

# LEUCADIA ASSET MANAGEMENT LLC

## Kathmandu Division

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## FORM ADV PART 2A

### The Brochure

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**This brochure provides information about the qualifications and business practices of Leucadia Asset Management LLC (“LAM”). If you have any questions about the contents of this brochure, please contact us at (212) 284-2300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. LAM is registered as an investment adviser with the SEC. Registration does not imply that a registered adviser has achieved a certain level of skill, expertise, or training in providing advisory services to its clients.**

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

## **Item 2. Material Changes**

This is an annual filing for the Kathmandu Capital Division of Leucadia Asset Management LLC. While this filing to our Brochure contains updates to certain information, we do not believe these updates constitute material changes to our Brochure.

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## Item 4. Advisory Business

Leucadia Asset Management LLC (“LAM”, the “Manager”, or “we”), is a registered investment adviser, and a wholly owned subsidiary of Jefferies Financial Group Inc. (“Jefferies”). LAM, established in 2002, has been registered as an investment adviser with the Securities and Exchange Commission (“SEC”) since January 2003. LAM provides investment advisory and portfolio management services to private investment funds, including the Onshore Feeder, the Offshore Feeder and the Master Fund (each as defined below) (each, a “Fund” and collectively, the “Funds”) and through separately managed accounts (the “SMAs”, and together with the Funds, collectively, the “Accounts”). This Brochure relates only to the Kathmandu Division (“Kathmandu”). Kathmandu engages in the business of offering advisory and portfolio management services to clients through SMAs and Funds. Other brochures describe other services which we offer outside of Kathmandu.

Our principal place of business is in New York, New York, where we perform operations, accounting, legal and compliance functions. Kathmandu also maintains an office in Boston, Massachusetts where we perform portfolio management, research, and trading functions. Various affiliates of LAM perform administrative functions and services (such as Human Resources, Information Technology, Accounts Payable, Treasury, and Purchasing) in New York, New York, Jersey City, New Jersey and other U.S. locations of Jefferies and its subsidiaries.

Kathmandu seeks to generate absolute returns from both long and short sides of the portfolio throughout a market cycle and to generate such returns with a superior Sharpe Ratio and limited volatility. Kathmandu will deploy a global long/short investment strategy that focuses on energy and related cyclical industries whose prospects are primarily driven by supply and demand of energy and related commodities. The investment process, anchored in deep fundamental research of both macroeconomic (“Top Down”) and microeconomic (“Bottom-Up”) factors across energy and related industries, sub-industries, and individual securities, strives to generate ideas across secular, cyclical, and idiosyncratic themes that can provide an attractive risk-adjusted returns. Examples of the three core themes the Kathmandu focuses on are: (i) secular—such as new sources of supply and demand, technological breakthroughs that impact the cost or volume of supply and demand, and industry structure changes; (ii) cyclical—such as demand and supply shocks, seasonality of demand and supply due to weather and various factors, and short term shifts in the cost or the demand curves; and (iii) idiosyncratic—such as corporate actions, strategic changes, changes in market or investor sentiment, earnings or valuation dislocations.

Kathmandu will primarily invest in public equities and in equity derivatives with opportunistic exposure to futures. The Accounts may invest in a broad range of securities and financial instruments, including U.S. and non-U.S. equity and equity-related securities, depositary receipts, warrants, contingent value rights, futures, exchange-traded funds, preferred securities, options, forward contracts (foreign exchange, non-deliverable or otherwise), swaps (including foreign exchange and total return swaps), spot trades (foreign exchange or otherwise) and other derivative instruments, and money market funds and other cash equivalents.

As of December 31, 2023, Kathmandu had Regulatory Assets Under Management totaling \$ \$381,452,603 on a discretionary basis. Kathmandu does not manage assets on a non-discretionary basis. The term “Regulatory Assets Under Management” is defined by the SEC in the instructions to Form ADV and is calculated in accordance with the requirements prescribed by the SEC.

## Item 5. Fees and Compensation

We typically receive management fee and/or incentive fees, which can vary by Fund and by SMA.

For Funds, management fees, which accrue monthly and are payable monthly in arrears, are generally equal to 1.5% per annum of an investor's capital account. Management fees are appropriately prorated for partial periods. The incentive allocation or incentive fees is typically 20% of net new income attributable to each investor's capital account. The incentive allocation or incentive fee is paid or allocated at the end of the calendar year or upon redemption. With the assistance of the Funds' third-party administrator, we deduct our fees directly from the accounts of our Fund clients. Management and incentive fees with respect to SMAs may be similar to those charged to the Funds; however, we may agree with our SMA clients to alternate fee structures. We directly invoice our SMA clients for any management fees periodically in arrears (typically quarterly), although we may agree to alternate billing arrangements. We do not deduct fees directly from SMA client accounts.

The fees received by us are explained more fully in the offering memorandum for each Fund (the "Offering Memorandum") or, in the case of an SMA, are set forth in the investment management agreement between the client and ourselves (together with any Offering Memorandum, the "Disclosure Document").

The fees described above are our typical fee rates. We may, in our sole discretion, vary or waive all or a portion of the fees due to us. Each Account has the right to enter into agreements with one or more of its investors providing for a waiver or modification of certain terms of the Account. Such arrangements are documented in the offering documents, investment management agreement or side letter agreements with particular investors in certain Accounts.

When we consider appropriate, we may invest a portion of an Account's assets in one or more money market funds or exchange-traded funds. When any such investments are made, the Account will be paying, in addition to the compensation payable to us, the Account's proportionate share of any management fees charged by the manager of such money market fund, mutual fund or exchange-traded fund.

Our SMA clients bear their own trading and operational expenses directly, and Funds generally bear all such expenses (other than initial organizational and offering expenses), as well as the costs related to the pro rata share of their respective master fund's operations. For both Funds and SMAs, we bear our own overhead costs (such as rent and salaries). Operational expenses borne by Accounts include audit, tax, administration, execution, exchange, financing, clearing and custody fees.

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

### **Performance Based Fees**

We receive performance-based fees from all of our clients in the form of either an incentive allocation or incentive fees. Prospective investors should note that (i) the fact that an incentive allocation or incentive fees may be allocable or payable out of increases in net gains may create an incentive for us to make investments that are riskier or more speculative than would be the case if we were compensated solely based on a flat percentage of capital and (ii) we may receive increased compensation because the incentive allocation or incentive fees are calculated on a basis that includes unrealized gains as well as realized gains.

### **Side-By-Side Management**

We may trade on behalf of multiple client Accounts. As described in “Fees and Compensation” above, we receive performance-based incentive fees from all Accounts. Some Accounts also pay us management fees. As a result, we could have a conflict of interest, because we can potentially receive proportionately greater compensation from those Accounts that pay us an incentive allocation or incentive fees and management fees than from those Accounts that pay us an incentive allocation or incentive fees only.

We owe a fiduciary duty to our clients not to favor one Account over another, without regard to the types and amounts of fees paid by those Accounts. In light of the conflicts of interest described above, we have allocation policies and procedures in place to ensure that Accounts are treated fairly. Accounts managed within Kathmandu generally trade *pari passu* with each other. However, we do not necessarily trade for Accounts on a *pari passu* basis, as some Accounts may be distinguished from one another by their investment objectives, investment methodology, fee terms or other investment or trading parameters. Accordingly, our investment professionals may cause purchases or sales to be effected for one or more Accounts while not causing such purchases or sales to be effected for other Accounts. We may determine also to use substantially different degrees of leverage in certain Accounts when effecting a transaction, when maintaining a position, or in conducting Accounts activities generally. Discretion as to which Accounts will receive allocations of particular positions may occur whether investment opportunities are limited or unlimited, and opportunities to participate in transactions may not necessarily be allocated among the Accounts in any particular proportion. For example, but without limitation, proprietary accounts of our affiliates or client Accounts, in trading a new, experimental or different strategies may enter the same markets earlier than (either days before or on the same day as) other Accounts.

If multiple Accounts qualify for participation in the purchase of a specific security or investment opportunity by such portfolio group, we will, in general, allocate the instruments among the Accounts for which the instrument or investment opportunity is appropriate, on a fair and equitable basis. Common trades on the same day for Accounts managed by the same portfolio management group generally are allocated, where possible, on the basis of the relative assets committed to the strategy at the average price per share among such Accounts. While no Account will be given investment priority over any other Account, each Account may have separate investment objectives and investment restrictions which we are required to follow; as a result, certain investment opportunities may be appropriate for certain Accounts and not for others. We apply such considerations as we deem appropriate, including relative size of such entities, amount of available capital, size of existing positions in the same or similar securities, leverage and tax considerations and other factors. Nevertheless, prospective investors should understand that we, and our investment professionals, may have an incentive to favor certain Accounts over others.

## Item 7. Types of Clients

We provide advisory services to the following types of clients:

- Private funds (e.g., hedge funds);
- Corporations and other business entities; and
- Other institutional investors.

Private funds are generally organized as “master-feeder” structures whereby a U.S. feeder fund domiciled in Delaware and a non-U.S. feeder fund that is a Cayman Islands exempted company invest in a master fund that is also a Cayman Islands exempted company. Each private fund is excepted from the definition of an “investment company” pursuant to Section 3(c)(7) of the Investment Company Act of 1940 (the “Company Act”). The investors in these private funds are generally “accredited investors,” as that term is defined in Regulation D promulgated under the Securities Act of 1933, and “qualified purchasers” as that term is defined in the Company Act and the rules promulgated thereunder. Each of the private funds sets minimum investment requirements for the investors in such vehicle. These minimum investments are typically \$5,000,000. Such minimum investment requirements may be waived at our discretion, except to the extent that such waiver is expressly prohibited by the constituent documents of the private fund or applicable law.

SMA clients are typically institutional investors. These clients must be “qualified eligible persons” as that term is defined in Commodity Futures Trading Commission Rule 4.7 and/or “qualified clients” as defined in SEC Rule 205-3, as applicable. We review any requests for managed accounts on a case-by-case basis, but the minimum investment is typically \$50,000,000, which minimum we may waive in our discretion.

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

The following is a summary of the investment strategies and methods of analysis we generally employ on behalf of our clients. Specific descriptions of such strategies and methods are included in the relevant Disclosure Documents. All investments involve risk of loss that investors should be prepared to bear.

### **Investment Strategy and Methods of Analysis**

Kathmandu offers strategies which seek to achieve an investment objective agreed with the applicable client or as set forth in the relevant Disclosure Documents (the “Investment Objective”). Our strategies present risks to our clients and clients must fully understand and accept those risks before making any investment or establishing an SMA.

Each strategy, as well as trading approaches used in the strategies, is proprietary and highly confidential. Accordingly, clients should note that the descriptions set out below are general only and are not intended to be exhaustive.

While strategies offered through Kathmandu are largely comprised of equities and futures products, our strategies rely on the discretion of our investment professionals, who may employ one or more proprietary investment and/or trading strategies and methodologies (collectively “Strategies”). Our Strategies may include additional markets and products including fixed income and foreign currency instruments as well. Kathmandu will primarily invest in public equities and in equity derivatives with opportunistic exposure to futures and commodities. The Accounts may invest in a broad range of securities and financial instruments, including U.S. and non-U.S. equity and equity-related securities, depositary receipts, warrants, contingent value rights, futures, exchange-traded funds, preferred securities, options, forward contracts (foreign exchange, non-deliverable or otherwise), swaps (including foreign exchange and total return swaps), spot trades (foreign exchange or otherwise) and other derivative instruments, and money market funds and other cash equivalents.

We are under no requirement to limit ourselves to a particular Strategy level of exposure. In general, our Strategies are determined by the judgment or discretion of our investment professionals.

We may formulate new approaches and investment strategies to carry out our principal Investment Objectives based on, among other factors, changing market circumstances. This includes (without limitation) the incorporation of new markets, instruments and strategies. We will notify a client of such changes only if they amount to material changes to the Investment Objective.

Clients should note that the foregoing is not intended to be an exhaustive description of the strategies and Strategies that may be employed by us. At various times, we may employ on behalf of Accounts any of the Strategies discussed herein in various proportions as well as others, some of which may involve higher levels of risk. There is risk associated with each Strategy and there is no assurance that any of the Strategies will be profitable or that we will be able to achieve the Investment Objective or avoid losses. The Strategies used present special and significant risks which investors should carefully consider in conjunction with their investment, legal and tax advisors. In addition, clients may request, and/or we may develop, additional strategies with some similarities to existing strategies. Any such strategies may be subject to risks and conflicts of interest, and also may be subject to additional risks and conflicts of interest that may be described in the applicable Disclosure Documents. A description of certain of those risks appears below.



## Risks Relating to Trading and the Markets

**Risk of Loss.** Our investments are speculative, entail a high degree of risk, and are suitable only for investors who have no immediate need for liquidity and who can afford to bear a loss of the entire amount invested. No representation or guarantee is made as to the likelihood of achieving our investment objectives. Investors should carefully consider, among other factors, the following material risks involved with our investment strategies. Investors should refer to the applicable governing documents for more complete information on our investment strategies and the risks associated with our investments.

**Operating History.** Kathmandu previously operated proprietary SMAs. Kathmandu has a fund operating history of two years upon which potential investors may evaluate a Fund's likely future performance. While certain investment professionals have substantial experience investing in certain types of opportunities that the Accounts pursue, there can be no assurance that the Accounts will generate performance results equivalent to the past results generated by these investment professionals or that the Accounts will avoid losses. Market conditions and trading approaches are continually changing, and the fact that certain investment professionals may have achieved certain positive performance in the past may be largely irrelevant to an Account's prospects for profitability. Past performance is not necessarily indicative of future results. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

**Equities and Equity-Related Securities and Instruments.** The Accounts expect to invest in U.S. and non-U.S. equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of an issuer, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which an Account may invest (and relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth and companies with new products or services could sustain significant losses if projected markets do not materialize). Equity prices are directly affected by issuer specific events, as well as general market conditions. Equity securities are subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, preferred stockholders. Dividends customarily paid to equity holders can be suspended or cancelled at any time.

**Futures.** The rapid fluctuations in the market prices of futures interests make an investment in the Accounts volatile. Volatility is caused by changes in supply and demand relationships; weather; agricultural, trade, fiscal, monetary and exchange control programs; U.S. and non-U.S. political and economic events and policies; and changes in interest rates. If the Manager incorrectly predicts the direction of the price in a futures interest, large losses may occur and the Fund could lose all or substantially all of its assets. Futures prices are highly volatile and are affected by a wide variety of complex and hard to predict factors; consequently, a primary risk in trading these instruments is rapid fluctuations in market prices in a short time period. Price fluctuations may affect the Manager's ability to earn investment returns for an Account. Market volatility may also depart significantly from historical averages, which could affect performance. Volatility could create adverse results for the performance of an Account in several ways. A period of substantial volatility shortly after an investor's initial investment, or additional investments thereafter, could adversely affect performance and cause a significant reduction in such investor's equity, making it more difficult to achieve profitability. Substantial volatility prior to the time of a planned withdrawal could adversely affect performance and could reduce the amount of proceeds actually received when the withdrawal has been completed.

**Master Limited Partnerships.** An Account may invest in master limited partnerships (“MLPs”) through total return swaps referencing interests in MLPs. Investments in MLP units are subject to certain risks inherent in the structure of MLPs, including: (i) the limited ability to elect or remove management or the general partner or managing member; (ii) limited voting rights, except with respect to extraordinary transactions; and (iii) conflicts of interest between the general partner or managing member and its affiliates, on the one hand, and the limited partners or members, on the other hand, including those arising from incentive distribution payments or corporate opportunities. Moreover, MLP units in which an Account invests may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly traded securities.

**PIPE Transactions.** Accounts may make private investments in public equity (a “PIPE transaction”). Investors in PIPE transactions purchase securities directly from a publicly-traded entity in a private placement transaction, typically at a discount to the market price of the entity’s securities. Because the sale of the securities is not registered under the Securities Act, the securities are “restricted” and cannot be immediately resold by the investors into the public markets, and thus may present the risk that an investor may not be able to liquidate those securities in light of the investor’s need to raise cash. Accordingly, the publicly-traded entity typically agrees as part of the PIPE deal to register the restricted securities with the SEC. There is no assurance that such securities will ever be registered with the SEC and there may be a significant delay before such PIPE securities may be sold, resulting in losses to an Account which may be substantial.

**Long/Short Strategies.** The success of the Kathmandu’s long/short investment strategy depends upon its ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of Kathmandu’s long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Account’s positions were to fail to converge toward, or were to diverge further from, values expected by Kathmandu, an Account may incur losses. In the event of market disruptions, significant losses can be incurred which may force an Account to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Kathmandu’s long/short strategies may become outdated and inaccurate as market conditions change.

**Short Selling.** Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the seller to profit from declines in market prices of the sold securities to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to an Account of buying those securities to cover the short position. There can be no assurance that an Account will be able to maintain the ability to borrow securities sold short. In particular, (i) a tender offer or similar transaction with respect to a company whose securities an Account has sold short or (ii) an unexpected shortage in an underlying commodity with respect to commodity futures that an Account has sold short, could cause the value of such financial instruments to rise dramatically, resulting in substantial losses to an Account. Regulators have, and may in the future, suspend short sales in financial instruments traded by an Account, which may cause the price of such securities to rise, resulting in a loss to an Account. Brokers may also require an Account to “cover” a short position at an inopportune time thereby forcing Kathmandu to purchase the security at the then-prevailing market price which may be higher than the price at which such security was originally sold short by an Account.

**Trading May be Highly Leveraged.** Kathmandu intends to utilize leverage by purchasing on margin and selling securities short. The more leverage is employed, the more likely a substantial change will occur in the value of the Interests. In addition, trading on margin results in interest charges to an Account. In addition, leveraged exposure may also be achieved utilizing futures, forwards, swaps and other derivatives. The leverage employed by an Account in its trading can vary substantially from month to month. Trading on margin also results in interest charges to an Account.

**Securities Lending.** We may cause or permit an Account to lend securities from its portfolio to brokers, dealers and other financial institutions that need to borrow securities to complete certain transactions as a means of earning additional income. Accounts are entitled to payments in amounts equal to the interest, dividends or other distributions payable on the loaned securities, which affords an Account an opportunity to earn interest on the amount of the loan and current income on the loaned securities themselves. However, we do not vote proxies on securities that are lent. In addition, an Account might experience a loss if any institution with which the Account has engaged in a portfolio loan transaction breaches its agreement with the Account. If the borrower becomes insolvent or bankrupt, the Account could experience delays and costs in recovering loaned securities. To the extent that, in the meantime, the value of the loaned securities declines, the Account could experience further losses.

**Special Risks of Emerging and Developing Markets.** Securities in emerging and developing market countries may offer special investment opportunities, but investments in these countries present risks not found in more mature markets. Emerging markets may have less developed trading markets and exchanges. Emerging countries may have less developed legal and accounting systems, and investments may be subject to greater risks of government restrictions on withdrawing the sales proceeds of securities from the country, the possibility of expropriation, more limited disclosure and access to information from issuers than is customary in the United States, changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. Economies of developing countries may be overly dependent on relatively few industries that may be highly vulnerable to local and global changes. Governments in developing markets may be less stable and present greater risks of nationalization or restrictions on foreign ownership of stocks of local companies.

**Futures Accounts May be Highly Leveraged.** Because of the low margin deposits normally required in trading futures interests, an extremely high degree of leverage is typical of a futures interests trading account. As a result, a relatively small price movement in a futures interest may result in immediate and substantial losses to the investor. For example, if 10% of the face value of a contract is deposited as margin for that contract, a 10% decrease in the value of the contract would cause a total loss of the margin deposit. A decrease of more than 10% in the value of the contract would cause a loss greater than the amount of the margin deposit. Where the client is unable to make a margin payment within the time required, its position may be liquidated at a loss and the client will be responsible for the resulting deficit. Leverage may be used with other instruments in addition to futures interests, with similar risks of loss. Trading on margin also results in interest charges to a client's Account. In addition, there may be leverage inherent in our strategies. On the other hand, we may determine not to use leverage and to hold a significant portion of an Account's assets in cash and cash equivalents rather than investing them in portfolio instruments.

**Futures Interests Trading Is Speculative and Volatile.** The rapid fluctuations in the market prices of futures interests make an investment volatile. Volatility is caused by changes in supply and demand relationships; weather; agricultural, trade, fiscal, monetary and exchange control programs; U.S. and non-U.S. political and economic events and policies; and changes in interest rates, among other factors. If we incorrectly predict the direction of the price in a futures interest, large losses may occur. Each Account could lose all or substantially all of its assets.

Futures prices are highly volatile and are affected by a wide variety of complex and hard to predict factors; consequently, a primary risk in trading these instruments is rapid fluctuations in market prices in a short time period. Price fluctuations may affect the Account's ability to earn investment returns. Market volatility may also depart significantly from historical averages, which could affect performance. Volatility could create adverse results for the performance in several ways. A period of substantial volatility shortly after initial investment, or additional investments thereafter, could adversely affect performance and cause a significant reduction in equity, making it more difficult to achieve profitability. Substantial volatility prior to the time of a planned withdrawal could adversely affect performance and could reduce the amount of proceeds actually received when the withdrawal has been completed.

**Because Futures Contracts Have No Intrinsic Value, Positive Performance is Wholly Dependent Upon an Equal and Offsetting Loss.** Futures trading is a risk transfer economic activity. For every gain there is an equal and offsetting loss rather than an opportunity to participate over time in general economic growth. Overall stock and bond prices could rise significantly and the economy as a whole prosper, while futures trades unprofitably.

**Risks of Derivatives.** The Accounts may trade derivatives. The risks posed by derivatives include: (1) credit risks (the exposure to the possibility of loss resulting from a counterparty's failure to meet its financial obligations); (2) market risks (adverse movements in the price of a financial asset or commodity); (3) legal risks (an action by a court or by a regulatory or legislative body that could invalidate a financial contract); (4) operations risks (inadequate controls, deficient procedures, human error, system failure or fraud); (5) documentation risks (exposure to losses resulting from inadequate documentation); (6) liquidity risks (exposure to losses created by the inability to prematurely terminate a derivative); (7) system risks (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risks (exposure to losses from concentration of closely-related risks such as exposure to a particular industry or exposure linked to a particular entity); and (9) settlement risks (the risk that an Account faces when it has performed its obligations under a contract but has not yet received value from its counterparty).

**Foreign Currency and Securities Investing.** Investing in foreign securities, currencies, and/or ADRs may present a greater degree of risk than investing in domestic securities and currencies due to possible exchange rate fluctuations, a change in trade balances, possible exchange controls, less publicly-available information, more volatile markets, less regulation, less favorable tax provisions (including possible withholding taxes), war or expropriation.

**Options Trading can be More Volatile than Securities or Futures Trading.** We may trade exchange-traded options on securities and on futures. Although successful options trading require many of the same skills as successful securities and futures trading, the risks are somewhat different. Successful options trading requires a trader to assess near-term market volatility accurately because that volatility is directly reflected in the price of outstanding options.

The higher the leverage chosen for an Account, the greater the profit potential and risk of loss in proportional terms as well as the higher the expected volatility and brokerage commission expense.

**Hedging Instruments.** We may cause Accounts to enter into swaps, forwards and other negotiated principal transactions and to sell securities short for hedging, leveraging or other purposes. Typically, these techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the Account's securities; (ii) possible lack of a secondary market for closing out a position in such instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by us; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Account's position; and (v) default or refusal to perform on the part of the counterparty with which the Account trades. The ability of the

Account to hedge successfully will depend on our ability to predict pertinent market movements, which cannot be assured. We are not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it is not possible to hedge fully or perfectly against currency fluctuations affecting the value of securities denominated in non-U.S. currencies because the value of those securities is likely to fluctuate as a result of independent factors not related to currency fluctuations. Moreover, it should be noted that the Accounts will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular securities and counterparties).

**Credit Risk.** To the extent that an Account enters into over-the-counter contracts, there may be no daily settlements of variations in value, and there is no requirement to segregate funds held with respect to such contracts. In such cases, the Account is subject to the credit risk of any other securities brokerage firm, foreign exchange broker or OTC counterparty with which it enters into a swap or OTC transaction.

**Lack of Diversification.** Kathmandu invests primarily in the energy, materials and related sectors, and there is no requirement to diversify its investments. The Account's investments could become significantly concentrated, for example, in any one issuer, industry, strategy, country or geographic region, and such concentration of risk may increase any losses suffered by an Account. In addition, it is possible that the Manager may select investments that are concentrated in a limited number or type of financial instruments. This limited diversity could expose an Account to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments. Further, the investment portfolio of an Account may be subject to more rapid change in value than would be the case if the Account were required to maintain a wide diversification among sectors, industries, areas, types of financial instruments and issuers.

**Energy Sector Risks.** Kathmandu invests primarily in the energy sector, which is a highly volatile sector that is subject to a number of sector-specific risks, including the following:

**Commodity Price Risks.** The return on an Account's investments will be dependent on the operating margins and cash flows generated by the issuers in which it invests from the exploration, development, production, gathering, transportation, processing, storage, refining, distribution, mining or marketing of, coal, natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons or other energy products. These operating margins and cash flows may fluctuate widely in response to a variety of factors, including: (i) economic conditions; (ii) weather conditions; (iii) natural disasters and other force majeure events; (iv) the supply and price of imported natural resources; (v) political instability in countries producing, refining or storing energy resources; (vi) terrorist acts or threats thereof; (vii) conservation efforts in the United States and other jurisdictions; (viii) U.S. federal, state, local and non-U.S. regulation on the production, transportation and sale of energy commodities; (ix) level of consumer and industry demand; (x) competition among various energy sources; (xi) development of new energy sources; and (xii) proximity to reserves to, and the capacity of, gathering systems, pipelines, or trucking and terminal facilities. Energy prices have been very volatile in the past, and such volatility is expected to continue. Energy companies engaged in crude oil and natural gas exploration, development or production, natural gas gathering and processing, crude oil refining and transportation and coal mining or sales are directly affected by energy prices. The volatility of, and interrelationships between, commodity prices can also indirectly affect certain other issuers in the energy sector due to the potential impact on the volume of commodities transported, processed, stored or distributed. Some energy companies that own the underlying energy commodity may be unable to effectively mitigate or manage direct margin exposure to commodity price levels or may incur high costs to attempt to mitigate or manage such exposures. The prices of energy sector securities can be adversely affected by market perceptions that their performance and distributions or dividends are directly tied to commodity prices. Prices could also be adversely affected by distribution reductions due to lower commodity prices.

**Cyclicality Risks.** The operating results of issuers in the broader energy sector are generally highly cyclical, with fluctuations in commodity prices and demand for commodities driven by a variety of factors. Commodity prices and energy asset values have recently experienced extremely high volatility. The highly cyclical nature of the energy sector may adversely affect the earnings or operating cash flows of the issuers in the energy sector in which Kathmandu will invest.

**Supply Risks.** The profitability of energy companies, particularly those involved in processing, gathering and pipeline transportation, may be materially affected by the volume of natural gas or other energy commodities available for transportation, processing, storage or distribution. A significant decrease in the production of natural gas, crude oil, coal or other energy commodities, due to the decline of production from existing resources, import supply disruption, depressed commodity prices or otherwise, would reduce the revenue, operating income and operating cash flows of energy companies and, therefore, their ability to make distributions or pay dividends.

**Demand Risks.** A sustained decline in demand for energy products could adversely affect an energy company's revenues and cash flows. Factors that could lead to a sustained decrease in market demand include a recession or other adverse economic conditions, an increase in the market price of the underlying commodity that is not, or is not expected to be, merely a short-term increase, higher taxes or other regulatory actions that increase costs, or a shift in consumer demand for such products. Demand may also be adversely affected by consumer sentiment with respect to global warming and by state or federal legislation intended to promote the use of alternative energy sources or international or multi-national treaties designed to mitigate climate risk. It is impossible to predict whether demand for energy, which has experienced declines in the recent past, could further decline, especially if prices rebound.

**Gathering and Transportation Risks.** Kathmandu may invest in issuers engaged in, or that otherwise rely on, midstream oil and gas operations. Midstream systems are composed of pipelines and facilities, the continuing operation of which may not be in the control of a portfolio company. These pipelines or facilities may become unable to gather, transport, treat or process natural gas or crude oil, or the volumes gathered or transported may not meet the quality requirements of such pipelines or facilities. Specifically, midstream systems depend on the uninterrupted operations of a system for the gathering of crude oil, natural gas and produced water, the disposal of produced water and the distribution of freshwater, and the collection of crude oil, natural gas and produced water produced by third parties. Operations at midstream infrastructure assets could be partially or completely shut down, temporarily or permanently, as the result of any number of circumstances, such as: (i) catastrophic events, including tornados, seismic activity such as earthquakes, lightning strikes, fires and floods; (ii) loss of electricity or power; (iii) rupture, spills or other unauthorized releases in or from gathering pipelines and disposal facilities; (iv) explosion, breakage, loss of power or accidents to machinery, storage tanks or facilities; (v) leaks in packers and tubing below the surface, failures in cement or casing or ruptures in the pipes, valves, fittings, hoses, pumps, tanks, containment systems or houses that lead to spills or employee injuries; (vi) environmental remediation; (vii) pressure issues that limit or restrict the ability to inject water into a disposal well or limitations with the injection zone formation and its permeability or porosity that could limit or prevent disposal of additional fluids; (viii) labor difficulties; (ix) malfunctions in automated control systems at assets or facilities; (x) disruptions in the supply of produced water to assets; (xi) failure of third-party pipelines, pumps, equipment or machinery; and (xii) governmental mandates, compliance, inspection, restrictions or laws and regulations. In addition, there can be no assurance that a portfolio company is adequately insured against such risks.

**Risks Relating to Expansions and Acquisitions.** Energy companies utilize a variety of strategies to increase cash flow, including increasing utilization of existing facilities, expanding operations through new construction or development activities, expanding operations through acquisition, or securing additional long-term contracts. Thus, some energy companies may be subject to construction risk,

development risk, acquisition risk or other risks arising from their specific business strategies. Energy companies that attempt to grow through acquisitions may not be able to effectively integrate acquired operations with their existing operations. In addition, acquisition or expansion projects may not perform as anticipated. A significant slowdown in merger and acquisition activity in the energy sector could reduce the growth rate of cash flows received by the Fund from issuers in the energy sector that grow through acquisitions. Given the extended timelines required to build or expand an existing facility, such companies often have to make decisions to invest in building or expanding facilities well in advance of the completion date of such projects. Changes in industry dynamics during such time period can adversely affect the ability of companies to complete such building or expansion of facilities or severely undermine the economics of such projects.

**Competition Risks.** The energy sector is highly competitive and fragmented. The issuers in the energy sector in which Kathmandu will invest will face substantial competition from numerous other companies, many of which will have greater financial, technological, human and other resources, in acquiring natural resource assets, obtaining and retaining customers and contracts, hiring and retaining qualified personnel, dealing with shifting market dynamics and adapting to new regulatory changes. Larger companies may be able to pay more for assets and may have a greater ability to continue their operations during periods of low commodity prices or to adapt to shifts in the regulatory landscape. To the extent that issuers in the energy sector in which Kathmandu will invest are unable to compete effectively, their operating results, financial position, growth potential and cash flows may be adversely affected, which could in turn adversely affect the results of Accounts.

**Catastrophe Risks.** The operations of energy companies are subject to many hazards inherent in the exploration for, and development, production, gathering, transportation, processing, storage, refining, distribution, mining or marketing of, coal, natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons, including: damage to production equipment, pipelines, storage tanks or related equipment and surrounding properties caused by extreme weather events (such as hurricanes, tornadoes and floods) and other natural disasters or by acts of war or terrorism; cyberattacks and other breaches in cybersecurity; inadvertent damage from construction or other equipment; leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons; and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and might result in the curtailment or suspension of their related operations. Not all energy companies are fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect an energy company's operations and financial condition.

**Regulatory Risks.** The energy industry is affected from time to time in varying degrees by political developments and a wide range of local, state, federal, international and multi-national regulation. For example, oil and gas production, operations, and economics are or have been affected by price controls, taxes, and other laws relating to the oil and gas industry, by changes in such laws and by changes in administrative regulations.

In addition, various federal, state, and local laws and regulations, as well as global initiatives, relating to the protection of the environment may affect the operations and costs of the companies engaged in the energy industry. These laws and regulations may (i) restrict the types, quantities and concentration of various substances that can be released into the environment, (ii) require reporting of the storage, use or release of certain chemicals and hazardous substances, (iii) require removal or cleanup of contamination under certain circumstances, which may require the expenditure of material amounts over a significant period of time, (iv) impose substantial civil liabilities or criminal penalties, and (v) cause additional restrictions and delays that could materially and adversely affect the companies in which an Account invests. Moreover, there has been a trend in recent years toward stricter standards in environmental,

health, and safety legislation and regulation, which could impact the success of companies in which an Account invests. There is the risk that future regulations affecting the energy industry may adversely affect the investment performance of the Accounts or the companies in which an Account invest.

**Environmental Liability Risks.** There is an inherent risk that energy companies, including companies in which Kathmandu invests, may incur environmental costs and liabilities due to the nature of their businesses and the substances they handle. Compliance with current or future environmental requirements does not ensure that the operations of energy companies will not cause injury to the environment or to people under all circumstances or that such companies will not be required to incur additional unforeseen environmental expenditures. For example, an accidental release from wells or gathering pipelines could subject them to substantial liabilities for environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage, and fines or penalties for related violations of environmental laws or regulations. The possibility exists that stricter laws, regulations or enforcement policies could significantly increase the compliance costs of energy companies, and the cost of any remediation that may become necessary. Energy companies may not be able to recover these costs from insurance.

**Renewable Energy Sources.** Renewable energy sectors, such as solar and wind, currently rely upon specific regulatory support to provide preferential treatment, including premium prices on electricity production, for solar and wind producers. Such support has been legislated, in part, based upon a growing public and political support for solar, wind and other renewable energy sources, due in particular to increasing public and political concerns about climate change, environmental sustainability and energy security. Parties with an interest in other energy sources, including lawmakers, regulators, policymakers, advocacy organizations or other activists, may invest significant time and money in efforts to delay, repeal or otherwise curtail regulations and programs that promote transition to renewable energy sources. A change in public attitude to solar, wind or renewable energy installations (including installations belonging to companies in which Kathmandu invests) may result in an increase in regulatory risk to operating solar and wind installations, due to, among other things, opposition to the cost burden created by solar and wind production relative to alternative conventional energy sources, the appearance or environmental impact of solar and wind plants or the benefits to certain investor groups, perceived to be granted at the expense of the public. There can be no guarantee that changes in public attitude will not result in a loss of actual or perceived value of investments or to a reduced number of attractive investment opportunities available to Kathmandu.

**Climate Change Risks.** Scientists have concluded that increasing concentrations of greenhouse gases in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. Extreme weather patterns related to climate change could adversely affect the exploration and production operations of energy companies the input and output commodities associated with certain energy sources, including solar, wind and other renewable sources. These events could result in significant volatility in the supply and prices of energy. This volatility may create fluctuations in commodity or energy prices and earnings of companies in the energy sectors.

In addition, energy companies (particularly carbon-based fuel producers) have at times been the subject of negative publicity, most recently in the context of the dialogue regarding climate change. Negative publicity of this nature may make legislators, regulators and courts less likely to take a favorable view of energy companies in general, which could cause them to subject energy companies to increased regulatory scrutiny or otherwise make decisions or take actions that are adverse to energy companies. Additionally, environmental groups, local groups and other advocates may oppose the operations of issuers in which Kathmandu invests through organized protests, attempts to block or sabotage their operations or those of their service providers, intervene in regulatory or administrative proceedings



involving their assets, or file lawsuits or other actions designed to prevent, disrupt or delay the development or operation of their assets and business or those of their service providers. These actions may cause operational delays or restrictions, increased operating costs, additional regulatory burdens and increased risk of litigation. Moreover, governmental authorities exercise considerable discretion in the timing and scope of permit issuance and the public may engage in the permitting process, including through intervention in the courts. Negative public perception could cause the permits that issuers in which the Fund invests require to conduct their operations to be withheld, delayed or burdened by requirements that restrict their ability to profitably conduct their businesses.

Such legislation and increased regulation regarding climate change, whether at the federal, state or local level, could impose significant costs on energy companies and their suppliers, including costs related to capital equipment, environmental monitoring and reporting and other compliance costs.

**Climate Change Regulation.** The U.S. Congress from time to time has considered legislation to reduce emissions of greenhouse gases or implement carbon taxes in order to respond to reports regarding climate change matters. In addition, certain states, including states in which the issuers in the energy sector in which Kathmandu may invest has facilities or operations, have, individually or in regional cooperation, taken or proposed measures to reduce emissions of greenhouse gases. Any federal, state or local regulations, adopted or implemented to impose reporting requirements on, or limiting emissions of greenhouse gases from energy company equipment and operations could adversely affect demand for the natural gas, crude oil or other hydrocarbon products that energy companies in which Kathmandu invests produce, handle or transport, or could require such energy companies to incur significant costs to reduce emissions of greenhouse gases associated with their operations. Such potential increase in energy company operating costs could include costs to install new emissions controls on their facilities, pay taxes related to greenhouse gas emissions, operate and maintain their facilities, acquire allowances to authorize greenhouse gas emissions (whether emitted by their operations or associated with fuel that they supply into the markets) and administer and manage a greenhouse gas emissions program. Companies in which Kathmandu invests may be unable to recover such increased costs through customer prices or rates. In addition, any changes in regulatory policies that result in a reduction in the demand for hydrocarbon gasses that are deemed to contribute to greenhouse gases, or restrictions on their use, may reduce the volume energy companies produce, transport, market and store. These developments could have significant impact on the financial position of energy companies in which the Fund invests.

**Climate Change Caused Natural Disaster Risk.** Energy companies and their suppliers are vulnerable to the increasing impact of climate change. Volatile changes in weather conditions, including extreme heat or cold, could increase the risk of wildfires, floods, blizzards, hurricanes and other weather-related disasters. Such extreme weather events can cause power outages and network disruptions that may result in disruption to operations and may impact their ability to manufacture and ship product, which may negatively impact revenue. Disasters created by extreme conditions could cause significant damage to or destruction of their facilities resulting in temporary or long-term closures of their facilities and operations and significant expense for repair or replacement of damaged or destroyed facilities.

**Stranded Asset Risk.** There are numerous technological improvements or innovations that support the transition to a lower carbon economy. Consumer preferences, as well as regulatory incentives, may alter fuel or energy choices, which could impact demand for oil and gas. Both the speed and nature of any such changes could increase costs, reduce demand for certain energy and fuel related products, and reduce profitability. This may result in energy companies having to write down certain assets or curtail or cease certain operations, which may adversely affect: investor sentiment, access to capital markets, competitiveness, and financial performance, of energy companies in which Kathmandu invests. Further, policy, regulatory, and market developments connected to climate change may affect future price

assumptions used in the assessment of recoverability of asset carrying values, such as: goodwill; appraisal of intangible assets; and the timing of decommissioning of assets.

**Net Zero Transition Risks.** Over the past few years, certain energy companies, including issuers in which Kathmandu may invest, have disclosed their commitment to achieving net zero emissions using science-based targets. Certain energy companies plan to meet these commitments by reducing energy consumption through efficiency and conservation measures, investments in renewable energy and selective purchase of certified offsets for residual emissions. Achieving net zero emissions goals and targets may entail compliance with evolving laws and regulatory requirements, which may cause energy companies to change or reconfigure their facilities and operations to meet regulatory standards. If operations are out of compliance, energy companies may be subject to civil or criminal actions, fines and penalties and be required to make significant changes to facilities and operations, which could result in business disruption and significant unexpected expense loss of revenue and damage to their reputation. Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, technological advances in fuel economy and energy generation devices could reduce demand for oil and gas.

**Interest Rate Risks.** The prices of certain equity securities of the energy companies Kathmandu expects to hold in its portfolio are susceptible in the short term to a decline when interest rates rise. Rising interest rates could limit the capital appreciation of securities of certain investments as a result of the increased availability of alternative investments with yields comparable to those investments. Rising interest rates could adversely affect the financial performance of energy companies generally by increasing their cost of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner.

**Taxation Risks.** Companies operating in the energy sector and their properties may be subject to numerous taxes and fees levied by the jurisdictions in which such companies are organized or operate, which may adversely affect their profitability. For example, properties engaged in oil and gas operations or having substantial real property holdings, in particular, may be subject to specific tax regimes, such as petroleum revenue taxes, fees for drilling rights and exploration licenses, oil production fees, real estate taxes, stamp duties and various state and local taxes.

**Risks of Investing in the Transportation Sector.** Kathmandu expects to invest in the transportation sector, which is highly competitive and cyclical in nature. Companies in the transportation sector are subject to a number of sector-specific and sub-sector specific risks, including the following:

**Shipping Industry.** The maritime shipping industry is both cyclical and volatile in terms of charter rates and profitability. A worsening of the current global economic conditions may adversely affect the Accounts' investments or the ability of an Account to sell such shipping-related assets. Fluctuations in charter rates and vessel values result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the products that such vessels carry. The factors affecting the supply and demand for vessels are outside of the Accounts' control, and the nature, timing and degree of changes in industry conditions are unpredictable.

**Aviation Industry.** Airline business and results of operations are significantly impacted by general economic and industry conditions. The airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and global economies. Robust demand for air transportation services depends on favorable economic conditions, including the strength of the domestic and foreign economies, low unemployment levels, strong consumer confidence levels and the availability of consumer and business credit. In addition, airlines are subject to extensive regulatory oversight, and compliance with U.S. and international regulations imposes significant costs and may have adverse effects on an airline.

**Railcar Industry.** Sales of railcars and related products have increased in recent years, but these improvements may or may not continue. Reductions in oil prices may result in reduced demand for U.S. oil, and thus drive down demand for railcars that service the crude oil industry. The use of railcars as a significant mode of transporting freight could decline over time in favor of other more economic modes of transportation, and operations could be adversely affected by changes in the preferred method to ship products. Further, fluctuations in the supply of components and raw materials necessary to manufacture railcars, which are often only available from a limited number of suppliers, could cause production delays or reductions in the number of railcars that can be manufactured. Additionally, the nature of the railcar industry exposes it to potential claims for and litigation related to personal injury and property damage, environmental claims and various other matters.

**Possibility of Additional Government or Market Regulation.** Market disruptions and the dramatic increase in the capital allocated to automated, systematic trading strategies and alternative investment strategies (including futures strategies) during recent years have led to increased governmental as well as self-regulatory scrutiny of investment strategies. In addition, certain legislation proposing greater regulation of the industry is periodically considered by the U.S. Congress, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to us, the markets in which our clients trade and invest, the size of position limits, or the counterparties with which our clients do business may be instituted in the future. Any such regulation could have a material adverse impact on our clients, require increased transparency as to the identity of our clients, or restrict our ability or willingness to continue providing our advisory services.

**Obsolescence Risks.** Transportation assets are generally long-lived assets, requiring long lead times to develop and manufacture, with particular types and models becoming obsolete or less in demand over time when newer, more advanced assets are manufactured. The transportation assets held by a company in which Kathmandu is invested may become obsolete, particularly if unanticipated events occur which shorten their life-cycle. Such events include government regulation, technological innovations, or changes in customer preferences. Further, variable expenses like fuel, crew or ageing corrosion control, among other factors, could make operation of assets more costly to maintain, and some of these expenses and costs may negatively affect the profitability of a company in which an Account is invested.

**Risks Relating to Changes in Fuel Costs.** Changes in fuel costs, which can be volatile and difficult to predict, may affect carrier prices. While fuel prices have declined in recent years, there is a risk that fuel prices could rise significantly in the future, compelling carriers to charge higher prices in order to cover higher operating costs. To the extent a carrier is unable to pass through such higher costs onto its clients, the carrier's profits will decrease. In addition, higher fuel costs could also cause clients may elect to utilize alternative transportation modes and adversely affect the competitiveness of a company in which an Account is invested.

**Failure of a Client's Custodian.** Certain clients may choose a bank, broker dealer or futures commission merchant with which to custody account assets. If such service provider incurs financial difficulties, the client could lose all or substantially all of the Account's funds on deposit with such third party.

**Institutional Risk.** The institutions, including brokerage firms and banks, with which Accounts trade, invest or act as prime brokers or custodians, may encounter financial difficulties that impair the operational capabilities or the capital position of such Accounts. Institutions performing services for Accounts or relating to a strategy's trading activity may encounter financial difficulties that impair their operational capabilities. In such event, there is a risk that Accounts could be faced with trading or settlement delays and/or portfolio losses. In addition to the risk of a counterparty or broker defaulting, there is also the risk that major institutional investors in a Fund may be compelled to withdraw from the Fund or that its counterparties or brokers will be required to restrict the amount of credit previously

granted to the Fund due to their own financial difficulties, resulting in forced liquidation of substantial portions of the Fund's portfolio.

**Reliance on Our Discretion.** We are responsible for making all trading decisions for Accounts and no guarantee or representation is made that our strategies employed will be successful. Our discretion may involve the use of one or more Strategies and/or methodologies. Use of the Strategies is unlikely to be successful unless the relationships and patterns underlying the methodologies are correct and remain correct in the future. In general, the risks associated with investing pursuant to our discretion are magnified because of the confidential and proprietary nature of our strategies. As a result, prospective investors need to consider the appropriateness of an investment with us even more carefully than they would in the case of a similar investment with more transparency.

**Economic and Business Conditions.** General economic and business conditions may affect the Account's activities. Interest rates, the prices of securities and participation by other investors in the financial markets may affect the value of securities purchased by the Accounts. Unexpected volatility or liquidity in the markets in which the Accounts directly or indirectly hold positions could impair the Account's ability to carry out its business and could cause it to incur losses.

**Potential Loss of Investment and Amounts in Excess of the Investment.** The past results of our portfolio managers or other investment professionals, and our past results or those of our affiliates are not necessarily indicative of the future performance of an Account. As is true of any investment, there is a risk that an investment with us will be lost entirely or in part, including losses in excess of the amount committed to an Account, requiring an investor to commit additional capital to cover those losses. None of our strategies is a complete investment program (nor are all strategies together a complete investment program) and should represent only a portion of an investor's portfolio management strategy.

**Our Performance May Be Adversely Affected by Increased Assets Under Our Management.** The success achieved by trading advisers or managers often diminishes as the assets under their management increases. We have not agreed to limit the amount of additional assets that we will manage.

**Potential Inability to Trade or Report Due to Systems Failure.** Many of our strategies are highly dependent on the proper functioning of our internal and external computer systems. Accordingly, systems failures, whether due to third party failures upon which such systems are dependent or the failure of our hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to trade (even for a short time), could, in certain market conditions, cause the Accounts to experience significant trading losses or to miss opportunities for profitable trading.

**Dependence Upon a Limited Group of Investment Professionals.** The Strategies are substantially dependent upon the skill, judgment and expertise of a very limited group of our investment professionals. The death, disability or other unavailability of one or more of our investment professionals could be material and adverse to the client Accounts.

**Competition.** In the past decade, there has been a marked increase in the number of, and flow of capital into, investment vehicles established in order to implement alternative asset investment strategies, including the strategies similar to the strategies to be implemented by us. While the precise effect cannot be determined, such increase may result in greater competition for investment opportunities or may result in increased price volatility or decreased liquidity with respect to certain positions. Prospective investors should understand that we may compete with other investment vehicles.

**Transaction Expenses.** The Accounts may make frequent trades in securities. Frequent trades typically result in correspondingly high transaction costs.

## **Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to a client or a prospective client evaluation of our advisory business or the integrity of our management.

## Item 10. Other Financial Industry Activities and Affiliations

### Material Financial Industry Affiliations of the Firm

In addition to our being a registered investment adviser, certain of our employees are registered representatives of our affiliate Jefferies LLC, a registered broker dealer.

Jefferies LLC is the principal subsidiary of Jefferies Financial Group Inc. Jefferies is a global investment banking firm that provides clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth and asset management. Jefferies provides research and execution services in equity, fixed income, derivatives and foreign exchange markets, and a full range of investment banking services including underwriting, merger and acquisition, restructuring and recapitalization and other advisory services. Jefferies LLC and its affiliates acts as a placement agent for the private funds which we manage. At the current time, no placement fees are charged to an investor in a private fund; however, we may pay a portion of our fees to Jefferies LLC or other placement agents, whether affiliated or unaffiliated, for having introduced an investor to the private fund. We may also pay such fees to Jefferies LLC for SMA clients to whom they introduce.

We may but generally do not currently use our affiliates as executing brokers for Accounts.

Our affiliates may be advising or may in the future play an advisory role or perform other services for our advisory clients and/or for one or more of a Fund's portfolio companies. Using information walls and similar policies and procedures, we seek to avoid becoming aware of the roles our affiliates are playing. However, if one of our affiliates decides to play such a role, e.g., act as adviser to a portfolio company, and in the unlikely event that we are aware or are deemed to be aware of that role, our advisory client Account may be required or expected to liquidate its position in such portfolio company. Such a transaction may cause the client Account to realize reduced profits or losses.

Similarly, if the client Account maintains a short position in a company for which our affiliate intends to play an advisory role, and if we become aware or are deemed to become aware of that role, the client Account may be forced to cover the short prematurely, which, in turn, may result in reduced profits or losses. If the client Account is permitted to maintain its position in such instance, our affiliate may take actions or provide advice with respect to the portfolio company that could result in adverse consequences to the client Account and the restriction on the ability to close such position.

LAM is a registered Commodity Pool Operator ("CPO") and is a member of the National Futures Association.

By reason of the advisory, investment banking, and/or other activities of our affiliates, we and our affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. We will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, we may not be able to initiate a transaction for a client Account that we otherwise might have initiated. A client Account may be frozen in an investment position that it otherwise might have liquidated or closed out.

Certain of our affiliates are investment advisers and other financial institutions whose businesses have no material relationship to our business. Certain of our officers and directors also serve as officers and directors of other Jefferies' companies

## Potential Conflicts of Interest

**Compensation.** We could receive compensation in the form of management fees, even from Accounts that lose value.

Additionally, we could receive substantial performance-based fees. Since performance-based compensation is only received when there is an increase in an investor's capital account balance, this may create an incentive to make investments that are riskier or more speculative than would be the case if our compensation was solely based on a flat percentage.

**Advisory Time.** We devote as much time to the business of each of our divisions and each of our Accounts, as in our judgment, is reasonably required. However, we also provide investment advisory services for other clients (including other managed accounts as well as pooled accounts) and engage in other business ventures in which our advisory clients have no interest. As a result of these separate business activities, we may have conflicts of interest in allocating management time, services, and functions among Accounts and other business ventures or clients.

**Other Clients; Allocation of Investment Opportunities.** We are responsible for the investment decisions made on behalf of Accounts. As described above, there are no restrictions on our ability to manage any number of accounts for other clients following the same or different Investment Objectives, philosophies and strategies. As a general matter, it would not be expected that Accounts with different portfolio managers would share information relating to potential transactions. Therefore, one Account may trade prior to and at a better price than another Account trading in the same instrument.

These situations may involve conflicts between our interests or those of our related persons, on the one hand, and the interests of our clients, on the other.

**Managed Accounts and Other Negotiated Arrangements.** Neither the Manager nor any of its principals, investment professionals or affiliates are required to maintain any investment in an Account and may reduce any such investment without notice to the investors. Other Accounts may have different fee or liquidity terms than the Fund. In particular, certain individually managed accounts and swaps may be liquidated on short notice, which may result in lower returns for the Fund. Managed account holders may also have increased transparency and reporting rights.

**Investment Professionals Also Act in a Similar Capacity for Other Accounts.** We may place trades for Accounts as "bunched orders" or "block orders," in which trades for some or all Accounts are placed for execution in a group or bunch, and then are allocated to an individual Account when the order has been completed or at the end of the trading day. If used, this process is intended to improve the efficiency of trade placement. However, such a process may not necessarily result in better prices and may, in fact, result in inferior prices and/or failure to obtain executions in the desired volume. Because of price volatility, occasional variations in liquidity, and differences in order execution, it may be impossible for us to obtain identical trade execution for all of our clients. Such variations and differences may produce differences in performance among accounts over time. In an effort to treat its clients fairly when block orders for Accounts are filled at different prices, we use an allocation process that is deterministic and repeatable and that we deem fair and equitable in our sole discretion. We may combine orders for Accounts, which may result in a less favorable price than that which the client would have obtained had the client's order been executed separately.

**Proprietary Trading.** We, together with our principals and affiliates, Jefferies their respective affiliates and subsidiaries and employees may trade in the securities, commodities, foreign exchange and derivatives markets for our own accounts and/or the accounts of our respective clients and, in doing so, may take positions opposite to, or ahead of, those held by the Accounts or may be competing with the Accounts for positions in the marketplace. Such trading may result in competition for investment

opportunities or create other conflicts of interest on behalf of one or more such persons in respect of their obligations to the Accounts. Records of this trading will not be available for inspection by investors.

Because we, together with our investment professionals and affiliates may trade for our own or other client accounts at the same time that they are managing the Accounts, prospective investors should be aware that, as a result of, among other things, a neutral allocation system, testing a new trading system, trading their proprietary accounts more aggressively or other activities not constituting a breach of fiduciary duty, such persons may, from time-to-time, take positions in proprietary accounts or other client accounts which are opposite, or ahead of, the positions taken for the Accounts.

Our proprietary activities or portfolio strategies, our investment professionals and affiliates, and their employees, or the activities or strategies used for accounts we manage for other customer accounts could conflict with the transactions and strategies employed by the Accounts and affect the prices and availability of the instruments in which the Account invests. Issuers of instruments held by the Account may have publicly or privately traded securities in which we, and our affiliates are investors or make a market. Our trading activities and those of our affiliates generally will be carried out without reference to positions held indirectly by the Accounts and may have an effect on the value of the positions so held. Notwithstanding the foregoing, we maintain policies and procedures designed to ensure that we meet our fiduciary duties, to minimize and prevent conflicts of interest, and to prevent insider trading and manipulative and deceptive devices.

**Affiliated Broker-Dealer.** The Manager may use an affiliate, including Jefferies, to act as executing broker where the Manager determines it to be necessary or desirable in the interest of an Account (for example, if the Manager deems it likely to result in cost savings for an Account or protection of an Account's assets, or for interim periods when non-affiliated service providers are not available). In such event, the affiliate will receive customary fees for providing these services, and the affiliate also may benefit when, among other things, it earns fees for lending securities to the Account in connection with short sale positions, or for rehypothecating margined securities to third parties. To the extent that any of a client's transactions are effected through the affiliate as executing broker, the affiliate would receive additional fees in the form of commissions.

**Material Non-Public Information.** By reason of our and our affiliate's advisory, investment banking, and/or other activities of, we together with our affiliates and employees may acquire confidential or material non-public information or be restricted from initiating transactions in certain financial instruments. We, our affiliates and employees will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, we may not be able to initiate a transaction for the Accounts that it otherwise might have initiated. The Accounts may be frozen in an investment position that it otherwise might have liquidated or closed out.

**Principal Trades; Cross Trades.** To the extent permitted by applicable law, the Accounts may enter into transactions and invest in financial instruments that (i) Jefferies (as defined below), acting as principal or as agent for its customers, originated, structured, loaned, arranged or placed from which Jefferies received profits, commissions, fees and other compensation for its services or (ii) otherwise involving the participation of Jefferies. Such transactions may be considered a principal trade under the Advisers Act and, therefore, may be subject to the disclosure and consent requirements of the Advisers Act. Jefferies and its personnel may obtain and keep any profits, commissions, fees and other compensation accruing to them in connection with their activities as agent or principal in transactions for the Accounts and other activities for themselves and others, and management fees will not be reduced by any such amounts received.

The Manager may also enter into cross transactions where an affiliate acts as agent on behalf of an Account and the other party to the transaction. Cross transactions enable the Manager to purchase or sell a block



of financial instruments for an Account at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market with such purchase or sell order. The relevant affiliate may have a potentially conflicting division of responsibilities to both parties to such cross transaction. The Accounts will only consider engaging in a principal or cross transaction with an affiliate of the Manager to the extent permitted by applicable law, including, if required or appropriate, the making of appropriate disclosure to and receipt of consent from the applicable governance committee.

**Jefferies Provides a Broad Array of Financial Services and Has Various Investment Banking, Advisory and Other Relationships.** Jefferies is a full-service financial institution engaged in a wide range of investment banking and other activities including, but not limited to, investment management, corporate finance, securities underwriting, placement, trading and research and brokerage activities (“Other Business Activities”). The Investment Manager’s parent company, Jefferies Financial Group Inc., is a full service financial institution engaged through its subsidiaries in a wide range of investment banking and other capital markets and other activities, including, but not limited to, investment management, corporate finance, securities underwriting, placement, trading, research, brokerage activities, buying and selling companies and business lines and making strategic investments in other companies and businesses (“Other Business Activities”). It is therefore possible that these Other Business Activities could create actual and potential conflicts of interest for the Manager. For example, Jefferies may act as an adviser to issuers in investment banking, loan arranging and structuring, underwriting services, financial advisory and other capacities related to the Financial Instruments that may be purchased, sold or held by an Account, and Jefferies may be engaged as underwriter for the issuer of, Financial Instruments that an Account may purchase, sell or hold where Jefferies, acting in these various capacities, will receive profits, commissions, fees and other compensation. Jefferies and its personnel may obtain and keep any profits, commissions, fees and other compensation accruing to them in connection with the foregoing activities or with their activities as agent or principal in transactions for the Fund and other activities for themselves and others, and the Fund will not participate in such amounts received. It is possible that an Account will have business relationships with and will invest in, engage in transactions with, or obtain services from clients and/or issuers for which Jefferies performs or seeks to perform certain financial services. Neither Jefferies Group nor any other part of Jefferies has or will have any duty to disclose to the Manager or use for an Account’s benefit any non-public information acquired in the course of providing services to any other party, engaging in any transaction (on its own account or otherwise) or otherwise carrying on its business.

**Jefferies and its Affiliates May Publish Research and Market Commentary That Conflicts with Each Other and Which May Negatively Impact the Value of the Accounts.** Jefferies LLC, Jefferies International Limited and its affiliates (including ourselves) may publish research and market commentary from time-to-time on financial markets and other matters that may influence the value of the interests in the Accounts, or express opinions or provide recommendations that are inconsistent with purchasing or holding Interests. Jefferies LLC, Jefferies International Limited and its affiliates (including ourselves) may have published, or may publish in the future, research, market commentary or other opinions that call into question the investment view implicit in an investment in the Accounts. Any research, market commentary, opinions or recommendations expressed by these entities may not be consistent with each other and may be modified from time-to-time without notice.

**Asset Valuation.** Our fees are based directly on the value of the Accounts as of various dates. To the extent that our agreements with our clients provide that we will value the clients’ assets, we will have a conflict of interest in reviewing or determining such valuations because the valuations directly affect the value of the Account and thus the amount of fees that we receive. Prices assigned to portfolio positions by us may not necessarily conform to the prices assigned to the same financial instruments if held by our affiliates.

**Side Letters.** As described above in Item 5, we may enter into side letters to agree to different fee terms or other negotiated terms.

**Financing Arrangements.** Certain conflicts of interest may arise should an Account enter into financing arrangements with any affiliates of the Manager. In such situations, the Manager will have a conflict between its obligation to act in the best interests of the Members and any interest it may have in generating fees and other revenues for itself or its affiliates. If the Manager engages in repurchase agreements with an affiliate, the terms of any particular transaction, including any pricing rate, repurchase price or margin percentages negotiated with the relevant affiliate may not individually or in the aggregate be the most favorable available.

**General.** We may, without prior notice to a client, arrange, recommend, and/or effect transactions in which, or provide services in circumstances where, we have, directly or indirectly, a material interest or relationship with another party that may present a potential conflict with our duty to a client.

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

### **Code of Ethics**

Our employees are subject to the Jefferies Financial Group Inc. Code of Business Practice. Our own Code of Ethics (the “Code”) incorporates and supplements the Jefferies Financial Group Inc. Code of Business Practice with policies and procedures applicable to our employees. The purpose of the Code is to identify the ethical and legal framework in which we and our personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding our standard of business conduct. A complete copy of the Code is provided to clients and prospective clients upon request.

The Code is based on a few basic principles: (i) the interests of our clients come before our interests and those of our personnel; (ii) the professional activities and personal investment activities of our personnel must be consistent with the Code and avoid any actual, potential or the appearance of a conflict between the interests of clients and those of our firm or our personnel; (iii) the activities of our personnel must be conducted in a way that avoids any abuse of any such person’s position of trust with and responsibility to our firm and its clients; and (iv) our personnel may not engage in any act, practice or course of conduct that would violate the provisions of the federal securities laws.

### **Participation or Interest in Client Transactions.**

We and our affiliates may have an interest in transactions for our advisory clients to the extent permitted by law and by the constituent documents of the applicable Account. For example, from time to time, we may take the following actions: (1) buy or sell instruments in which we or our related persons have an interest and (2) buy or sell instruments in which we, our related parties or other Accounts are at the same time effecting a sale or purchase. Furthermore, we may act as investment adviser for related persons. We have adopted policies and procedures with respect to permitted transactions with our affiliates designed to assure that our clients are treated fairly.

Various potential and actual conflicts of interest may arise from our overall advisory, investment and other activities and our affiliates and clients.

**Instruments in Which We or Our Affiliates Hold Interests.** We may, from time to time, recommend to or purchase or sell on behalf of clients, securities or other investment products in which we, our affiliates or other related persons have a financial interest.

We and our affiliates may receive fees from third parties for performing consulting, merger and acquisition structuring or other financial advisory services or acting as directors, officers or creditors’ committee members. These fees can relate to actual, contemplated or potential investments of our clients. Such fees may be retained entirely by us or our affiliates.

**Proprietary Trading.** Our proprietary activities or portfolio strategies and those of our principals, affiliates and employees or the activities or strategies used for Accounts could conflict with the transactions and strategies employed for a client and affect the prices and availability of the instruments in which the client invests. Issuers of instruments held by the client may have publicly or privately traded securities in which we and our affiliates are investors or make a market. Our trading activities and those of our affiliates generally are carried out without reference to positions held directly or indirectly by Accounts and may have an effect on the value of the positions so held or may result in us and our affiliates having an interest in the issuer adverse to that of a client.

Notwithstanding the foregoing, all employees when trading for their own accounts will do so in accordance with our Personal Account Trading Policy (described below).

### **Personal Trading**

**Personal Securities Transactions.** Our policies require that our employees do not trade securities or commodities for their own account, except for (i) government and municipal securities, open-ended mutual funds and registered commodity pools, or (ii) otherwise with pre-approval pursuant to Compliance policies . Without limiting the foregoing, we may under certain circumstances permit an employee to maintain a position in a security even if an account trades the instrument. There is no current intention to change this policy, but the policy is subject to change in our sole discretion. The records of such trading, whether under the current or a new policy, are not made available to the clients for inspection.

**Insider Trading.** Our personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of our personnel and extends to their activities both within and outside their duties with us.

## **Item 12. Brokerage Practices**

### **Investment or Brokerage Discretion**

In selecting the brokers for performing portfolio executions, we take into account various factors including, but not limited to, the financial stability and reputation of the broker, the quality of the investment research, investment strategies, market making capabilities, settlement, recordkeeping and other ancillary services. Accounts may pay more than the lowest available commission in consideration for our receipt of any or all of the above services. Our SMA clients are expected to make their own arrangements for clearance and custody of their Account assets and to negotiate the fees in connection with those services. We assist in the selection of these service providers for our Funds and in the negotiation of related fees.

We are not required to allocate either a stated dollar or stated percentage of our brokerage business to any broker for any minimum time period, and we review brokerage relationships from time to time.

### **Soft Dollars**

“Soft dollars” refers to the provision by brokers of services and equipment to an adviser as a consequence of the adviser directing the trading of accounts it manages through such broker. Kathmandu does not currently maintain soft dollar arrangements, although we may in the future direct commission business to sell-side brokers that provide standard research coverage and/or direct access communication links for trading within the “safe harbor” provided by Section 28(e) of the Securities and Exchange Act, as amended.

### **Trade Errors**

We reserve the right, depending on the circumstances, to decline to reimburse an Account for any clerical errors or mistakes with respect to our placing or executing trades for such Account (“Trade Errors”), as such errors may be considered by us to be a cost of doing business. However, we will reimburse such Account for any net loss from a material Trade Error resulting from our willful misconduct, bad faith, or gross negligence. As a general matter, Trade Errors that result in a de minimis loss are generally not considered to implicate the foregoing standard of conduct, and therefore any such de minimis loss will be borne by the client. We have a conflict of interest in determining whether a loss is de minimis. We, subject to our fiduciary obligations, will determine whether or not any Trade Error is required to be reimbursed in accordance with such liability and exculpation provisions. Our reimbursement of an Account for any particular Trade Error or Trade Errors will not constitute a waiver of any policy to cause such Account to bear the losses from such Trade Errors. We have an inherent conflict of interest with respect to the discovery and treatment of Trade Errors. Any net gain resulting from Trade Errors will be for the benefit of the client and will not be retained by us. Though we attempt to correct trading errors committed by a broker as soon as they are discovered, we are not responsible for poor executions or such trading errors.

### **Trade Aggregation**

We aggregate and allocate trades as discussed in Item 6, “Performance-Based Fees and Side-by-Side Management – Side-by-Side Management.”

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

Accounts are monitored and reviewed as follows: For each Account, the portfolio manager(s) will monitor the performance of their respective Account(s) on an ongoing basis. On a daily basis our operations staff review and reconcile the positions and market value of each Account. In addition, a committee including legal, compliance, operations and finance staff meets periodically to review items related to trading in the Accounts.

We, either directly or through the third-party administrator to the Funds, provide the following reports to investors in our Funds: monthly statements, annual audit report for Funds, and for investors in U.S. Funds an IRS Schedule K-1. We may provide additional reports to the investors in the Funds as we deem necessary. Upon request, select Funds will provide weekly and monthly estimates to investors. Upon request, certain investors in a Fund may receive more frequent and/or more detailed information from us, in our sole discretion. Our investment staff is available for conference calls or meetings for those clients, investors or prospective clients or investors that wish to undertake a due diligence review of our operations.

SMA clients generally have daily access to account information through service providers other than ourselves. We may also provide such other reports to SMA clients as agreed to with the client.

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

For a discussion of Jefferies LLC and its affiliates as placement agent, please see Item 10.

We may also, from time to time, have one or more arrangements in place with unaffiliated placement agents. Investors solicited by such placement agents will be informed of any placement fee paid by us to the placement agent and will be informed of any placement fee to be paid by the investor, each to the extent required by law.

We do not direct brokerage for client referrals.

## **Item 15. Custody**

We are typically deemed to have custody of the assets of certain of our Funds since we serve as managing member of those Funds. Investors will not receive statements from the Funds' custodian with regard to portfolio holdings and transactions. Instead, the Funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year ends.

For SMA clients, we do not have custody. The terms of our Disclosure Documents do not permit us to withdraw our fees or transfer funds from our clients' Accounts. Additionally, we do not permit our SMA clients to custody Accounts with our affiliates.



## **Item 16. Investment Discretion**

We have full discretionary authority with respect to investment decisions, and our advice with respect to the Accounts is provided in accordance with the investment objectives and guidelines as set forth in the Disclosure Documents.

## **Item 17. Voting Client Securities**

We may be responsible for voting on shareholder proxies and may do so only in accordance with the following Proxy Voting Procedures, in the best interests of a client and as agreed to by the advisory client.

### **General Guidelines**

LAM understands its fiduciary responsibilities and monitors corporate events. LAM will vote proxies and cast votes in the best economic interests of its clients and not put client interests second to its own economic interests. Where an investment strategy involves a high volume of positions and transactions with relatively low turnover, it is unlikely that an Account would hold a position in a security subject to a proxy statement at the time of a shareholder vote. In the unlikely event that an Account holds a position in a security subject to a proxy statement, an independent proxy service may be engaged to assist in the proxy process, including the provision of research and analysis with respect to specific ballot issues, the transmission of voting instructions, and related recordkeeping.

Prior to voting any proxies, any conflicts of interest related to the proxy in question will be determined. If a conflict is identified, LAM will then make a determination (which may be in consultation with outside legal counsel) as to whether the conflict is material or not. If no material conflict is identified pursuant to these procedures, proxies will generally be voted in accordance with management and any recommendations provided, unless otherwise mandated by an investment management agreement or applicable law.

## **Item 18. Financial Information**

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and we have not been the subject of a bankruptcy proceeding. We do not require any payment in advance.

## **Item 19. Privacy Policy**

### **Your Privacy is Important to Us**

At Leucadia Asset Management LLC, we understand that our relationship with you is based on trust. This is reflected in everything we do including the way we handle our clients' nonpublic personal information. The following disclosure explains what personal information we collect, what we do with that information and the steps we have put in place to protect the nonpublic personal information you have entrusted to us.

### **Information We Collect**

From time to time, we gain access to your personal information through

- Our interaction with you on the telephone, in person or through e-mail
- Account Applications or other forms you complete
- Transactions in your accounts or on your behalf
- Our website or the websites of our affiliated companies
- Trading tools or other information tools we may make available to you
- Third parties with whom we deal, such as consumer-reporting agencies, to verify information we receive from you and your credit worthiness

### **Information We Disclose**

Subject to legal, regulatory or other governmental requirements, it is our policy not to disclose any of your nonpublic personal information to third parties without your consent, unless those parties are providing services or support to us and have agreed to keep your nonpublic personal information confidential. Examples of these parties include, but are not limited to, the Fund administrator, attorneys and accountants and affiliates thereof. Even if you cease to transact business with us, we will continue to apply the same protections to your nonpublic personal information as we did when you were an active client.

### **The Jefferies Family of Companies**

Leucadia Asset Management LLC is a member of a family of related companies which are owned in whole or in part by Jefferies Financial Group Inc. These affiliated companies allow us to provide greater value to our customers, employees and shareholders. In the course of our business, employees or representatives of various affiliates will have access to your nonpublic personal information. They have agreed to hold your information confidential and to comply with the privacy policy established by Leucadia Asset Management LLC.

### **Protecting Your Information**

Leucadia Asset Management LLC protects your nonpublic information from access by third parties by maintaining physical, electronic and procedural safeguards. We limit access to your information to those employees who are trained in the proper handling of nonpublic client information and who need access to the information to perform their job functions.