

## **Form ADV Part 2A: Firm Brochure**

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**This brochure provides information about the qualifications and business practices of Verition Fund Management LLC. If you have any questions about the contents of this brochure, please contact us at 203-742-7700.**

**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.**

**Verition Fund Management LLC's registration with the SEC does not imply that any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.**

**Additional Information about Verition Fund Management LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 2. MATERIAL CHANGES**

Since the last annual amendment of this brochure, which was filed in March 2024, Verition Fund Management LLC has the following material changes to disclose:

- We have updated Items 4 and 10 to add Verition Advisors (Hong Kong) Limited as a Relying Adviser.

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#### **ITEM 4. ADVISORY BUSINESS**

Verition Fund Management LLC (“**Verition**,” the “**Filing Adviser**” or the “**Manager**”), a Delaware limited liability company, began operations in October 2008. The sole equity owner of Verition is Verition Fund Management NY, Inc. Nicholas Maounis along with trusts for the benefit of family members of Mr. Maounis are the sole equity owners of Verition Fund Management NY, Inc. BraVera Asset Management LLC (“**BraVera**”), a Delaware limited liability company, Cooper River Capital Management LLC (“**Cooper River**”), a Delaware limited liability company, Verition Advisors (Singapore) Pte. Ltd. (“**Verition Singapore**”), a Singapore private limited company, Verition Management (DIFC) Limited (“**Verition DIFC**”), a private company incorporated in the Dubai International Financial Centre, Verition Advisors (UK Partners) LLP (“**Verition UK**”), a limited liability partnership incorporated in England and Wales, Verition Advisors (Canada) ULC (“**Verition Canada**”), an unlimited liability corporation incorporated in Alberta, Canada, and Verition Advisors (Hong Kong) Limited (“**Verition Hong Kong**”), a Hong Kong limited company, are each a wholly owned subsidiary of Verition that also act as an investment manager. BraVera, Cooper River, Verition Singapore, Verition DIFC, Verition UK, Verition Canada and Verition Hong Kong are each a “relying adviser” (collectively, the “**Relying Advisers**”) and, as such, they are not, and not required to be, independently registered with the SEC. Unless otherwise indicated, the discussion of Verition’s advisory business in this brochure generally includes the advisory business of BraVera, Cooper River, Verition Singapore, Verition DIFC, Verition UK, Verition Canada and Verition Hong Kong.

The Filing Adviser and the Relying Advisers conduct a single advisory business and are registered with the SEC as part of a single registration. All investment advisory activities of the Filing Adviser and the Relying Advisers are subject to the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”) and the rules thereunder, and any persons acting on behalf of the Filing Adviser or the Relying Advisers are subject to the supervision and control of the Filing Adviser and adhere to the Filing Adviser’s compliance manual and policies and procedures with respect to any such investment advisory activities.

Verition serves as the manager for and provides discretionary investment advisory services to several private funds.

The funds currently offered to outside investors include Verition Multi-Strategy Fund LLC, a Delaware limited liability company, which is referred to in this brochure as the “**U.S. Multi-Strategy Feeder**,” and Verition International Multi-Strategy Fund Ltd., a Cayman Islands exempted company, which is referred to in this brochure as the “**Offshore Multi-Strategy Feeder**.” The U.S. Multi-Strategy Feeder and the Offshore Multi-Strategy Feeder are collectively referred to in this brochure as the “**Multi-Strategy Feeder Funds**.” The Multi-Strategy Feeder Funds generally pool their resources by investing in both Verition Multi-Strategy Master Fund Ltd., a Cayman Islands exempted company, which is referred to in this brochure as the “**Multi-Strategy Master Fund**,” and Verition Canada Master Fund Ltd., a Cayman Islands exempted company, which is referred to in this brochure as the “**Canada Master Fund**,” or they may invest directly. The Multi-Strategy Master Fund and the Canada Master Fund are collectively referred to in this brochure as the “**Multi-Strategy Master Funds**.” Together, the Multi-Strategy Feeder Funds and the Multi-Strategy Master Funds are referred to in this brochure as the “**Multi-Strategy Funds**,” the “**Funds**” or the “**Clients**.”

Verition acts as investment manager for the Multi-Strategy Master Funds and the Offshore Multi-Strategy Feeder. Verition acts as the manager of the U.S. Multi-Strategy Feeder. The Funds are pooled investment vehicles managed in accordance with the investment objectives described in their respective offering documents and are not tailored to any particular investor. Information about each Fund can be found in its offering documents. On behalf of the Funds, Verition trades a variety of securities, futures, derivatives and other instruments, including stocks, convertible securities, bonds,

structured instruments and over-the-counter, or “OTC,” derivatives given that the Funds implement a diversified range of alternative investment trading strategies. Verition takes both long and short positions in these instruments. There are no material limitations on the instruments that Verition trades on behalf of the Funds and the Funds are subject to no formal diversification policies. Verition has full discretion in trading on behalf of the Funds. It does not require, and does not seek, approval from the Funds or the investors in the Funds with respect to its trading. Verition does not tailor its advisory services to the individual needs of investors in the Funds, and investors in the Funds may not impose restrictions on any Fund’s investing in certain securities or types of securities. As discussed in Item 10 below, affiliated and non-affiliated entities (or their personnel) may act as (or on behalf of) sub-advisors to the Multi-Strategy Master Funds.

As of December 31, 2023, Verition advised approximately \$8,428,448,000 in assets under management and approximately \$107,251,821,000 in regulatory assets under management, all of which is managed on a discretionary basis.

## **ITEM 5. FEES AND COMPENSATION**

Verition’s fee schedule is omitted because this brochure is being delivered only to “qualified purchasers,” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (the “**Investment Company Act**”).

### **Management Fee**

Verition is entitled to receive a management fee from certain classes of shares and interests of the Multi-Strategy Feeder Funds.

Certain classes of the Multi-Strategy Feeder Funds are subject to a management fee, payable monthly in arrears, equal to the management fee rate applicable to such class multiplied by the month-end net asset value attributable to such class prior to any reduction for any profit allocations or performance fees not yet paid or for the management fee then being calculated.

The Multi-Strategy Feeder Funds have certain classes, the “**Initial Classes**” and the “**Modified Classes**.” The Initial Classes are not subject to a management fee, but do bear the Operating Expenses (as defined below) and pass-through costs (which are described under “Pass-Through Costs” below). These costs are direct and indirect trading, general operating and administrative costs of Verition in providing services to the Funds. These costs include, without limitation, employee compensation, rent, utilities, hardware and all legal, accounting, auditing and other professional services of the Manager. These fees and costs are more fully described below. The management fees are paid by the Modified Classes only and are first applied to pay any pass-through costs that would have been allocated to them if they had the same fee structure as the Initial Classes. If the management fee is not sufficient to defray the pass-through costs, the Initial Classes will bear the shortfall; if the management fee exceeds the pass-through costs, the management fee will effectively pay a portion of the pass-through costs otherwise allocated to the Initial Classes. If the management fee exceeds: (i) the pass-through costs that would be allocated to the Modified Classes were they subject to pass-through costs; and (ii) the pass-through costs actually allocated to the Initial Classes, the remaining management fee will be retained by the Manager. The Multi-Strategy Funds’ fees and compensation are described in more detail in their offering documents.

### **Performance-Based Compensation**

As compensation for Verition’s advisory services, an affiliate of Verition receives a profit allocation and a performance fee from investors in the Multi-Strategy Feeder Funds. The profit allocation and

performance fee are each equal to a percentage of any new appreciation of the investor's account subject to a high water mark. The profit allocation and performance fee, if any, received by such affiliate is calculated monthly and deducted from accounts each December 31. Generally, a profit allocation or a performance fee, as applicable, is assessed when an investor withdraws or transfers its interest in a Multi-Strategy Feeder Fund or when a Multi-Strategy Feeder Fund makes a distribution to an investor.

Once paid or distributed to such affiliate of Verition, any performance-based compensation received is generally not subject to reversal.

#### Funds Trading, Operating and Administrative Costs

In addition to a management fee, if any, the Funds pay their ongoing trading, operating and administrative costs and expenses, including, but not limited to: organizational and initial offering costs; investment costs and all other trading costs, including, without limitation, all brokerage commissions, clearing and settlement charges, all other costs of executing transactions, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, interest expenses, investment-related travel and lodging expenses, financing charges and applicable withholding and other taxes, related to the purchase, sale, transmittal or custody of investment assets and related items, as well as the costs associated with obtaining and maintaining regulatory licenses, exchange memberships and credit ratings; costs associated with maintaining trading co-location sites and data transmission and communications equipment used in connection with trading and research activities; all research-related expenses, including, without limitation, market data, news and quotation equipment and services; ongoing costs of investment assets, if any (*e.g.*, the Funds' investment in exchange traded funds ("ETFs") is also subject to the fees borne by all investors in those ETFs, including transaction, management and marketing fees); all legal costs, including, without limitation, investment and litigation-related costs of the Funds; accounting, auditing and tax preparation costs; fees and expenses of the administrator and other third parties providing administrative, accounting, operations and valuation services, including any valuation agent retained to provide valuation services for the Funds; professional fees and expenses, including, without limitation, fees and expenses of consultants and experts; fees and expenses of any shareholders' representative; employee recruiting costs (including costs of counsel); fees and out-of-pocket costs of any service providers incurred in performing services for the Funds; costs of preparing, printing and distributing annual and periodic reports, marketing materials, updates to offering documents and other investor communications; any taxes, licenses and duties payable in any jurisdiction in connection with the Funds' operations; insurance costs, including the premiums paid for directors and officers, errors and omissions and other comparable insurance for the Manager, Mr. Maounis, certain individuals and entities affiliated with the Manager and third parties providing services to the Funds; costs of paying agency, transfer agency and accounting verification services, if any; costs associated with regulatory compliance related to Verition's management of the Funds, including, without limitation, costs of compliance programs, including employee-related compliance tracking systems, proxy voting, and e-mail retention, examinations by any governmental entity, education and training; costs relating to inquiries and filings with any governmental entity, including expenses associated with regulatory and other reports that Verition determines are required as a result of Verition's management of the Funds, such as Form PF, registrations and other filings related to the Funds; costs related to due diligence or reporting; directors' fees; fees and costs of retaining anti-money laundering officers for the Funds; payments made in satisfaction of indemnification obligations to any Verition party or third parties; extraordinary costs, if any, as determined in Verition's absolute discretion; compensation paid to third party managers; all ongoing costs of maintaining a Fund's investment in a security of a company that is the target of a buyout or merger transaction; all costs incurred in the course of a petition for a court to determine fair value of shares of a company whether settled or not; the management fee; performance fee or profit allocation; Specialty Compensation (as described below); and "broken deal expenses".

Each Multi-Strategy Feeder Fund that invests in a Multi-Strategy Master Fund also pays its *pro rata* share of all of the allocable costs and expenses of that Multi-Strategy Master Fund and any special purpose vehicle established to facilitate the investment objectives of the Funds (“**SPV**”), which are expected to generally be similar to the foregoing. The Funds’ trading, operating and administrative costs and expenses, including any pro rata portion of the costs and expenses of each Multi-Strategy Master Fund and any SPV, are referred to as the “**Operating Expenses**” of the Fund.

As noted above, the Funds are charged brokerage commissions, bid-ask spreads and other transaction costs and expenses in connection with their trading and investment activities, and custodian fees for the Funds’ assets held in cash or securities at various banks, broker-dealers and other financial institutions. The Funds’ trading program generates transaction costs for the Funds that may be higher as a percentage of equity than those of other private investment funds. For a discussion of the brokerage arrangements that Verition enters into on behalf of the Funds, see “Brokerage Practices.”

### Specialty Compensation

The U.S. Multi-Strategy Feeder and the Offshore Multi-Strategy Feeder participate in certain strategies (each, a “**Specialty Strategy**”) and, accordingly, bear specialty compensation, including base salary, incentive-based compensation, costs of benefits, payroll taxes, retirement contributions, if any, and other employment-related costs paid to (or in respect of): (i) the portfolio managers implementing each Specialty Strategy; and (ii) certain other employees of Verition (“**Specialty Compensation**”). Specialty Compensation is paid in respect of each Specialty Strategy irrespective of the overall performance of the relevant Multi-Strategy Fund, any other Specialty Strategy and, with respect to non-incentive-based compensation, such Specialty Strategy.

Specialty Compensation will include a portion of the compensation of Verition employees attributable to their involvement in the implementation and execution of a particular Specialty Strategy (or group of Specialty Strategies), as determined in Verition’s discretion. In addition to analysts, programmers and portfolio managers who work on a particular Specialty Strategy, the Verition employees whose compensation will be included in Specialty Compensation will include personnel of Verition (other than Mr. Maounis) that in any way assist in the operation, risk management, oversight, implementation or execution of the relevant Specialty Strategy. This will include operational and financial personnel of Verition that: (i) negotiate transaction documents to implement a Specialty Strategy; (ii) assist in any Specialty Strategy-related legal proceedings in which a Multi-Strategy Fund may be involved; or (iii) engage in any other activities performed on behalf of the applicable Specialty Strategy.

Verition will determine whether a particular individual’s compensation is allocable to a particular Specialty Strategy (or group of Specialty Strategies) in Verition’s sole discretion. In determining whether and to what extent to treat a portion of the compensation of a particular employee as Specialty Compensation in respect of a particular Specialty Strategy (or group of Specialty Strategies), Verition will consider various factors including: (i) the amount of time Verition determines the employee has dedicated (or will dedicate) to such Specialty Strategy (or group of Specialty Strategies); and (ii) other contributions made to such Specialty Strategy (or group of Specialty Strategies) by such employee. If an employee’s bonus is tied to the profitability of a particular Specialty Strategy (or group of Specialty Strategies), Verition will take into consideration the portion of the aggregate profits generated for Verition by such Specialty Strategy (or group of Specialty Strategies). Certain senior personnel of Verition will receive bonuses in the form of allocations from one or more Multi-Strategy Master Funds calculated by reference to the overall profits earned by Verition. The portion of such bonuses related to Specialty Strategies will be treated as Specialty Compensation.

The incentive-based compensation component of the Specialty Compensation is payable only out of the profits generated by the associated Specialty Strategy. Any other component of the Specialty Compensation will be payable regardless of the profitability of the respective Specialty Strategy. If a Specialty Strategy fails to generate sufficient profit, the non-incentive-based compensation will offset any profits that may be attributable to other investment strategies and, if such profits are not sufficient, will result in losses to investors.

#### Pass-Through Costs

The Initial Classes of the Multi-Strategy Feeder Funds pay the pass-through costs described below while the Modified Classes pay a flat-rate management fee (as described above) and do not bear any portion of the pass-through costs. The Initial Classes are in issue but are no longer offered to investors.

The Manager's direct and indirect trading, general operating and administrative costs, as well as those of certain entities and individuals affiliated with Verition in providing services to each Fund, that are paid by the Initial Classes of the Multi-Strategy Feeder Funds include, without limitation, costs and expenses of: employee compensation for employees of Verition (including salaries and draw, bonuses and benefits, severance arrangements, relocation arrangements, and non-competition covenant costs) paid by Verition (other than compensation included within Specialty Compensation for this purpose, which may be a substantial portion of such costs) – this does not include any employee recruiting costs otherwise included as Operating Expenses; depreciation, office rent, utilities, information systems, equipment rental, computer hardware and software, other overhead costs and the costs of general operating assets, including leasehold improvements, internet access, servers and other data transmission lines and communications equipment used for general business purposes, furniture and fixtures, in each case to the extent such cost or expense is not included as an Operating Expense; general operations and administration of Verition's business not included as an Operating Expense; any service provider performing services for Verition to the extent the costs and expenses of such service provider is not included as an Operating Expense; regulatory filings, registrations, taxes and licenses of Verition other than those included as an Operating Expense; legal, accounting, auditing and other professional services, including consulting services, of Verition other than those included as an Operating Expense; outside risk vendors for Verition; travel and entertainment costs of Verition parties that are not included as Operating Expenses; certain insurance costs that are not included as Operating Expenses; and any extraordinary expenses and other similar expenses paid by Verition that are not included as Operating Expenses.

Verition, in its sole discretion, determines which costs to designate as pass-through costs and which to designate as Operating Expenses. All pass-through costs borne by the Initial Classes of the Multi-Strategy Feeder Funds are estimated by Verition at the beginning of each year (subject to adjustments by Verition during the course of the year) and then charged to the Multi-Strategy Funds *pro rata* over the course of the year at the end of each month.

#### Negotiation of Fees; Waivers.

Compensation payable to Verition is generally not negotiable, but under certain circumstances, Verition has waived, and in the future may, in its discretion, waive, all or a portion of its management fee, incentive compensation and/or expenses for a particular investor.

### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Clients generally pay both management fee and performance-based compensation, some Clients or investors pay a reduced or no management fee and may pay a reduced or no performance-based



compensation. Managing assets for different Clients with different fee structures, including, *e.g.*, the side-by-side management of a Client that pays performance-based compensation and one that does not or of a Client that pays higher performance-based compensation than another, creates a conflict of interest for an adviser. Such an arrangement creates an incentive for an adviser to favor accounts with the most profitable performance-based compensation structure. These arrangements give rise to conflicts of interest regarding the allocation of investment opportunities and transactions among such Clients (*i.e.*, cross trades).

Consequently, when trading on behalf of multiple Clients with differing compensation arrangements, Verition endeavors to allocate investment opportunities among Clients in a fair and equitable manner so that over time, Verition treats Clients fairly and no Client is systematically disadvantaged. Verition's trade allocation for any given Client or group of Clients may vary based on, among other things, differences in Clients' investment objectives, capital constraints and any scheduled increase or decrease of any particular Client's assets under management. Verition has adopted policies and procedures governing the identification, assessment and monitoring of conflicts of interest and policies and procedures to address the allocation of investment opportunities. In addition, members of Verition's senior management will routinely consult with one another for the purpose of identifying conflicts and assessing the fairness of investment allocations. The performance-based compensation received by Verition creates a conflict between Verition's interest in earning a profit in the short term with the long-term interests of the Funds and their investors. Specifically, Verition has an incentive to invest assets in investments that are riskier or more speculative than would be the case if Verition were only compensated based on a flat percentage of capital, because these investments may allow Verition to collect larger performance-based compensation.

#### **ITEM 7. TYPES OF CLIENTS**

Verition provides discretionary investment advice to the Funds. The investors in the Funds may consist of high net worth individuals, funds of funds, institutional investors, family offices, endowments, foundations, pension plans, sovereign wealth investors, consultants, insurance companies, banks, bank platforms and trusts. The U.S. Multi-Strategy Feeder limits its investors to persons who are both "qualified purchasers" as defined in the Investment Company Act and "accredited investors" as defined in the Securities Act of 1933, as amended (the "**Securities Act**"). Investors in the Offshore Multi-Strategy Feeder must either be both qualified purchasers and accredited investors, or non-United States persons. The minimum initial investment in the Funds is \$5,000,000 (or the equivalent in the currency applicable to the relevant Modified Class).

Verition may, in its sole discretion, waive any of the minimum investment requirements specified above, subject to applicable law.

#### **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

##### **Investment Strategies**

On behalf of the Multi-Strategy Funds and other Clients, Verition implements a diversified range of alternative investment trading strategies as described below.

##### **Quantitative Strategy**

The quantitative strategy is systematic in nature, buying "long" a security, or basket of securities, options or futures, and selling "short" other securities, options or futures contracts, or baskets, in an attempt to capitalize on financial market anomalies that occur when the prices of these securities, options or

futures deviate from their perceived relationships in anticipation of profiting from a reversal in the prices of such securities, options or futures to their expected values.

On behalf of its Clients, Verition also opportunistically invests based on its market judgment and experience. While the opportunistic trading may be based on quantitative models, there are no material limitations on the discretionary trading in which Verition may engage pursuant to Verition's qualitative systems.

### **Credit Strategy**

On behalf of its Clients, Verition deploys several credit strategies attempting to capitalize on perceived market inefficiencies and mispricings in securities, loans and/or derivatives driven by issuer, industry, credit tranche, regulatory and/or market-specific conditions. These credit strategies may include long and short trading and investing in various credit products employing fundamental value analysis, technical analysis, capital structure arbitrage, relative value, distressed control, event-driven, directional, mosaic analysis and other related strategies. Verition may execute these strategies utilizing a range of credit products including investment grade bonds, crossover bonds, high-yield bonds, leveraged loans, participations, unsecured claims, credit derivatives, indices and structured products. Verition may utilize hedging strategies in an effort to control volatility and improve risk-adjusted returns.

On behalf of its Clients, Verition invests, both long and short, in loans, securities and other instruments of companies in financial and/or operational distress unable to access the traditional capital markets or otherwise in precarious financial conditions. The markets in stressed and distressed loans, securities and other instruments are inefficient and information is not equally accessible to all market participants, creating substantial and often inconsistent profit opportunities. Verition may, from time to time, elect to attempt to take a "control position" in a company in default or going into bankruptcy in an effort to direct the reorganization of the company to the Funds' advantage.

As part of its overall credit strategy, the Funds may also invest in certain asset-backed strategies. Such strategies typically emphasize non-agency residential mortgage-backed securities, commercial mortgage-backed securities, and other mortgage-backed securities like home equity loans. Strategies can include direct origination of such asset-backed loans, as well as investments in primary and secondary markets. While shorting these securitizations is typically not possible, Verition may utilize residential mortgage-related indices (such as the ABX), commercial mortgage-related indices (such as the CMBX), and credit default swaps ("CDS") to hedge broader market risk. It is important to note the liquidity spectrum is varied for these strategies.

### **Long-Short Equity Strategy**

On behalf of its Clients, Verition takes both long and short positions in equity securities Verition believes to be under or overvalued. Verition may implement the long-short equity strategy in a broad range of market sectors for any specific Client, including, but not limited to: consumer goods, cyclicals, financials, healthcare, REITs, utilities, industrials, energy and companies related to global technology, telecommunications and media, referred to collectively as "technology". Verition may, at times, use options and credit-sensitive instruments to tailor positions more precisely to the strategy's fundamental investment conviction.

In particular, on behalf of its Clients, Verition may invest on a global basis across the capital structure of companies. On behalf of its Clients, Verition may invest on a global basis, such as equity and debt

securities, as well as derivatives thereof where appropriate. At times, Verition may implement a paired-trade strategy in an attempt to control exposures and mitigate the impact of the market.

Long-short equities portfolio composition is fundamentally driven, but influenced by technical factors affecting individual names. Although the combination of long and short positions may provide an element of protection against, though not an elimination of, directional market exposure, Verition does not attempt to neutralize the amount of long and short positions held by a Client (*i.e.*, a Client will typically have a net long or net short bias at any point in time). Verition expects that its Clients' long-short equities portfolio will typically have a long directional bias, although the portfolio may be net short from time to time.

On behalf of its Clients, Verition may employ its long/short strategy in certain Asian markets, including but not limited to the People's Republic of China (which for purposes of this brochure, refers to mainland China and excludes Hong Kong, Macau and Taiwan), Hong Kong SAR, Singapore and Japan. In such jurisdictions, Verition's primary focus will generally be on listed equities with the intention that the majority of such investments will be in securities issued by, or related to, publicly-listed companies.

### **Convertible Investing Strategy**

Verition actively tracks both credit and equity markets in order to identify capital structure pricing inefficiencies in the convertible bond universe. Verition employs predominantly market neutral strategies, but may also invest in directional opportunities. Verition's convertible investing strategies include both relative value trading and capital structure arbitrage. The relative value component of the convertible investing strategy involves taking offsetting positions in two similar issuers that Verition believes will either diverge or converge to an expected level. The capital structure arbitrage component of the convertible investing strategy involves purchasing different securities within the capital structure of a single issuer, in an attempt to profit from the relative mispricing of the securities within a company's capital structure.

### **Event-Driven Trading Strategy**

On behalf of its Clients, Verition invests in positions intending to profit from the consummation of a given corporate event, *e.g.*, a takeover, merger, reorganization or conclusion of material litigation, or based upon the perception of a potential pending corporate event. Investments may be acquired passively in the secondary market, acquired through participation in merger and acquisition activity, or acquired with a view toward actively participating in a re-capitalization or restructuring plan. Verition may actively attempt to modify or improve a restructuring plan with the intent of improving the value of the relevant securities upon consummation of a restructuring. Additionally, Verition may take an active role and seek representation in management on a board of directors or a creditors' committee. In order to achieve these objectives Verition may purchase, sell, exchange or otherwise deal in and with restricted or marketable securities including, without limitation, any type of debt security, preferred or common stock, warrants, options and hybrid instruments.

### **Merger Arbitrage Strategy**

On behalf of its Clients, Verition invests in the securities of publicly-traded companies involved in prospective and definitive mergers or corporate combinations, acquisitions, cash tender offers, exchange offers or corporate recapitalizations in the expectation of profiting from the difference between the price of such securities at the inception of the investment and the price of such securities in expectation of or upon consummation of particular events.

## **ETF Arbitrage Strategy**

On behalf of its Clients, Verition seeks to exploit pricing inefficiencies between the public trading price of the shares of an ETF and the actual net asset value of the shares. The net asset value per share of an ETF will change as fluctuations occur in the market value of the ETF's portfolio. The public trading price of ETF shares, however, may be different from the actual net asset value of such shares, *i.e.*, ETF shares may trade at a premium over, or a discount to, the net asset value of the shares. Consequently, Clients may be able to purchase or redeem ETF shares at a discount or a premium to net asset value. Any difference in the public trading price and net asset value of ETF shares will present Verition with an arbitrage opportunity. The exploitation of such arbitrage opportunities by Verition and other market participants, including those with greater market information, however, should tend to cause the public trading price to track net asset value per share closely over time, thus limiting the opportunities for arbitrage.

## **Special Situations Strategy**

On behalf of its Clients, Verition, from time to time, invests and participates in special situations. Access to certain of these situations may derive from proprietary relationships of key personnel who have substantial experience in the sourcing, evaluation and trading of convertible securities and private financings. Special situation investments may be made in companies that are in distress or are "orphaned companies" that do not attract sufficient analyst or institutional attention to have ready access to the public capital markets. Verition may use credit analysis and structuring expertise to create equity-linked and debt instruments which attempt to provide opportunities for attractive risk-adjusted returns. However, there may be situations in which Verition does not use credit analysis and structuring expertise in such investments. Verition expects Clients will attempt to take advantage of situations in which interim "bridge" lenders find themselves unable to close out their position due to the inability of the borrower to refinance their loans. Verition may also attempt to take advantage of volatility or periodic tightening of credit markets, circumstances under which some lenders may be willing to accept discounts to fair value in order to be able to exit both outstanding bridge loans and undrawn lending commitments.

## **Exchange Membership Strategy**

On behalf of its Clients, Verition invests in futures, equity and/or options exchange memberships for the purposes of garnering exchange discounts and/or for investment purposes. Verition may use the exchange memberships to enter into floor trades for Clients' accounts. By virtue of their presence on the floor of the exchange, floor traders may have greater access to information on markets and are not subject to some of the fees charged to non-member customers.

## **Technical Strategy**

The trading strategies utilized by Verition on behalf of its Clients may employ technical factors, *i.e.*, the analysis of historical and current market data. Technical strategies are subject to the risk that unexpected fundamental factors or other factors may dominate the market during certain periods. The influx of different market participants, structural changes in the markets, the introduction of new financial products and other developments could materially adversely affect the profitability of technical strategies.

## **Fundamental Strategy**

On behalf of its Clients, Verition employs fundamental analysis, which posits that markets are imperfect and that mispricing can be identified between prevailing market prices and those indicated

by underlying economic data. Fundamental analysis is subject, however, to the risk of inaccurate or incomplete market information, as well as the difficulty of predicting prices based on such information. Furthermore, even if the analyst is able successfully to identify mispricing on the basis of fundamental factors, there is the additional uncertainty of predicting the duration of such mispricing and, accordingly, when or whether it will be profitable to invest so as to profit from them. Fundamental investing is subject to significant losses when market sentiment leads to investment assets' market prices being materially discounted from the level indicated by fundamental analysis, as in the case of "flights to quality" when the demand for investment assets other than government securities diminishes to a degree significantly in excess of that indicated by the fundamental differences between government and other securities, or when technical factors, such as price momentum or option expirations, dominate the market.

### **Volatility Arbitrage Strategy**

On behalf of its Clients, Verition takes positions, often highly complex, in options and other derivatives in an attempt to capture changes in implied market volatility, including in the equity markets, which is a principal component of the pricing of these instruments. Verition seeks to monetize such opportunities through the use of both fundamental analysis of the issuing companies and quantitative option and security valuation techniques.

### **Emerging Markets Strategy**

On behalf of its Clients, Verition invests, directly or indirectly, in securities of non-U.S. issuers — in particular those in emerging markets — which involve certain special risks, including political or economic instability, the risk of confiscatory government actions, price volatility, and the lack of, or different, regulations applicable to such investments as compared to U.S. investments. As compared to U.S. entities, entities in emerging markets generally disclose less financial and other information publicly, and are subject to less stringent and less uniform accounting, auditing and financial reporting standards. Also, it may be more difficult to obtain and enforce legal judgments against emerging market entities than against U.S. entities.

### **Fixed Income and Macro Strategies**

The Funds' fixed income and macro strategy involves making investments based on analysis, expectations, and forecasts of macroeconomic trends; government and central bank policies; various macroeconomic or geopolitical events; and overall themes impacting regions, countries, sectors, or specific companies and the resulting impact on global capital markets. The Funds may take positions based on analysis of broad factors including governmental and central bank policies, political changes, deficit trends, trade imbalances, interest rate trends, global investor sentiment and inter-country government relations. The Funds' investments made pursuant to this strategy will generally focus on rates.

### **Private Equity Strategy**

On behalf of its Clients, Verition invests in private equity, which involves making long-term, non-marked-to-market investments in private companies, hoping to recognize the often substantial multiples paid if such companies go public or are sold to a "strategic investor." The Funds may make such investments on a passive basis, but also may take control positions over certain portfolio companies. Private equity investments can last 10 years or longer and during the period from investment to realization will generally be only approximately "fair valued," but will have no actionable net asset value. Verition believes that it will be to the advantage of the Funds to include a limited private

equity component in its portfolio due to the potentially extraordinary profitability of such investments if successful. However, the Funds' private equity investments are incompatible from a valuation and liquidity perspective with the Funds' basic net asset value accounting and will, accordingly, be restricted to a very limited portion of the Funds' overall holdings.

### **Energy Trading Strategy**

The Funds trade in regulated electricity market transactions in marketplaces administered by certain Independent System Operators ("ISOs") and Regional Transmissions Operators ("RTOs") that act as market operators, performing tasks like power plant dispatch and real time power balance operations and as exchanges and clearing houses for trading activities, as well as provide energy, capacity and ancillary services at market-based rates. When trading in the ISO and RTO markets, the Funds will be required to post collateral for energy transactions, including by posting cash or letters of credit (which may be provided by an affiliate of Verition), in accordance with requirements established by the RTO/ISOs and approved by the Federal Energy Regulatory Commission or the Public Utility Commission of Texas.

The Funds have allocated, and in the future may allocate, certain of its assets to wholly owned special purpose vehicles that register as ISO or RTO market participants and are each managed by a third party manager to whom Verition has delegated discretionary authority over such special purpose vehicles' assets. The Funds may create additional special purpose vehicles in the future to trade in different ISO/RTO markets and related products. The energy trading strategies used by Verition or a third-party manager may change from time to time.

### **Minority Shareholder Corporate Events**

On behalf of its Clients, Verition identifies and invests in the securities, generally in the form of common and/or preferred stock, of public companies that are the target of a buyout or merger transaction, where Verition believes that the merger consideration being offered in such a buyout or merger transaction is below "fair value" as Verition believes would be determined by the relevant state court in a proceeding. These court proceedings may take several years to conclude. Such investments may be made in any number of market sectors, industries and capitalization ranges. However, at any given time any such investments may be concentrated in one or a strictly limited number of sectors or industries.

### **Private Investments in Public Companies Strategy**

On behalf of its Clients, Verition may make investments in private placements by publicly held companies ("PIPES"). In a typical PIPES transaction, a Fund will acquire, directly from an issuer in a private placement pursuant to Regulation D under the Securities Act, common stock or a security convertible into common stock. The issuer's common stock is usually publicly traded on a U.S. securities exchange or in the OTC market, but the securities acquired by a Fund will be subject to restrictions on resale imposed by U.S. federal securities laws absent an effective registration statement.

### **Quantitative Credit**

The Funds may pursue quantitative strategies focused primarily on investments in the fixed income markets globally. Verition may take directional and/or relative value positions on behalf of the Funds, both long and short, on a global basis, investing in a broad range of investments, including equities, sovereign debt, currencies and currency forwards, futures, interest rate swaps, equity indices, options, and other derivatives. The quantitative credit strategy employs statistical and quantitative modeling and predictive analytics to identify and capture opportunities.

## **Digital Asset Strategies**

The Funds trade in virtual currencies, blockchain-based assets and other digital assets (collectively, “**Digital Assets**”) and Digital Asset derivatives, including repurchase and reverse repurchase agreements, and rights, options and total return swaps. For example, such trading may involve the purchase or sale of a futures contract, swap or other derivative instrument for delivery of a Digital Asset in one month and the opposite sale or purchase of a futures contract, swap or other derivative instrument for delivery of the same Digital Asset in a different month.

## **Other Strategies**

Research will include high-frequency models for Asian, European and Latin American equity markets, short-term event-driven and fundamental-driven equity models, as well as short-term/high frequency futures and currency models.

As opportunities present themselves, all of the above strategies may be deployed internationally. To capitalize on these opportunities, persons with local expertise may be retained and, ultimately, remote offices opened based in the different regions. Employees of the Manager follow Fund investments in Asian, European and Latin American markets.

## **Seed Investments**

Certain Clients have entered into, and in the future may enter into additional, arrangements under which such Clients acquire an equity stake or a revenue or a profit interest in a third-party manager and may provide “seed capital” to a third-party manager and obtain an interest in the revenue or profits generated by the third-party manager.

## **Asset Allocation**

As Clients implement or modify strategies, an important component of Verition’s overall management of the Clients’ portfolio may be allocating capital and risk among the different strategies.

There are certain market conditions that are less favorable to certain strategies than others. By analyzing current market conditions, as well as forming an opinion concerning likely short to medium term market conditions in the future, Verition may attempt to bias a Client’s combination of strategies towards those which appear to have the greater likelihood of profitability over the foreseeable future.

During sustained periods, Verition may not reallocate a Client’s capital among different strategies, particularly when Verition has little confidence in its opinion concerning short- to medium-term market conditions so that reallocations would not only result in significant transaction costs, but also could bias the portfolio toward strategies beginning to underperform and away from those beginning to outperform.

## **Risk Management**

Risk management is an important component of Verition’s investment strategy. Verition, however, does not apply mandatory formal risk control policies.

Verition does not, in general, attempt to hedge all market or other risks inherent in a Client’s positions, and hedges certain risks only partially, if at all. Verition may choose not to hedge certain risks or determine that hedging is economically unattractive—either in respect of particular positions or in respect of a Client’s overall portfolio. Verition may enter into hedging transactions with the intention

of reducing or controlling risk. Even if Verition is successful in doing so, the hedging is likely to reduce the Funds' returns. Furthermore, it is possible that hedging strategies will not be effective in controlling risk, due to unexpected non-correlation, or even positive correlation, between the hedging instrument and the position being hedged, increasing rather than reducing both risk and losses. Although Verition may rely on diversification to control these risks to the extent that Verition believes it is desirable to do so, the Clients are not subject to any mandatory formal diversification policies.

In implementing its investment strategies, Verition, on behalf of its Clients — in order to expand the expertise available to investors beyond Verition's own resources — may enter into joint venture or co-investment arrangements, participate in pooled investment vehicles and/or invest capital with unaffiliated advisers or investment managers. In the case of a Client's third-party ventures, Verition may have limited knowledge of the underlying positions held by such ventures and therefore may not have a basis on which to establish any hedging positions.

To the extent that Verition hedges, its hedges may not be static but rather may need to be continually adjusted based on Verition's assessment of market conditions, as well as the expected degree of non-correlation between the hedges and the portfolio being hedged. The success of Verition's hedging strategies will depend on Verition's ability to implement these strategies efficiently and cost-effectively, as well as on the accuracy of Verition's ongoing judgments concerning the hedging positions to be acquired by a Client.

### **Material Risks of Verition's Strategies**

Investing in securities and derivatives involves substantial risk of loss that investors and Clients should be prepared to bear. Past performance is not indicative of future results. The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Clients' trading. This summary does not attempt to describe all of the risks associated with the strategies set forth herein or an investment in the Funds. Although no summary can fully describe all of the risks associated with investments based on these strategies, the confidential private placement memoranda/confidential offering memoranda for the Multi-Strategy Feeder Funds contain a more complete description of the risks associated with an investment in the applicable Fund.

*Reliance on Corporate Management and Financial Reporting.* Some of the strategies rely, in substantial part, on the financial information made available by the issuers. Verition will have no ability to verify independently the financial information disseminated by these issuers and depends upon the integrity of both the management of these issuers and the financial reporting process in general in making investments for its Clients. Investors, such as the Funds, have incurred material losses in the past as a result of corporate mismanagement, fraud and accounting irregularities.

*Quantitative Trading.* Verition's quantitative strategy is based on statistical models which attempt to identify both absolute and relative mispricing. These models must be continually updated in response to changing market scenarios, participants and conditions. There is substantial competition in the quantitative trading sector, and numerous competitors have intellectual property resources many times greater than those which are available to Verition.

*Credit Trading.* Credit trading involves the risks not only of interest-rate changes and the creditworthiness of issuers in which some of the Clients invest but also market liquidity as well as the unwillingness of lenders to provide financing due to widespread uncertainty concerning the balance sheet integrity of potential borrowers.



Credit trading is typically done on a highly leveraged basis and is particularly susceptible to the disparity between the price which dealers are willing to quote for a position and actually transact in it. Credit trading may involve materially greater risk than many other alternative strategies.

*Quoted Value/Transaction Value Disparity.* A Client's portfolio may include substantial positions for which there is only a single broker-dealer quoting prices, which may be preliminary, or "soft." In the absence of actual sale transactions, it is difficult for Verition to test the reliability of preliminary quotes even when multiple broker-dealers are providing "bid" and "ask" prices. Furthermore, if it becomes necessary for a Client to liquidate certain of such securities, for example, to pay margin calls, the sales price may be dramatically less than expected — resulting in a revaluation of the portfolio and possible additional margin calls, and the possibility of a total loss of the portfolio.

*Special Situations Trading.* Special situations strategies generally are based on the expected occurrence of an impending event such as a merger, reorganization or spin-off. Accordingly, special situation investors are subject to material non-consummation risk. If the contemplated transaction does not occur, this strategy is likely to incur major losses. Often there is little, if any, means of successfully hedging non-consummation risk.

To the extent that Verition uses activist investing strategies, Clients may face increased litigation risk. Verition's investment activities may include activities that are hostile in nature and subject some of the Clients to the risks of becoming involved in litigation by third parties. This risk may be greater where the Clients exercise control or significantly influence the company's direction. The expense of defending against claims and paying any amounts pursuant to settlements or judgments would be directly borne by the Clients. Further, ownership of companies over certain threshold levels involves additional filing requirements and substantive regulation of such owners, and if Verition, on behalf of the Clients, fails to comply with all of these requirements, such Clients may be forced to disgorge profits, pay fines or otherwise bear losses or other costs from the failure to comply.

*Spread or Arbitrage Trading with Swaps.* Spread and arbitrage trading attempts to neutralize directional exposure to volatility by taking offsetting positions in swaps and other co-integrated and highly liquid instruments. To the extent the price relationships between such positions remain stable, there should be little to no directional exposure to volatility. However, an unexpected change in the correlation between these positions could cause losses that are significantly magnified by the high degree of leverage typically applied to this type of trading.

*Relative Value Strategies.* The success of any relative value trading in which some of the Clients engage will involve Verition's attempt to exploit relative mispricings among interrelated instruments. These mispricings are typically small in absolute terms, so that Verition is likely to use substantial leverage in these strategies in order to have a realistic opportunity to generate the profits it seeks. Although relative value positions are considered to have a lower risk profile than directional trades, as the former attempt to exploit price differentials not outright price movements, relative value strategies are by no means without risk. Mispricings, even if correctly identified, may not converge within the time frame within which the Clients are practically able to maintain its positions. Even pure "riskless" arbitrage — which is rare — can result in significant losses if the arbitrage cannot be sustained, due, for example, to margin calls, until expiration. Relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of Verition's or a third-party's valuation models. Market disruptions may also force these Clients to close out one or more positions.

*Event-Driven Investing.* Event-driven strategies focus on investing in positions whose profitability depends on the result of some significant corporate event, for example, a merger, tender

offer, exchange offer or liquidation, occurring. Corporate events are affected by numerous factors — including not only market movements but also regulatory intervention, shareholder votes and changes in interest rates and economic outlook — that can have a particularly adverse effect on even the most apparently safe risk arbitrage investments. The risk of non-consummation in such transactions is high, and unexpected outcomes can lead to substantial losses.

*Long/Short Equity Strategies.* Verition has focused a portion of its Client's assets in long and short positions in the equity securities of public companies in various industries, including technology sectors. The success of the long/short investment strategy depends upon Verition's ability to identify and purchase financial instruments that are undervalued and identify and sell short financial instruments that are overvalued. The identification of investment opportunities in the implementation of Verition's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. If the perceived opportunities underlying the Clients' positions were to fail to converge toward, or were to diverge further from values expected by Verition, Clients may incur a loss. In the event of market disruptions, significant losses can be incurred which may force Verition to close out one or more positions on behalf of its Clients. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Verition's long/short strategies may become outdated and inaccurate as market conditions change.

*Directional Trading.* Directional trading strategies are designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices is inherently uncertain, and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations or mispricings.

*Structured Finance Risks.* A number of the investment assets purchased by some of the Clients may be "structured finance" products, such as collateralized debt obligations, collateralized loan obligations or participating notes. Structured finance products distance the purchaser from the underlying assets which are intended to generate the returns of the product. In many cases, it has proven difficult, if not impossible, to identify or locate certain of such underlying assets. In addition, the financial structure eliminates any rights of the ultimate investors, such as these Clients, to take action with respect to the underlying assets. Often it is difficult to determine exactly what components of the underlying assets the ultimate investors might actually own in different scenarios. Some of the Clients will be subject not only to economic risk, but to the risk of the financial structures in which such Clients participate.

*Trading on Non-U.S. Markets.* Verition trades on markets outside the United States on behalf of some of the Clients. Trading on such markets is not regulated by any U.S. government agency and may involve additional risks not applicable to trading on U.S. exchanges. For example, certain non-U.S. exchanges may be substantially more prone to periods of illiquidity than the U.S. markets due to a variety of factors. Also, some non-U.S. markets, in contrast to U.S. exchanges, are "principals' markets" similar to the forward markets in which performance is the responsibility only of the individual member with whom the trader has entered into a trade and not of any exchange or clearing corporation. In these cases, the Clients will be subject to the risk of the inability or refusal to perform with respect to the individual member with whom these Clients have entered into a trade.

Clients may not have the same access to certain trades as do various other participants in markets outside the United States. Trading on non-U.S. exchanges also involves the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums, exchange or investment controls and political or diplomatic disruptions, each of which might materially adversely affect the Clients'

trading activities. In trading on non-U.S. exchanges, some of the Clients are also subject to the risk of changes in the exchange rates between the U.S. dollar and the currencies in which the non-U.S. contracts are settled.

*Leverage.* Some Clients trade on a highly leveraged basis, both through borrowings and through the significant degree of leverage typically embedded in derivative instruments. Losses incurred on such Clients' leveraged investments increase in direct proportion to the degree of leverage employed. Such Clients also incur interest expense on the borrowings used to leverage their positions.

*Financing Arrangements; Availability of Credit.* The use of leverage is integral to some Clients' strategies, and such Clients depend on the availability of credit in order to finance their portfolio. There can be no assurance that the Clients will be able to maintain adequate financing arrangements under all market circumstances. As a general matter, the banks and dealers that provide financing to such Clients can apply essentially discretionary margin, haircut, financing, security and collateral valuation policies. Changes by banks and dealers in these policies, or the imposition of other credit limitations or restrictions, whether due to market circumstances, governmental, regulatory or judicial action or other factors, may result in margin calls, loss of financing, forced liquidation of positions at disadvantageous prices, termination of swap and repurchase agreements and cross defaults to agreements with other dealers. These adverse effects may be exacerbated if such limitations or restrictions are imposed suddenly or by multiple market participants at or about the same time. The imposition of these limitations or restrictions could compel the Clients to liquidate all or a portion of its portfolio at disadvantageous prices.

*Repurchase and Reverse Repurchase Agreements.* Verition, on behalf of Clients, may enter into repurchase agreements or reverse repurchase agreements. These arrangements involve the purchase of securities by a party that simultaneously agrees to resell such securities to the original seller at a predetermined price and time, thereby determining the yield on the purchase money during the repo period. The purchaser bears the risk that the original seller will not pay the agreed-upon repurchase price on the closing date. Although the repurchase agreement provides that in the event of default the purchaser is entitled to sell the purchased securities to third parties, the purchaser will incur a loss if such default occurs when the value of the purchased securities is less than the agreed-upon repurchase price. Similarly, the original seller bears the risk that, following the appreciation of the purchased securities, the purchaser will default on its obligation to resell the securities to the original seller. In addition, like all over-the-counter transactions, there is counterparty risk involved in repurchase transactions; for example, securities positions held by dealers in repurchase transactions that are transferred to others by such dealers are subject to the risk of such dealers' default or bankruptcy prior to or at the settlement of the transaction.

*Portfolio Turnover.* On behalf of its Clients, Verition may invest on the basis of certain short-term market considerations. The turnover rate of such positions may be significant, potentially involving substantial brokerage commissions, fees, and other transaction costs. The Clients have no control over this turnover. In addition, frequent trading may result in such Clients being "whipsawed" — trading out of positions starting to be profitable and into positions starting to be unprofitable.

*Short Sales.* As an integral part of its quantitative strategy, as well as of other strategies that Verition may employ, some Clients routinely sell securities "short." A short sale is effected by selling a security that such Clients do not own, or selling a security that such Clients own but do not deliver upon consummation of the sale. In order to make delivery to the buyer of a security sold short, such Client must borrow the security. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out.

There can be no assurance that the securities necessary to cover the short position will be available for purchase by a Client. In addition, purchasing securities to close out the short position can itself cause the price of such securities to rise further, thereby increasing any loss incurred by a Client. Furthermore, a Client may be forced to close out a short position prematurely if a counterparty from which such Client borrowed securities demands their return, resulting in a loss on what might otherwise have been a profitable position. If it is determined by the broader market that Verition (and other market participants) are short a heavily shorted security, Verition and the Funds may be susceptible to the risk that groups of investors may coordinate, on social media or otherwise, to drive up the price of the short position for the purpose of causing the holders of such a positions, including the Funds, to close out of such positions. If Verition were required to buy the shorted security in the market to make delivery under conditions which cause a period of sudden and unexpected significant increase in the value of the investment, the Funds could incur substantial losses.

During various market disruptions over the life of the Fund, the SEC and other securities regulators in a number of countries imposed bans on the short-selling of financial sector equities. Short selling constitutes an integral component of a number of Verition's strategies, and any regulatory limitations on short-selling which may result from market disruptions could materially adversely affect Verition's ability to implement its strategies for the benefit of the Clients. Short selling may be subject to further regulatory restrictions, or even bans.

*EU Short Selling Regulation.* Regulation on Short Selling and Certain Aspects of Credit Default Swaps (the "**SSR**") applies directly in all member states of the European Union ("**EU**"). The SSR imposes certain private and public disclosure obligations on all natural or legal persons, irrespective of regulatory status, located inside or outside the EU, who have net short positions (as calculated in accordance with the SSR) in EU-listed shares and EU sovereign debt, which reach or fall below the specified thresholds. The SSR also contains prohibitions on uncovered short sales of EU-listed shares and EU sovereign debt and uncovered positions in CDS referencing EU sovereign debt issuers. National regulators, and in certain circumstances the European Securities and Markets Authority, can, and from time to time do, take emergency measures (including complete bans on short-selling activities) if certain conditions are met. The SSR may prevent Verition from fully expressing negative views on behalf of its Clients in relation to EU-listed shares and/or EU sovereign debt and may also restrict the ability to hedge certain risks through EU sovereign CDS. Accordingly, the ability of Verition to implement the investment approach and to fulfill the investment objective of its Clients may be constrained.

The United Kingdom (the "**UK**") has equivalent rules that apply to UK listed shares, UK sovereign debt and UK sovereign CDS, *mutatis mutandis* ("**UK SSR**"). Accordingly, the UK SSR may prevent Verition from fully expressing negative views in relation to UK listed shares or UK sovereign debt and may also restrict the ability of Verition to hedge certain risks through UK sovereign CDS.

*Equity Securities.* Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous political, climate-related and other factors, influence the cost of equities; there can be no assurance that Verition will be able to predict future equity price levels correctly.

*Futures Contracts.* The low margin deposits normally required in futures contract trading, which is typically between 2% and 20% of the value of the contract purchased or sold, permit an extremely high degree of leverage. Like other leveraged investments, any futures trade may result in losses in excess of the amount invested. Futures and related options generally can only be traded while the exchange in question is open and are often subject to daily price fluctuation limits which restrict the maximum amount by which the price of a contract can move during a given trading day.

These “daily limits” can create significant illiquidity as once the market has moved to the “daily limit” it becomes extremely expensive, as well as difficult if not impossible, to close out positions against which the market is moving. The governing bodies of the various futures exchanges also may intervene so as to limit trading or require the liquidation of certain positions, resulting in major losses for affected market participants.

*Debt Securities.* Debt securities may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market conditions. In addition to “high investment grade” debt securities, Verition may cause some Clients to invest in “low investment grade” or “non-investment grade” debt securities, which are typically subject to greater market fluctuations and risks of loss both in respect of income and principal than lower yielding, “investment grade” securities. The prices of the “low-investment grade” or “non-investment grade” securities acquired by the Clients are often influenced by many of the same unpredictable factors which affect equity prices.

In addition to the general sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the relevant issuer’s ability to make principal and interest payments.

*Distressed and High Yield Securities.* Some Clients may invest in the securities of issuers in weak financial condition, experiencing poor operating results, needing substantial capital investment, perhaps having negative net worth, facing special competitive or product obsolescence problems or involved in bankruptcy or reorganization proceedings. Investments of this type may involve specialized financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled issuers is the fact that it is frequently difficult to obtain reliable information as to their true financial condition. The market prices of distressed and high yield securities are subject to abrupt and erratic market movements and excessive price volatility, and unusually wide “bid-ask” spreads.

*Derivatives in General.* Some Clients may make use of various derivative instruments, such as convertible securities, options, futures, forwards and interest rate, credit default, total return and equity swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order either to realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including: dependence on the ability to predict movements in the price of the securities hedged; imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and possible impediments to effective portfolio management or the ability to meet short term obligations due to a portion of a Client’s assets being segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in the value of the position may be limited.

*Swaps and Similar Derivatives.* Swap contracts and similar derivative contracts are not currently traded on exchanges; rather, banks and dealers act as principals in these markets. As a result, a Client may be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of their counterparties. Participants in the swap markets are not required to make continuous markets in the swap contracts they trade.

*Options.* Trading options is highly speculative and may entail risks that are greater than investing in other securities. Prices of options are generally more volatile than prices of other securities. In trading options, Verition speculates on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying the option. A change in the market price of the underlying securities or underlying market index will cause a much greater change in the price of the option contract. In addition, to the extent that Verition purchases options that it does not sell or exercise, some of the Clients will suffer the loss of the premium paid in the purchase. To the extent Verition sells options and must deliver the underlying securities at the option price, the Clients have a theoretically unlimited risk of loss if the price of such underlying securities increases. If Verition must buy those underlying securities, the Clients risk the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Furthermore, the risk of nonperformance by the obligor on an option may be greater and the ease with which Verition can dispose of such an option may be less than in the case of an exchange traded option.

Verition may cause the Clients to buy or sell OTC options — options on securities that are not traded on a securities exchange and are not issued or cleared by an internationally recognized clearing corporation. The risk of nonperformance by the obligor on such an option may be greater, and the ease with which Verition can dispose of such an option may be less, than in the case of an exchange traded option issued by an internationally recognized clearing corporation.

*Forward Contracts.* Some Clients may trade deliverable forward contracts in the interbank currency market. These deliverable forward contracts are not currently traded on exchanges; rather, banks and dealers act as principals in these markets. The U.S. Commodity Futures Trading Commission (the “CFTC”) regulates non-deliverable forwards and many so-called deliverable forwards where the parties do not take actual delivery. Changes in the forward markets may entail increased costs and result in burdensome reporting requirements. There is currently no limitation on the daily price movements of forward contracts. Principals in the forward markets have no obligation to continue to make markets in the forward contracts traded. The imposition of credit controls by governmental authorities or the implementation of regulations might limit such forward trading to less than that which Verition would otherwise recommend, to the possible detriment of some of the Clients.

*Credit Default Swaps.* Some Clients may purchase and sell credit derivatives contracts — primarily CDS — both for hedging and other purposes. The typical CDS contract requires the seller to pay to the buyer, if a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Clients may also sell CDS on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of CDS, in circumstances in which a Client did not own the debt securities that are deliverable under a CDS, such Client will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” As a seller of CDS, a Client will incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Clients will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity’s debt obligations. In addition, the CDS buyer will have broad discretion to select which of the reference entity’s debt obligations to deliver

to the Clients following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Clients.

CDS generally trade on the basis of theoretical pricing and valuation models, which may not accurately value the swap positions when established or when subsequently traded or unwound under actual market conditions.

*Sovereign Debt.* Some Clients may invest in debt securities issued by the U.S. government, or guaranteed by the U.S. government or any agency thereof. Some of the Clients also may invest in non-U.S. government debt securities, which include debt obligations issued or guaranteed by national, state or provincial governments, political subdivisions or quasi-governmental or supranational entities.

Non-U.S. government debt securities may involve a high degree of risk and governmental entities may default on or restructure their obligations. Certain sovereign debt may have non-investment grade ratings or be in distress or even default.

Governments frequently intervene in the markets by changing the interest rates payable on their sovereign debt.

*Currency Exchange Exposure and Currency Hedging.* Because some Clients may invest in non-U.S. securities that are denominated or quoted in non-U.S. currencies, whereas the functional currency of such Client's account is denominated in U.S. dollars, performance may be significantly affected, either positively or negatively, by fluctuations in the relative currency exchange rates and by exchange control regulations. To the extent Verition seeks to hedge currency exposure for a Client's investments, it may not always be practicable to do so.

Furthermore, Verition may engage in currency hedging in connection with certain Client accounts denominated in non-U.S. currencies. These currency hedging activities will generally require using a portion of a Client's assets for margin or settlement payments or other purposes. For example, Verition may from time to time be required to make margin, settlement or other payments, including intra-month, in connection with the use of certain hedging instruments in such Client's accounts. Counterparties to any currency hedging activities may demand payments on short notice, including intra-day. As a result, Verition could potentially need to liquidate assets in a Client's account sooner than it otherwise would have in order to have available cash to meet current or future margin calls, settlement or other payments, or for other purposes. Moreover, due to volatility in the currency markets and changing market circumstances, Verition may not be able to accurately predict future margin requirements, which may result in a Client's account holding excess or insufficient cash and liquid securities for such purposes. If a Client account does not have cash or assets available for such purposes, Verition may be required to dispose of assets at disadvantageous prices or might fail to comply with certain of its contractual obligations for that Client's account. Such failures could include failing to meet margin calls or settlement or other payment obligations. If a Client was to default on any of its contractual obligations, such Client's account may be adversely affected.

Moreover, hedging may not alleviate all currency risks. Furthermore, Client accounts may incur costs in connection with conversions between various currencies. Currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to a Client at one rate, while offering a lesser rate of exchange should the Client desire immediately to resell that currency to the dealer. Verition will conduct its currency exchange transactions for Clients either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into a number of

different types of hedging transactions including, without limitation, forward, futures or commodity options contracts to purchase or sell currencies, and entering into foreign currency borrowings.

To the extent Verition enters into currency forward contracts for Clients (agreements to exchange one currency for another at a future date), these contracts involve a risk of loss if Verition fails to predict accurately the direction of currency exchange rates. In addition, forward contracts are not guaranteed by an exchange or clearinghouse. Therefore, a default by the forward contract counterparty may result in a loss to a Client of the value of unrealized profits on the contract or of the difference between the value of its commitments, if any, for purchase or sale at the current currency exchange rate and the value of those commitments at the forward contract exchange rate. Any government action that alters the convertibility of a currency or restricts the ability to repatriate funds into U.S. dollars could cause economic losses to a Client. Furthermore, while the markets for currency-forward contracts are not currently regulated, they may in the future become subject to regulation, a development which may entail increased costs and result in burdensome reporting requirements.

There can be no guarantee that instruments suitable for hedging currency shifts will be available at the time Verition wishes to use them or will be able to be liquidated when Verition wishes to do so. In addition, Verition may choose not to enter into hedging transactions with respect to some or all of its positions that are exposed to currency exchange risk.

*Bank Loans and Participations.* Some Clients may invest in fixed and floating-rate bank loans and participations. The special risks associated with these obligations include: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) environmental liabilities that may arise with respect to collateral securing the obligations; (iii) adverse consequences resulting from participating in such investments with other institutions with less available cash to fund their obligations; and (iv) limitations on the ability of an investor in such participations directly to enforce its rights with respect to these instruments.

*ETFs.* The public trading price of ETF shares may be different from the net asset value of the shares and similarly the public trading market price per ETF share may be different from the net asset value per ETF share. Verition's ETF arbitrage strategy is designed to profit from such deviations. The exploitation of these arbitrage opportunities should tend to cause the public trading price to track net asset value per share closely over time, thus limiting the opportunities for arbitrage.

ETF shares are listed for trading on exchanges. Trading in such shares may be halted due to market conditions or, in light of exchange rules and procedures, for reasons that, in the view of the relevant exchange, make trading in the ETF shares inadvisable. In addition, trading is subject to trading halts caused by extraordinary market volatility pursuant to "circuit breaker" rules that require trading to be halted for a specified period based on a specified market decline. There can be no assurance that the requirements necessary to maintain the listing of any ETF's shares will continue to be met or will remain unchanged.

Although it is anticipated that the ETF shares will be listed and traded on exchanges, there can be no guarantee that an active trading market for the shares will develop or be maintained. If a Client needs to sell ETF shares at a time when no active market for them exists, the price it receives for such shares, assuming that such Client is able to sell them, likely will be lower than that it would receive if an active market did exist.

*Exchange Memberships.* Like any other asset, exchange memberships can decline significantly in price. In addition, while there is a market for exchange memberships, they are not as readily marketable, and therefore their "fair value" is not as readily determinable, as the fair value of publicly-traded securities. Consequently, it may be relatively difficult for the Clients to dispose of such



investments rapidly and at favorable prices in connection with redemption requests, adverse market developments or other factors.

*Electricity Markets.* The electricity markets in which Verition and a third-party manager seek to employ their trading strategies are dynamic and volatile. There is no certainty that the predictive analytics or other techniques used will successfully identify arbitrage or other opportunities in the markets in which a Client will participate. Further, the electricity markets are highly regulated and regulatory change could materially impact the success of the investment strategy. There is no assurance that Verition's or a third-party manager's trading strategy will be effective or that the investment objective will be met. Prices are affected by a wide variety of complex and difficult to predict factors, including changes in supply and demand relationships, government programs and policies, national and international political and economic events, interest rates, weather, environmental and climate change, and fiscal and monetary policy.

*Longer-Duration Positions.* Verition anticipates that some of the Clients will be taking longer-term positions in an attempt to achieve their rate of return objectives. These positions typically have no readily determinable value and are carried at or close to cost, as an estimate of "fair value," until a "revaluation" or "realization" event occurs with respect to the positions. These positions create both liquidity and valuation risks for some of the Clients, and can contribute to performance volatility due to sudden and material revaluations or realizations.

*Small and Mid-Capitalization Investments.* The prices of small and mid-capitalization securities are subject to significant fluctuation. Although Verition may succeed in identifying undervalued securities, there can be no assurance that the "value recognition event" necessary for stock prices to reflect potential value will occur over the time frame during which the Clients hold an investment.

While securities of small and mid-capitalization securities may be publicly-traded, the markets for these securities can become illiquid and are subject to substantial short-term fluctuations. Notwithstanding the existence of a public market, some of these securities may cease, or effectively cease, to be traded after some of the Clients invest in them.

*Special Purpose Acquisition Companies.* Clients may invest in special purpose acquisition companies ("SPACs"). SPACs are publicly traded shell companies that have no operations but go public with the intention of merging with or acquiring an operating business. An investment in SPACs is subject to substantial risks, including limited liquidity and lack of investment diversification, failure of a SPAC's management team to devote sufficient time to the SPAC due to involvement in other ventures, and failure of the SPAC to acquire companies successfully.

*Technology-Related Risks.* There are certain risks associated with a Client's investments in companies in the technology sector. These companies may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of these companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, these companies could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. The markets in which many companies in the technology or related industries operate are extremely competitive and this competition can result in significant downward pressure on pricing. Companies in which such Client invests may not be able to successfully penetrate their markets or establish or maintain competitive advantages.

*Pre-Payment and Reinvestment Risk.* Pursuant to a loan agreement, a borrower may be required in certain circumstances, and may have the option at any time, to prepay the principal

amount of the loan, generally without incurring a penalty. The rate of such prepayments may be affected by, among other things, general business and economic conditions, changes in interest rates and the financial status of the borrower. In the event a prepayment occurs, a Client may not be able to reinvest such amounts on terms as favorable to such Client as the initial investment or find a suitable alternative investment.

*Seed Investment Risks.* Taking an equity stake or a revenue or profit interest in or providing “seed capital” to a third-party manager involves several risks. Frequently these third-party managers have not yet managed client capital on a stand-alone basis and are subject to all the risks associated with start-up operations. Some or all of these third-party managers may be unsuccessful and incur substantial losses. These investments typically require extended lock-up periods. As a result, seed capital generally needs to be committed to a third-party manager for a substantial period of time. Seed investments will also involve the Clients’ relying on the performance of third parties, thereby increasing the risk of manager misconduct or bad judgment, as well as limiting Verition’s control over, and knowledge of, each Client’s overall portfolio. Verition may not be able to withdraw capital from a third-party manager even in situations where such third-party manager is deviating from announced strategies or risk control policies or has otherwise been materially adversely affected. Furthermore, a third-party manager may deviate significantly from its announced strategies or risk control policies without Verition’s knowledge. Any equity stake or revenue or profit interest in a third-party manager associated with a seed investment will be highly illiquid and extremely difficult to value.

*Private Investments.* On behalf of its Clients, Verition may implement strategies in which Clients invest in illiquid and restricted, as well as thinly-traded, instruments (including privately placed securities). Such investments may be designated as either illiquid investments or designated investments, each as described in the relevant Fund’s offering memorandum. There is often no trading market for these investments, and the Clients might only be able to liquidate these positions, if at all, at disadvantageous prices. The Clients may be required to hold such investments despite adverse price movements. If the Clients make a short sale of an illiquid holding, the Clients may have difficulty in covering the short sale, resulting in a potentially unlimited loss to the Clients on that position.

*PIPES.* On behalf of its Clients, Verition may make investments in PIPES. In a typical PIPES transaction, a Client will acquire, directly from an issuer in a private placement pursuant to Regulation D under the Securities Act, common stock or a security convertible into common stock. The issuer’s common stock is usually publicly traded on a U.S. securities exchange or in the OTC market, but the securities acquired by a Client will be subject to restrictions on resale imposed by U.S. federal securities laws absent an effective registration statement. There are numerous risks associated with PIPES transactions. The issuer may be unable to register for public resale the shares held by a Client in a timely manner or at all or, even if the shares are registered for public resale, the market for the issuer’s securities may nevertheless be “thin” or illiquid, each of which could have an adverse effect on such Client’s investment. As a seller of securities in a registered public offering, a Client may be deemed to be a statutory “underwriter” under the Securities Act, and in that capacity liable for misstatements or omissions in the offering documents prepared by the issuer. While a Client typically will be indemnified by the issuer against such liabilities, the issuer may not have the financial resources to satisfy its indemnification obligations. Furthermore, it is the position of the SEC staff that indemnification for violations of the Securities Act is against public policy and therefore unenforceable. While the price paid by a Client will usually be at a discount to the public trading price at the time of purchase, by the time such Client is able to dispose of its shares in a public sale the market price for the issuer’s securities may be below the price paid by such Client, or the sale by such Client and other holders with similar registration rights at or about the same time may cause the

market price of the issuer's common stock to decline substantially before such Client is able to dispose of any or all of its investment.

*American Depositary Receipts and Global Depositary Receipts.* On behalf of its Clients, Verition enters into investments in non-U.S. issuers that may be in the form of American Depositary Receipts ("ADR"), which are instruments issued or sponsored in the United States by banks or brokerages and traded in U.S. securities markets or of Global Depositary Receipts ("GDR"), which are instruments issued or sponsored by either United States or non-United States banks or brokerages and traded on non-U.S. securities markets. ADR's and GDR's represent an interest in a specified number of shares of a non-U.S. issuer. Fees and expenses related to holding these securities along with fluctuations in foreign exchange rates and tax treaties could cause an ADR or a GDR to be of lesser value than its underlying non-U.S. security. An ADR or GDR may also entail the risk of loss as a result of the fact it may offer fewer legal rights than the underlying foreign security or that the ADR's or GDR's issuer changes its terms or terminates the ADR or GDR altogether.

*Risks Associated with Investments in and Exposed to Digital Assets.* A Client may make investments in, or that are exposed to, certain Digital Assets such as cryptocurrencies, digital currencies, digital objects, non-fungible tokens, decentralized applications, tokens, protocols and/or other "digital" or "crypto" assets or instruments. A Client may gain exposure to Digital Assets directly, for example, through trading Digital Assets on an exchange, or indirectly, for example, through investments in exchange-traded and OTC-traded securities (including Digital Asset ETFs or investment trusts) or other instruments which are linked to an underlying Digital Asset. As such, a Fund may be directly or indirectly subject to various risks relating particularly to Digital Assets including, but not limited to, significant price volatility, unclear valuation, illiquidity, fragmented markets, cybersecurity threats, technological flaws, custody and regulation. Digital Assets have a relatively limited history and are rapidly evolving, including with respect to the development of new Digital Assets, advancements in the related underlying technologies, markets for trading Digital Assets, and the regulation thereof. Therefore, it is not possible to know all the risks involved with Digital Asset investments, and new risks may emerge at any time.

*Illiquid Markets.* The market for some of the instruments traded by the Clients may have limited liquidity under ordinary circumstances, or experience periods of illiquidity despite generally being liquid. Lack of liquidity can prevent the Clients from recognizing profits on open positions or closing out open positions against which the market is moving without large losses. In addition, it can disconnect market values from the historical pricing indicators used in Verition's investment analysis. The fewer the number of transactions that take place, the greater, in general, is the risk of market values not reflecting true pricing relationships or fair value.

*Market Judgment.* On behalf of its Clients, Verition enters into discretionary, opportunistic trades, which include uses of quantitative valuation models in evaluating the economic components of certain investments that are not wholly systematic. The discretionary market judgment of Verition personnel is a basic component of the Clients' strategies. Discretionary action is subject to the risk of inconsistency and errors in judgment and generally perceived to be less disciplined than systematic approaches.

*Limited Number of Corporate Events.* The minority shareholder corporate events strategy depends on there being a substantial number of corporate events as described above. There have been in the past substantial periods in which the number of corporate events was materially diminished.

*Competition; Potential Strategy Saturation.* The Clients compete with numerous other private investment funds, asset managers and financial institutions (both diversified and specialized funds) as

well as other investors, many of which have resources substantially greater than the Clients'. Competition from other market participants may impede a Client's ability to raise and maintain sufficient assets necessary to finance its operations, achieve certain diversification targets or evolve its investment program. Further, such competition may hinder the ability of Verition to recruit and retain personnel to implement a Client's investment program. The amount of capital committed to alternative investment strategies has increased dramatically over the past several years. At the same time, the economic difficulties have resulted in a material contraction both in investment opportunities and in opportunities to close out positions at reasonable prices. The large number of hedge funds that are seeking to identify these limited opportunities materially diminishes the likelihood of the Clients being able to do so successfully.

*Market Disruptions.* Various financial crises during the life of the Fund have resulted in pervasive and fundamental disruptions to the global financial markets and have led to extensive and unprecedented governmental intervention in the markets, including U.S. as well as non-U.S. jurisdictions. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or to manage the risk of their outstanding positions. Future disruptions may result in similar government interventions. As one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action, such interventions are often unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Clients may incur major losses in the event of disrupted markets, and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Clients from their banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to some of the Clients. Market disruptions may from time to time cause dramatic losses for the Clients, and such events can result in otherwise historically low-risk strategies' performing with unprecedented volatility and risk.

*Cybersecurity.* All businesses dependent on information technology systems are subject to risks associated with a breach in its cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data, as well as misappropriation of confidential information. If a cybersecurity breach occurs, Verition's Clients may incur substantial costs (on behalf of itself or Verition), including those associated with: forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, investment losses from sabotaged trading systems, identity theft; unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information, and reputational damage. Any such breach could expose Verition and its Clients to civil liability, as well as regulatory inquiry or action. Any such breach could also cause substantial redemptions from the Clients. In addition, Clients and their investors could be exposed to further losses as a result of unauthorized use of their personal information. While Verition has purchased cybersecurity insurance, neither Verition nor the Clients have any obligation to purchase additional or maintain cybersecurity insurance coverage in the future. There can be no guarantee that every potential loss due to cyber-attack or theft of information could be insured against, nor that the limits of any insurance policy will be sufficient to cover all such losses.

*Risk of Natural Disasters, Epidemics, Geopolitical Events and Terrorist Attacks.* Countries and regions in which Verition invests on behalf of its Clients, where the Manager has offices or where the Clients or Verition otherwise do business are susceptible to natural disasters (e.g., fire, flood, earthquake, storm and hurricane) and epidemics, pandemics or other outbreaks of serious contagious diseases. The occurrence of a natural disaster or epidemic could adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic) and could adversely affect a Client's investment program or Verition's ability to do business. In addition, terrorist attacks or civil unrest, or the fear of or the precautions taken in anticipation of such attacks or unrest, could, directly or indirectly, materially and adversely affect certain industries, countries and regions in which Verition invests on behalf of its Clients, where Verition has offices or where Verition or its Clients otherwise do business. Other acts of war (e.g., war, threatened or actual invasion, acts of foreign enemies, hostilities and insurrection, regardless of whether war is declared) and related geopolitical events, including global sanctions regimes, could also have a material adverse impact on the financial condition of industries or countries in which Verition invests on behalf of its Clients, or the currency in which investments or assets are denominated.

The world has seen a number of outbreaks of new viral illnesses of varying severity. The responses to these outbreaks have varied as have their impact on human health, local economies and the global economy, and it is impossible at the outset of any such outbreak to estimate accurately what the duration and ultimately the full impact of any such outbreak will be. Protective measures taken by governments and the private sector, including Verition, to mitigate the spread of such illness, including travel restrictions and outright bans, quarantines, and work-at-home arrangements, and the spread of any such illness within the offices of Verition or a Fund's service providers, could severely impair Verition's or a Fund's service providers' operational capabilities, potentially harming each Fund's business and its operating results.

#### **ITEM 9. DISCIPLINARY INFORMATION**

Mr. Maounis is the principal of Amaranth Advisors L.L.C. and related entities (collectively, "**Amaranth**"), which formerly served as the adviser of Amaranth LLC and related funds (the "**Amaranth Funds**"). The Amaranth Funds commenced an orderly wind-down in September 2006 after incurring a year-to-date loss of over 60% of their capital. Certain civil and regulatory proceedings were brought against Amaranth or parties associated with Amaranth. There are no outstanding civil or regulatory proceedings regarding Amaranth. All Amaranth Funds are closed and final distributions were made to investors.

#### **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As noted under Item 4 above, the Relying Advisers conduct a single advisory business with the Filing Adviser and rely upon Verition's investment adviser registration under an umbrella registration.

Verition Fund Management LLC is registered with the CFTC as a commodity pool operator and is a member of the National Futures Association (the "**NFA**"). Certain members of Verition Fund Management LLC are registered with the NFA as principals and/or associated persons. Verition relies on the "non-resident investment fund manager" exemption from registration as a non-Canadian resident investment fund manager with the Ontario Securities Commission. Verition is also registered as a foreign portfolio investor with the Securities and Exchange Board of India.

Verition Advisors (Canada) ULC is a subsidiary of Verition and is located in Toronto, Ontario, Canada. Verition, Verition Advisors (Canada) ULC and the Canada Master Fund have entered into an

Investment Sub-Advisory Agreement, as amended. Verition Advisors (Canada) ULC is registered in the category of Portfolio Manager with the Ontario Securities Commission.

Verition UK is a subsidiary of Verition and is located in London, United Kingdom. Verition and Verition UK have entered into a Sub-Advisory Agreement. Verition UK is authorized and regulated by the United Kingdom Financial Conduct Authority in the conduct of its regulated activities in the United Kingdom.

Verition Singapore is a subsidiary of Verition and is located in Singapore. Verition and Verition Singapore have entered into a Sub-Advisory Agreement. Verition Singapore is authorized and regulated by the Monetary Authority of Singapore in the conduct of its regulated activities in Singapore.

Verition DIFC is a subsidiary of Verition and is located in the Dubai International Financial Centre ("DIFC"). Verition and Verition DIFC have entered into a Sub-Advisory Agreement. Verition DIFC is authorized and regulated by the Dubai Financial Services Authority in the conduct of its regulated activities in the DIFC.

Verition Hong Kong is a subsidiary of Verition and is located in Hong Kong, SAR. Verition and Verition Hong Kong have entered into a Sub-Advisory Agreement. Verition Hong Kong is licensed by the Securities and Futures Commission of Hong Kong to conduct certain asset management regulated activities in Hong Kong.

Mr. Maounis operates a single member family office that utilizes a trading vehicle, Klexos LLC, which is managed on a discretionary basis by Amaranth Group, Inc. The family office is independent of the Filing Advisor, and Mr. Maounis is not involved in its trading and investment decision-making.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

As a SEC-registered investment adviser, Verition has adopted a Code of Ethics pursuant to SEC Rule 204A-1. The Code of Ethics includes Verition's policies as they relate to personal investment and trading by Verition management and employees, and includes a requirement that securities holdings be reported and pre-approval procedures for transactions. The Code of Ethics defines material nonpublic information and the restrictions on trading on any material nonpublic knowledge and sets forth the responsibilities of all supervised persons relative to insider trading. The Code of Ethics includes policies and procedures on issues of security as they relate to sensitive and confidential materials and record retention of all documents and electronic information.

All principals and employees of Verition must acknowledge that they understand and agree to comply with the Code of Ethics initially upon employment and must certify on an annual basis that they have read and understand the Code of Ethics and have complied with it.

In its role as investment adviser to the Clients, Verition and its principals and employees make investment decisions for the Clients. Verition and its principals and employees may trade and invest for their own accounts in the same securities as those in which it invests on behalf of the Clients. Trades for Verition, its principals or employees may be made at or near the time that trades are placed for the Clients. To address the conflicts of interest posed by this type of trading, Verition maintains a Code of Ethics, which includes a personal investments transaction policy. Specifically, the Personal

Investments Transactions Policy requires principals and employees to report all securities holdings and all transactions in securities, with limited exceptions for securities such as shares of mutual funds, which are reviewed by Verition's compliance personnel to ensure that such transactions are not based on information concerning the Clients' trades or with knowledge that they would disadvantage the Clients.

Verition's Code of Ethics is available to investors and potential investors upon request.

## **ITEM 12. BROKERAGE PRACTICES**

### **Generally**

The Clients maintain numerous brokerage and custody arrangements with banks and other established financial institutions. Verition is authorized to determine the broker or dealer to be used for each securities transaction on behalf of the Clients. In selecting brokers and determining commission rates, Verition takes into account the financial stability, strength and reputation of a broker and the quality of the investment research, investment strategies, special execution capabilities, willingness to execute related or unrelated difficult transactions, efficiency of execution and error resolution, clearance, settlement, custody, recordkeeping and other services provided by such broker, as described more fully below. Verition has, and may in the future, delegate the authority to determine brokers or dealers to certain sub-advisors pursuant to sub-advisory agreements.

### **Soft Dollars**

The Manager does not utilize "soft dollars," though its policy permits it to do so. The Manager may utilize "soft dollars" in the future, as discussed below. Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment managers who use "soft dollars," *i.e.*, commissions generated by their advised accounts to obtain investment research and brokerage services from companies that provide lawful and appropriate assistance to the manager in connection with the investment decision-making process. Conduct outside of the safe harbor afforded by Section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law.

Research and brokerage services obtained by the use of commissions arising from a Client's portfolio transactions may be used by the Manager in its other investment activities. A Client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided in consideration of the soft dollars generated by a Client's trading. The Manager is specifically authorized to direct brokerage to firms that provide such services.

Products and services which may be provided to Verition by a Client's brokers may include, without limitation, clearance and settlement services, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, custody, recordkeeping and similar services, newswire and data processing charges, quotation services, subscription fees to periodicals and other reasonable expenses incurred by Verition in performing services on behalf of the Funds.

In the last fiscal year, Verition has received from brokers trading execution software and communication lines, live exchange market data used in systematic trading strategies, telecommunication exchange lines for execution, exchange fees, exchange market data, traditional research reports, seminars and conferences, and/or market, economic, political and financial information.

The Manager pays bundled commission rates and receives research and brokerage provided by many of its executing and prime brokers. The Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Commission rates are generally negotiable, and selecting brokers on the basis of considerations that are not limited to commission rates may result in higher transaction costs than would otherwise be obtainable. Brokers may provide research and brokerage services directly or by paying service providers engaged by the Manager. In addition, the Manager may, subject to its best execution policy, trade with certain brokers primarily in consideration for providing research services. In any such case the Manager will determine in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research products or services provided by the broker.

The Manager's policy does not require but permits the use of soft dollars. While the Manager does not currently utilize soft dollars, the Manager may in the future enter into arrangements under which certain direct expenses of a Fund are paid with soft dollars. To the extent the Manager determines to utilize soft dollars in the future, the Manager intends to only enter into such arrangements where it believes that it falls within the safe harbor of Section 28(e) and is administratively or operationally expedient to do so or where they are more favorable to a Fund than an arrangement under which a Fund pays for the products or services in question with cash. However, such arrangements make it more difficult for investors to evaluate the cost structure of a Fund because the costs of such products or services are not broken out separately.

In addition to any soft dollar arrangements that the Manager enters into with brokers, brokers may provide certain research or other products or services to all of their customers, including the Manager, without being requested to do so. Similarly, brokers may refer investors to the Manager. The Manager may take advantage of the products or services provided rather than producing or paying for them from another provider. Similarly, the Manager may accept investor referrals from brokers in appropriate circumstances. In these situations, the Manager receives a benefit because it does not have to pay for the products or services, such as research, or because it will receive additional compensation if a Fund accepts new investments.

The Manager has an incentive to recommend broker-dealers based on benefits that it receives from brokers, whether or not pursuant to soft dollar arrangements, rather than the interests of a Fund in receiving the most favorable execution. Any products or services that the Manager receives from broker-dealers may be used in connection with its management of all Client accounts, not just selected accounts.

### **Allocation of Investment Opportunities**

When Verition determines that it would be appropriate for more than one Client or other account managed by Verition to participate in an investment opportunity, Verition will seek to execute orders for all of the participating accounts on an equitable basis over time. Verition will determine the amount to be allocated to each Client and/or account based on a variety of factors which may include, but are not limited to: the investment strategies implemented (which may be similar, different or partially overlapping); capitalization; applicable investment restrictions, guidelines and client mandates; current capital exposures (including leverage) and portfolio allocations; liquidity profiles and constraints; and such other factors as may be enumerated in Verition's allocation policies and procedures or that Verition otherwise deems appropriate. Accordingly, Verition may determine that it is not appropriate to allocate an investment opportunity *pro rata* in accordance with the relative capitalizations of such Client(s) and account(s). However, in the event investment capacity is limited, Verition generally will, if possible, make allocations between or among such Client(s) and account(s) *pro rata* in accordance with allocations that would have been made in the absence of such capacity constraints.



These factors provide substantial discretion to Verition in allocating investment opportunities. Further, two or more Clients or accounts may hold an investment for which there is extremely limited, or no, liquidity or that is subject to legal or other restrictions on transfer. In a situation where Verition is limited in its ability to dispose of an investment, Verition may consider such factors, among others, in allocating the sale of such an investment.

Additionally, if an investment opportunity is available in limited quantities, Verition may have an incentive to allocate such investment opportunity to one Client or account rather than other Clients or accounts. For example, such an incentive may arise if the economic interests of Verition and its employees in certain of these Clients or accounts, when combined with their rights to management fees and/or performance-based compensation or other fees, are significantly larger than their direct and indirect economic interests in other Clients or accounts. Such an instance may lead to fewer, and less attractive, investment opportunities being made available to Clients than would have been the case had Verition and its employees been restricted from pursuing investment programs on behalf of other Clients or accounts.

In an attempt to resolve those conflicts, Verition has developed the allocation policies and procedures generally described herein. These allocation policies and procedures take into consideration many of the above-enumerated factors, as well as other considerations, in determining how investment opportunities will be allocated among various Clients or accounts to whom such opportunities might be offered. Verition will endeavor to address the conflicts so that over time all Clients are treated fairly and equitably, and no Client is systematically disadvantaged. Verition maintains documentation regarding the capital of each Fund and the *pro rata* amount allocated to the Funds for each deal.

### **Aggregation**

To the extent feasible under applicable rules and regulations, if Verition has determined to invest in a security at the same time for more than one account, it may aggregate orders for all such accounts simultaneously, and if an order is not filled at the same price, Verition may average the prices paid or use any other allocation technique it believes is fair. Similarly, if an order cannot be fully executed under prevailing market conditions, Verition may allocate the securities traded among different accounts on a basis which Verition considers equitable—generally *pro rata* in accordance with allocations that would have been made had the order been fully executed. Situations may occur in which a Client could be disadvantaged because of the investment activities conducted by Verition for other accounts managed by Verition.

Based on its allocation policies and procedures, Verition generally will be required to designate the amount of securities to be purchased or sold for each account participating in the bunched order at the time the order is communicated to the trading desk. This pre-determined allocation will be based upon a number of factors as generally described above. If a bunched order is not completely filled, it will typically be allocated on a *pro rata* basis to all Clients participating in the order promptly following execution in accordance with allocations that would have been made had the order been fully executed. Where a combined order is executed at more than one price over the course of a day, the executed transactions will be allocated so that each account receives the average unit price and bears its *pro rata* share of the transaction costs, to the extent reasonably practicable. To the extent that any of those orders remains unfilled following that allocation, the unfilled amount will be combined with subsequent orders in that security, if any, for allocation of subsequent transactions. In certain cases, when Verition determines that *pro rata* allocation is not appropriate under the particular circumstances, the allocation will be made based on other factors that Verition deems appropriate, including, without limitation, the avoidance of a Client holding odd lots or similar de minimis number of shares or various other factors. In such cases, Verition will increase or decrease

the amount of securities that would otherwise be allocated to each Client by reallocating the securities in a manner which Verition deems fair and equitable to Clients over time. Any deviation from *pro rata* allocation must be approved in advance by the Chief Compliance Officer, who will maintain a record of the reason for the deviation.

### **Trade Errors**

On occasion, trades may be executed on behalf of Clients that are inconsistent with the trading instructions of a Client portfolio manager or are the result of some other error in the trading process. Such trades are known as “Trade Errors” and are deemed to have occurred when, as a result of such inconsistency or other error in process: (1) the wrong instrument is purchased or sold; (2) the wrong quantity of an instrument is purchased or sold; (3) a purchase is made instead of a sale or a sale is made instead of a purchase; or (4) an instrument is purchased or sold in violation of regulatory or contractual obligations. “Trade Errors,” however, do not include (1) scenarios that do not result in a trade; (2) errors caused by brokers or other third parties; or (3) errors or other incidents that occur in connection with Verition’s use of models and/or data sources in the investment management process that may impact a Client’s portfolio.

Trade Errors are often associated with losses, but may in some instances result instead in gains. Verition will endeavor to detect Trade Errors before settlement and correct and/or mitigate them in an expeditious manner. To the extent a Trade Error is caused by a third party, such as a broker, Verition may seek to recover any losses associated with the Trade Error from such third party, but may choose not to do so in its discretion, and Verition will not be liable for such losses. Unless a Trade Error has resulted from the fraud, bad faith, gross negligence or reckless or intentional misconduct of Verition or its employees, any losses will be borne by the applicable Client. Any gains resulting from a Trade Error will be for the benefit of the applicable Client. Verition will determine in its sole discretion whether any Trade Error has resulted from the fraud, bad faith, gross negligence or reckless or intentional misconduct on its part. Investors should be aware that, in making such determinations, Verition will have a conflict of interest.

### **ITEM 13. REVIEW OF ACCOUNTS**

Verition has developed trading and risk management systems which enable senior management and portfolio managers to review and oversee trading for the firm. The operations group reviews the portfolios to ensure that all transactions are recorded properly on a T+1 daily basis, monitors and/or resolves any trade breaks detected on T+1, and ensures that all positions are valued correctly on a monthly basis. The Chief Financial Officer or its delegate reconciles the profit and loss to the administrator on a monthly basis.

Verition or its delegate sends unaudited written monthly statements to each investor in the Multi-Strategy Feeder Funds that include estimates of such Fund’s performance and the increase or decrease in net asset value as well as such other information as Verition may deem appropriate. On a quarterly basis, Verition sends each of its investors in the Multi-Strategy Feeder Funds an unaudited statement that includes the information described in CFTC Regulation 4.7. In addition, Verition or its delegate makes available to each investor an annual written report containing audited financial statements within 120 days, and typically within 90 days, of the relevant fiscal year-end.

#### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

Verition does not accept an economic benefit from third parties for providing investment advisory services to Clients. Verition does not have any arrangements by which it pays an unaffiliated person or entity to solicit Clients on its behalf.

Verition currently compensates appropriate registered selling agents and sponsors of investment vehicles that invest in the Funds, including the sponsor of any qualified domestic institutional investor, by sharing with the selling agent or sponsor a portion of the management fee and/or performance fee or allocation received by Verition or an affiliate thereof with respect to the shares/interests sold by the selling agent or purchased by such investment vehicle, as applicable. Any such selling agent or sponsor will have a conflict between its duty to its clients or investors and its interest in increasing its compensation by causing investments to be made, or recommending investments, in the Funds.

All prospective investors whose investments may be subject to any form of placement fee and/or referral fee payable by the investor will be informed prior to the effective date of their investment, and given the opportunity to revoke or withdraw their prospective investment prior to its being made.

#### **ITEM 15. CUSTODY**

Under Rule 206(4)-2 of the Advisers Act, Verition is deemed to have custody of the securities and other assets of the Funds. Verition is exempt from many of the provisions of Rule 206(4)-2 because the Funds are audited in accordance with U.S. Generally Accepted Accounting Principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. As described above, audited financial statements are distributed within 120 days, and typically within 90 days, of the relevant fiscal year-end.

#### **ITEM 16. INVESTMENT DISCRETION**

Pursuant to the governing documents of the Funds, Verition has complete discretionary investment authority with respect to all securities owned by the Funds. There are no limitations on this authority. This authority is conveyed in the Funds' governing documents and acknowledged by investors in their subscription agreements.

#### **ITEM 17. VOTING CLIENT SECURITIES**

Verition has the authority to vote the securities held by the Funds.

In addition to proxy solicitation in connection with equity securities of traditional operating companies, "voting client securities" is deemed to include any consent requested in matters such as bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities.

In accordance with Rule 206(4)-6 under the Advisers Act, Verition has adopted proxy voting policies and procedures reasonably designed to ensure that Verition votes proxies in the best interest of its clients. Neither the Funds nor any investor in the Funds may direct Verition's vote with respect to any particular solicitation and all decisions relating to voting proxies are made by Verition. In certain instances, Verition has delegated the authority to vote proxies to third party managers – such proxy delegation only applies to the securities acquired by such third party managers on behalf of the Funds.

As a matter of general policy, Verition seeks to be an active trader of securities without seeking to influence or control company operations or activities. Accordingly, where the voting of proxies is considered to be irrelevant to the investment decision to purchase, hold, or sell a security, Verition will not vote proxies on behalf of clients. For example, Verition's quantitative strategy follows a systematic approach and generally involves a high volume of trading and very short holding periods and is not dependent on the outcome of proxy contests. In fact, in many cases Verition will have exited a position by the time it receives proxy voting material. Accordingly, in connection with its quantitative strategy Verition has determined not to vote proxies because the costs of such voting would outweigh the potential benefits to the Funds, although it reserves the right to vote proxies in connection with this strategy in the future.

To the extent the execution of a particular strategy involves voting proxies and/or Verition determines proxy voting to be cost effective, Verition will vote proxies on behalf of the Funds in the interest of maximizing investor value. To that end, Verition will vote in a way that it believes is consistent with its fiduciary duty and will cause the value of the issue to increase the most. Verition will take into account the recommendation of the relevant company's board of directors in considering how to vote, but will vote against the board's recommendation if it determines that it would be in the best interests of the Funds to do so. Decisions will not be made solely on social, ethical, moral or other non-economic grounds. Consideration will be given to both the short and long-term implications of the proposal.

With respect to strategies where Verition is required to vote pursuant to its proxy voting policies, Verition may delegate to an independent proxy voting service the authority to exercise the voting rights associated with client holdings. Any such delegation will require that votes be exercised in accordance with Verition's proxy voting policies. Verition currently has delegated responsibility for proxy voting to Institutional Shareholder Services, Inc. ("**ISS**"). Verition uses the service to vote both domestic and global proxies for its non-quantitative Client strategies, generally follows ISS voting recommendations, and relies on ISS to ensure soliciting materials that are received close to the submission deadline are incorporated into voting recommendations. Under certain circumstances, Verition may abstain from voting specific proxies for non-quantitative Client strategies if it determines that doing so is in the best interests of the Clients. Because Verition does not believe it is generally in the Clients' best economic interests, Verition does not anticipate attempting to recall shares that have been lent or re-hypothecated in order to participate in proxy voting.

Verition follows procedures designed to identify conflicts or potential conflicts that could arise between its own interests and those of the Funds. If it is determined that any such conflict or potential conflict is not material, Verition may vote proxies notwithstanding the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, the Chief Compliance Officer will work with appropriate personnel to agree upon a method to resolve the conflict before voting proxies affected by the conflict. If the Chief Compliance Officer determines that a material conflict of interest exists, Verition may, at its expense, engage the services of an outside proxy voting service or consultant who will provide an independent recommendation on the direction in which Verition should vote on the proposal. In such circumstances, the proxy voting service's or consultant's determination will be binding on Verition. Verition may also elect to abstain from voting in conflict situations if it deems such abstinence in the Clients' best interests.

Clients or investors in a Fund may request a copy of Verition's Proxy Voting Policy, as well as relevant proxy voting records, by written request to:

Wayne Lennon  
Verition Fund Management LLC  
One American Lane  
Greenwich, CT 06831

**ITEM 18. FINANCIAL INFORMATION**

Verition does not require or solicit pre-payment of more than \$1,200 in fees per Client, six months or more in advance. There is no financial condition that is reasonably likely to impair Verition's ability to meet its contractual commitments to Clients, and it has not been the subject of a bankruptcy petition.