liquidity or other



restrictions in respect of the relevant collateral, and any realization proceeds may not be sufficient to off-set the Client's exposure to the Counterparty and the Client may not recover any shortfall.

### Fixed Income Instruments

Investments in fixed income securities and fixed income instruments carry significant risks. The primary risk is exposure to the credit of the issuer, but fixed income instruments may also expose the owner to interest rate risk and liquidity risk.

Fixed income instruments are also subject to the credit risk of their issuers. A failure to pay, repudiation/moratorium, bankruptcy, insolvency, receivership or redenomination may also affect the value of the fixed income instruments. In addition, investments in fixed income securities are subject to the risk that covenants will be insufficient to protect the rights of the owners of the fixed income securities or that the issuer and some fixed income investors will come to an agreement to restructure the fixed income security which is disadvantageous to other fixed income investors.

Certain fixed income instruments are issued with a fixed rate of interest while others are issued with a floating rate of interest. Fixed rate fixed income securities and financial instruments that referenced fixed rate fixed income securities are sensitive to interest rates, with the sensitivity increasing the longer the time to maturity of the instrument. Prices for fixed rate instruments generally vary inversely with interest rates. In other words, rising interest rates generally mean falling prices for fixed rate instruments. While floating rate securities are generally less sensitive to interest rates, they could retain such sensitivity depending on how the floating rate resets. On a mark to market basis, fixed income securities can decline in price prior to maturity as a result of changes in interest rates, even if the credit quality of the issuer is unchanged.

Most fixed income instruments trade in over-the-counter transactions and lack the benefit of transparent exchange pricing. Bids and asks for these instruments are generally wider than equity securities, and trading is less frequent. These factors may cause distortions and/or volatility in the prices of fixed income-related instruments. To the extent the Adviser invests in fixed income securities and related instruments, a Client is exposed to these risks.

### Risk of Investing in Stressed or Distressed Securities

The Adviser may invest in securities and obligation of issuers in weak financial condition, experiencing substantial capital needs or negative net worth, including companies involved in bankruptcy proceedings or other reorganization and liquidation proceedings. These securities may be particularly risky investments. Such investments may be affected adversely by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Adviser's investment in any instrument. Any one

or all of the issuers of the securities in which the Adviser may invest may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high. In any reorganization or liquidation proceeding relating to a company in which the Adviser invests, a Client may lose its entire investment, may be required to accept cash or securities with a value less than the original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Client's investments may not compensate the Client adequately for the risks assumed. In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security in respect to which such distribution was made. In certain transactions, Clients may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated. Troubled companies and other asset-based investments also require active monitoring and may, at times, require participation in business strategy or reorganization proceedings by the Adviser. To the extent that the Adviser becomes involved in such proceedings, Client may have a more active participation in the affairs of the issuer than that assumed generally by an investor.

#### Hedging Transactions

The Adviser is not required to attempt to hedge portfolio positions for Clients and, for various reasons, may determine not to do so. Furthermore, the Adviser may not anticipate a particular risk so as to hedge against it. While the Adviser may enter into hedging transactions to seek to reduce risk, such hedging transactions may fail to reduce such risk and, whether or not successful in reducing the risk that the Adviser is seeking to hedge, may result in a poorer overall performance for Clients than if the Adviser had not engaged in any such hedging transactions.

#### Swaps

The Adviser may cause Clients to enter into swap agreements and/or options on swaps agreements ("swaptions"). Whether the Adviser's use of swap agreements or swaptions will be successful will depend on the Adviser's ability to select appropriate transactions for Clients. 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, the 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. The Client will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the 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.

### Warrants

Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities. Warrants do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants may be considered more speculative than certain other types of investments. In addition, the value of a warrant does not necessarily change with the value of the underlying securities, and a warrant ceases to have value if it is not exercised prior to its expiration date.

### Futures Contracts

The prices of futures contracts and options thereon used for speculation and hedging purposes may not correlate with price movements of the underlying securities being hedged. Although the Adviser intends to purchase or sell 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 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. If prices fluctuate during a single day's trading beyond those limits, the Adviser could be prevented from promptly liquidating unfavorable positions or entering positions to hedge risks and thus be subject to substantial losses.

### Leverage

The Adviser may employ leverage in a wide variety of ways, including but not limited to purchasing financial instruments with borrowed funds, investing and trading in futures contracts, options on futures, options on securities, forward contracts, swaps and other derivatives with embedded leverage, as well as short selling. Clients may borrow securities or funds from brokerage firms, including prime brokers, and banks, in order to increase the amount of capital available for investment. Consequently, the rates at which a Client can borrow affects the performance of the Client.

The Client is therefore subject to changes in the value that the financing broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position, the recall of borrowed stock and the willingness of prime brokers to continue to provide credit to Clients. Because the Funds currently have no alternative credit facility which could be used to finance its portfolio in the absence of financing from the prime brokers, they could be forced to liquidate their portfolio on short notice to meet their financing obligations if the prime brokers ceased in whole or in part to finance the portfolio. Other Clients similarly situated would be subject to similar risks. The forced liquidation of all or a portion of a Client's portfolio on short notice or at distressed prices could result in significant losses to the Client.

If the amount of leverage a Client account has outstanding at any one time is large in relation to the value of its assets, fluctuations in the market value of the Client's portfolio will have a disproportionately large effect in relation to the value of its assets and the volatility of the Client's assets and the risk of loss will therefore be increased. If the value of the account were to decline, the use of leverage will generally cause the value of the account to decline faster than would otherwise be the case. In addition, because the size of the investment is larger due to using leverage, the Client will be exposed to greater potential losses.

Further, because borrowing imposes costs on the Client which could be significant, the use of leverage may reduce returns or cause losses if the Client does not generate profits in excess of such costs.

#### Investing in Non-US Issuers

Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than in the U.S. There may be less government supervision and regulation of exchanges, brokers and issuers than there is in the United States. An issuer of securities may be domiciled in one country, but the securities may be denominated in the currency of another country. In addition, there may be greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Client's performance.

#### Illiquidity

While the Adviser intends to make investments in liquid securities and other financial instruments, such positions could become illiquid after the Clients entered them. In such event, the Adviser might be unable to dispose of such positions except at a substantial discount or at all. Such inability could expose Clients to the risk of losses, because the Client might be unable to continue to hold such positions or might have to retain such positions even if it correctly wished to sell them. In addition, such illiquidity could preclude the Adviser from hedging its risks or pursuing other investment opportunities that might have been more profitable.

#### Emerging Market Risks

Emerging markets impose risks different from, or greater than, risks of investing in U.S. securities or in non-U.S. developed countries. These risks may include: smaller market capitalization of securities markets, which may suffer periods of relative illiquidity;

significant price volatility; restrictions on foreign investment and restrictions on repatriation of investment income and capital. In addition, investors may be required to register the proceeds of sales and future economic or political crises could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies. The currencies of emerging markets countries may experience significant declines against the U.S. dollar, and devaluation may occur subsequent to investment in these currencies by the Adviser. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging markets countries. Securities traded in certain emerging markets countries may be subject to risks in addition to risks typically posed by international investing due to the inexperience of financial intermediaries, the lack of modern technology, and the lack of a sufficient capital base to expand business operations.

Additional risks of emerging markets securities may include: greater social economic and political uncertainty and instability; more substantial governmental involvement in the economy; less governmental supervision and regulation of securities trading and markets; unavailability of currency hedging techniques; companies that are newly organized and small; differences in auditing and financial reporting standards, which may result in unavailability of material information about issuers; and less developed legal systems. In addition, emerging securities markets may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in these transactions. Settlement problems may cause Clients to miss attractive investment opportunities or be delayed in disposing of a portfolio security. This delay could result in possible liability to a purchaser of the security.

In connection with obtaining licenses, establishing accounts or making arrangements to make investments in emerging market countries, the Adviser may be required to disclose to non-US governments, regulators or counterparties certain confidential information regarding Clients or Investors, including their identity and address information, and the Adviser will have no control over how such information is used or stored by such non-US governments, regulators or counterparties.

#### Cybersecurity Risk

The Funds, the General Partner, the Adviser and their respective service providers, including banks, broker-dealers, custodians (including the prime brokers), the administrator and their affiliates, may be subject to operational and information security risks resulting from cyber-attacks, technological malfunction or human error related to technology ("Cyber Incidents"). 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. Such Cyber Incidents may adversely impact Clients, by, among other things, interfering with the processing or execution of Client transactions, causing the release of confidential information, including private information about Clients or Investors, destroying or rendering inaccessible records of Client trades or positions, rendering inaccessible or unusable software critical to the operations of the Adviser or other service providers to the Funds and subjecting Clients, the General Partner, the Adviser or their affiliates to regulatory

finances or financial losses or cause reputational damage. Additionally, Cyber Incidents resulting in the unauthorized withdrawal or transfer of funds or securities may result in significant losses. Similar types of cybersecurity risks are also present for issuers of securities in which Clients may invest. These risks could result in material adverse consequences for such issuers and may cause the Clients' investments in such issuers to lose value.

#### Lack of Operating History

The Funds, the General Partner and the Adviser have no operating history. While the Principal has prior investment experience, she has not managed an independent business previously. There are differences between prior investment strategies and portfolios managed by the Principal and the strategy of the Adviser and between prior firms at which the Principal has worked and the Adviser. In any event, the past investment performance of other portfolios managed by the Principal is not necessarily an indication of the Adviser's future performance. There are no assurances that a Client will achieve its investment objective.

#### Reliance on the Investment Manager and the Principal

Clients will rely on the Adviser and, more specifically, on the Principal for the management of their investment portfolio. The selection of investments and other investment decisions for Clients rely heavily on the judgement and skill of the Adviser and its Principal. However, there can be no assurance that the Adviser will successfully identify investments that fit the investment objective of the Clients or that such investment will not cause Clients to experience losses.

#### Misconduct of Employees of the Investment Manager or Key Service Providers

There have been cases of fraud, undisclosed or incorrectly disclosed conflicts of interest or other forms of misconduct by individuals in the financial services industry. It is not always possible to deter or prevent such misconduct and precautions taken to do so may not be effective in all cases. Misconduct by an employee (including a member, officer, partner or director) or contractor to the Funds, the Adviser or their service providers or even allegations of such misconduct (whether or not ultimately found to be true) could result in direct financial harm to the Adviser, the Funds or another Client. Such misconduct or allegations could also adversely affect the willingness of counterparties or others (including existing or potential employees) to deal with the Adviser, harming the ability of the Adviser to execute its investment strategy.

#### Exposure to Material Non-Public Information

If the Adviser were to receive material non-public information with respect to an issuer of publicly traded securities, the Adviser may be prohibited by law, policy or contract for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position in such issuer or increasing or decreasing any existing position in such issuer and (iii) pursuing other opportunities related to such issuer. As a result of recent SEC enforcement efforts related to "shadow insider trading", certain types of inside information may result in the prohibitions above applying to companies other than the issuer with respect to which material non-public information has been received. The



effect of any such prohibitions could result in lost profits or losses to Clients which could be material.

### Counterparty Risk

Some of the markets in which the Adviser may effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange-based” markets. This exposes Clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing Clients to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Adviser has concentrated its transactions with a single or small group of counterparties. The Adviser is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Adviser has no internal credit function that evaluates the creditworthiness of their counterparties. The ability of the Adviser to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by Clients.

### Systemic Risk

Systemic risk is the risk of broad financial system stress or collapse triggered by the default of, or other unanticipated actions by, one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Adviser may interact, as well as the Adviser itself, are all subject to systemic risk. A systemic failure could have material adverse consequences on the Clients and on the markets for the securities in which Clients seek to invest.

### Failure of Exchanges

A Client is subject to the risk of failure of any of the exchanges on which its positions trade or of the clearing houses for such exchanges.

### Catastrophic Events

Catastrophes, such as natural disasters (including health crises such as pandemic and epidemic diseases), war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such catastrophes, may have an adverse effect on Client’s investments and the Adviser’s operations. For example, any preventative or protective actions that governments or other people or entities may take in respect of such catastrophes may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for Client investments. 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 catastrophes could adversely affect the economies and financial markets either in specific countries or worldwide.

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**Item 9: Disciplinary Information**

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There have been no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Adviser's business or the integrity of its management.

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

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Tessellis Fund GP LLC, a Delaware limited liability company, is the general partner of the Master Fund and the Domestic Fund (the "General Partner"). Chiki Brahm is the owner of the General Partner. The General Partner receives the performance allocation from the Fund and has appointed the Adviser to make investment decisions on behalf of the Funds. The Adviser may rely on an exemption from registration with the CFTC as a commodity trading advisor.

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

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***Code of Ethics***

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser's personnel to put the interests of the Adviser's Clients before their 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 Jeffrey Rose, Chief Compliance Officer by email at [jeffrey.rose@tesselliscapital.com](mailto:jeffrey.rose@tesselliscapital.com). See below for further provisions of the Code as they relate to personal trading by the Adviser's Supervised Persons. "Supervised Person" means any partner, officer (or other person occupying a similar status or performing similar functions), or employee of the Adviser, or other person who provides investment advice on behalf of the Adviser and is subject to the supervision and control of the Adviser.

***Participation or Interest in Client Transactions***

Eligible personnel of the Adviser may, and in certain cases are expected to, have a direct or indirect financial interest in the Funds. The Adviser's personnel have access to information that is not available to other Investors. Such investments pose a risk that the Adviser or individuals who are in a position to control the allocation of investment opportunities will favor those Funds in which the Adviser's personnel invest, particularly in the case of limited opportunities (such as initial public offerings) or other investments that are otherwise subject to limited capacity. The Adviser has adopted policies and procedures relating to allocation of investment opportunities to mitigate such conflicts.

In addition, the Adviser, or its Supervised Persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser recommends to Clients. The Adviser or its Supervised Person 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. Such practices present a conflict when, because of the information an Adviser has, the Adviser or Supervised Persons are in a position to trade in a manner that could adversely affect the Adviser's Clients. In addition to affecting the Adviser's or its Supervised Person's objectivity, these practices by the Adviser or its Supervised 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:

### ***Personal Trading***

Supervised Persons' voluntary personal transactions in securities (other than securities which are not reportable securities as defined in Rule 204A-1 promulgated under the Adviser's Act) are generally prohibited except (i) with prior approval, securities which have been involuntarily acquired may be disposed of; (ii) immediate family members of Supervised Persons may receive securities issued by their employer; (iii) transactions pursuant to an automatic investment plan; (iv) with prior approval, beneficial ownership of securities in limited offerings may be acquired and (v) with respect to transactions in certain ETFs which are either broad-based or do not have securities as their underlying assets. The Chief Compliance Officer may waive this restriction with respect to certain ETFs.

Further, all of the Adviser's Supervised Persons are required to disclose their securities transactions on a quarterly basis. In addition, the Adviser's Supervised 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 Supervised Persons are also required to provide the Adviser with quarterly brokerage statements.

### ***Cross Trades and Principal Transactions***

The Adviser and its personnel do not purchase or sell any securities for their own accounts to or from Clients. On occasion, subject to applicable Client guidelines and restrictions, the Adviser may affect "cross" transactions, through unaffiliated broker-dealers or by "journal entry," between accounts in which one Client will purchase an investment held by another Client. For the avoidance of doubt, any inadvertent or unintentional executions of two orders in the marketplace will not be considered cross trades subject to this policy. Such cross transactions may only occur if the Adviser determines they are in the interests of both Clients involved, they are conducted at the current market price and the Adviser receives no additional compensation in connection with arranging the transaction, absent Client consent. Transactions between Client accounts are not permitted if they would constitute principal transactions or agency cross transactions unless Client consent has been obtained. If the Adviser decides to engage in a cross trade, prior to doing so, the Adviser will determine that the trade is in the best interests of each Client involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Clients.

**Item 12: Brokerage Practices**

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***Best Execution and Soft Dollars***

The Adviser is authorized to determine the broker-dealer to be used for executing securities transactions for the Funds and the Adviser expects it will be similarly authorized with respect to any SMA Clients.

In selecting an appropriate broker-dealer to effect a Client trade, the Adviser seeks to obtain “Best Execution,” meaning generally the execution of a securities transaction for a Client in such a manner that a Client’s total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, Adviser considers a number of factors. Such factors include, but are not limited to, among other things, financial stability and reputation of brokerage firms, creditworthiness, efficiency of execution and error resolution, the actual executed price and the commission, 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) and the research, brokerage or other services provided by such brokers.

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 use of Client commissions to obtain products and services creates a conflict of interest, since as result of receiving such products or services the Adviser would not have to pay for such 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.

Although the Adviser will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. 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.

Section 28(e) of the Securities Exchange Act of 1934, as amended (“Section 28(e)”), is a “safe harbor” that permits an investment manager to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except with respect to the Fund for services that would be a Fund expense under relevant Offering Documents and with respect to any SMA Clients would be an SMA Client expense under the relevant IMA or as otherwise described below, the Adviser will limit the use of “soft dollars” to obtain research and

brokerage services to services which constitute research and brokerage within the meaning of 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.

In some instances, the Adviser may receive a product or service that may be used, in part, by the Adviser for Section 28(e) eligible purposes and, in part, for other purposes (e.g., an order management system, trade analytical software or proxy services). In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources unless otherwise a Client expense.

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 Fund managed by the Adviser or recommend investments in these Funds as investments to 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.

### ***Trade Errors***

It is the Advisers policy that losses attributable to trade errors that do not result from the Adviser's violation of the standard of care applicable to a client account will be borne by the client account. Pursuant to the exculpation and indemnification provided by the Funds to the Adviser and its affiliates and personnel, the Adviser and its affiliates and personnel will generally not be liable to the Funds for any act or omission, absent bad

faith, gross negligence, willful misconduct or actual fraud of such person, and the Funds will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Funds, absent bad faith, gross negligence, willful misconduct or actual fraud of such person. As a result of these provisions, the Funds (and not the Adviser) will benefit from any gains resulting from Trade Errors and other errors and will be responsible for any losses (including additional trading costs) resulting from Trade Errors and other errors, absent bad faith, gross negligence, willful misconduct or actual fraud of the relevant person.

With respect to SMA Clients, the relevant standard of care will be contained in the investment management or other agreement between the Adviser and the SMA client.

### ***Aggregation of Orders***

If the Adviser has SMA Clients as well as the Funds, the Adviser expects that it will generally purchase or sell the same security for more than one client contemporaneously. In such cases, it is the Adviser's practice, where appropriate, to aggregate Client orders for the purchase or sale of the same security. 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. The average price, however, could be less advantageous to a Client than if that Client had been the only account effecting the transaction or had completed its transaction before the other participants.

## **Item 13: Review of Accounts**

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### ***Review of Accounts***

The Adviser expects to perform various daily, monthly and other periodic reviews of each client's portfolio and account. Such reviews are expected to be conducted in the ordinary course of business by the Adviser's Chief Investment Officer and Chief Compliance Officer. A review of a client account may also be triggered by special circumstances including significant changes in the price of one or more securities held or significant changes in the value of a client portfolio.

### ***Reporting***

The Funds will distribute to each investor unaudited monthly capital account statements and, within 120 days after the end of the Funds' fiscal year, annual audited financial statements for such fiscal year. The Domestic Fund will also provide tax information necessary for the preparation of an investor's US federal income tax return. The Adviser may distribute additional reports to investors in its sole discretion.

SMA Clients will receive reports as specified in the IMA between the SMA Client and the Adviser.

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

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The Adviser does not currently compensate, either directly or indirectly, persons for client referrals or referrals of SMA Clients or Investors in the Funds but may do so in the future.

The Adviser receives certain research or other products or services from broker-dealers through “soft-dollar” arrangements. These “soft-dollar” arrangements create an incentive for the Adviser to select broker-dealers based on the Adviser’s interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of its Clients. Please see Item 12 - Brokerage Practices for further information on the Adviser’s “soft-dollar” practices.

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**Item 15: Custody**

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The Adviser may be deemed to have custody of the assets of the Funds because of the General Partner’s authority over the assets of the Funds. The Adviser intends to comply with Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision.

Accordingly, the Funds are expected to (i) be audited annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB), and (ii) to distribute audited financial statements to all Investors in the Funds within 120 days of the end of its fiscal year.

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**Item 16: Investment Discretion**

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Pursuant to the Offering Documents for the Funds, the Adviser has discretionary authority to manage securities accounts on behalf of Clients including determining (i) the securities to be purchased and sold for the Funds, and (ii) the amount of securities to be purchased or sold for the Funds.

The Adviser anticipates that it will have similar investment discretion over any additional client accounts that it manages including SMA Clients. However, it is possible that the Adviser will agree to certain restrictions on its discretionary authority on behalf of a particular SMA Client.

Before assuming this authority with respect to a client, the Adviser will obtain an investment management agreement or other agreement executed by the client which sets forth the scope of the Adviser’s discretionary authority.

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**Item 17: Voting Client Securities**

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The Adviser has authority to vote proxies on behalf of the Funds and may have such authority with respect to SMA Clients. It is the Adviser’s policy not to vote client securities even where it has the authority to do so.

The Adviser’s Clients are not permitted to direct its vote in a particular solicitation.

The Adviser will periodically review its policy to attempt to ensure that there is no conflict of interest between its policy and the interests of its Clients.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a Client's proxies upon request by contacting Jeffrey Rose, Chief Compliance Officer, by email at [jeff.rose@tesseliscapital.com](mailto:jeff.rose@tesseliscapital.com).

**Item 18: Financial Information**

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There is no financial condition that is reasonably likely to impair the Adviser's ability to meet contractual commitments to Clients and the Adviser has never filed for bankruptcy.