

Item 1
Cover Page

Part 2A of Form ADV: Firm Brochure

Ripple Effect Asset Management LP

October 11, 2024

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This brochure (this “*Brochure*”) provides information about the qualifications and business practices of Ripple Effect Asset Management LP (“*Ripple Effect*”, the “*Firm*”, “*we*”, “*us*”, and similar terms). If you have any questions about the contents of this Brochure, please contact us at (917) 319-8088 or by email at ir@rippleeffectasset.com.

This Brochure also relates to Ripple Effect Energy and Mobility Liquid Opportunities GP LLC (the “*General Partner*”); however, to the extent the qualifications and business practices of the General Partner are substantially similar to those of the Firm, no specific mention of the General Partner is made herein.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“*SEC*”) or by any state securities authority. Additional information about Ripple Effect is also available on the SEC’s website at www.adviserinfo.sec.gov.

Any reference to Ripple Effect or its affiliates as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.

Item 2

Material Changes

On May 17, 2024, Ripple Effect Asset Management LP (“*Ripple Effect*”, the “*Firm*”, “*we*”, “*us*”, and similar terms) initially filed this Brochure as part of its application to register as an investment adviser with the SEC in reliance on the exemption provided under Rule 203A-2(c) of the Investment Advisers Act of 1940. Ripple Effect has not made any updates to this Brochure since its initial filing.

This is the Firm’s update to its 120-day registration filing with the SEC. While this update contains changes and updates to certain information since the initial filing on May 17, 2024, Ripple Effect believes the following are the only material changes:

- Ripple Effect Energy and Mobility Liquid Opportunities Onshore Fund LP and Ripple Effect Energy and Mobility Liquid Opportunities Master Fund LP launched on September 3, 2024.
- In September 2024, the Firm began providing investment advisory services to a separate account of a private fund not sponsored by the Firm.
- This updated Brochure is part of an overall amendment to the Firm’s Form ADV confirming that the Firm is eligible for SEC registration because it qualifies as a “large advisory firm” with more than \$100 million of regulatory assets under management.

The Firm recommends that you read this Brochure in its entirety. If the Firm makes any material changes to this Brochure, this item will be revised to include a summary of such changes.

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Item 4

Advisory Business

A. General Description of Advisory Firm

Ripple Effect Asset Management LP (*“Ripple Effect”*, the *“Firm”*, *“we”*, *“us”*, and similar terms), a Delaware limited partnership formed on June 2, 2023, began operations as an investment manager to private fund clients on September 3, 2024. The Firm maintains its principal place of business in New York. The Firm is controlled by Ravi Bellur (the *“Chief Investment Officer”*) as the managing member of Ripple Effect Asset Management GP LLC, a Delaware limited liability company that serves as the general partner of the Firm.

The Firm’s registration on Form ADV also covers Ripple Effect Energy and Mobility Liquid Opportunities Fund GP LLC (the *“General Partner”*). The General Partner is an affiliate of the Firm and serves as the general partner of the private fund clients that are organized as U.S. limited partnerships and Cayman Islands exempted companies and partnerships. The Firm and the General Partner share facilities and personnel. The Chief Investment Officer is the managing member of the General Partner.

B. Description of Advisory Services

This Brochure generally includes information about us and our relationships with our clients. While much of this Brochure applies to all such clients, certain information included herein applies to specific clients only.

The Firm serves as the investment adviser, on a discretionary basis, to the following private pooled investment vehicles:

- Ripple Effect Energy and Mobility Liquid Opportunities Onshore Fund LP, a Delaware limited partnership (the *“Domestic Fund”*); and
- Ripple Effect Energy and Mobility Liquid Opportunities Master Fund LP, a Cayman Islands exempted limited partnership (the *“Master Fund”*), which serves as the master fund into which the Domestic Fund invests all of its investable assets through a “master feeder” structure.

The Firm intends to launch Ripple Effect Energy and Mobility Liquid Opportunities Offshore Fund Ltd., a Cayman Islands exempted company (the *“Offshore Fund”*), which will also invest all of its investable assets in the Master Fund.

The Domestic Fund, the Offshore Fund, and the Master Fund are collectively referred to as the *“Funds.”* The General Partner serves as the general partner of the Domestic Fund and the Master Fund. The Offshore Fund will be governed by its Board of Directors.

The Firm also provides investment advisory services as a sub-adviser to a separate account of a private fund established and operated by a third-party investment manager (the “*Separate Account*”). The Separate Account pursues a substantially similar strategy to the Funds.

The Firm may, in the future, advise other clients and private investment funds, including separately managed accounts, special purpose vehicles, co-investment funds, and similar investment vehicles.

As used herein, the term “*client*” generally refers to the Funds and the Separate Account and to any other client that the Firm may advise in the future.

In providing advisory services to its clients, the Firm pursues a long-short strategy focused on building a risk adjusted portfolio seeking concentrated exposure to generational secular energy transitions primarily in the energy and transportation sectors. As part of its investment program, the Firm may also acquire certain assets or securities for the Funds which it believes either may not have a readily assessable market value or should be held until the resolution or occurrence of an event or circumstance and which the Firm, in its sole discretion, designates as a special investment (each such investment, a “*Special Investment*”). Please see “*Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss*” for a description of the Funds’ investment strategies and certain related risks.

The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other exemptions of similar import under U.S. state laws and the laws of other jurisdictions where any offering may be made. Investors in the Funds must meet the qualifications set forth in the applicable offering documents. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

C. Tailored Advisory Services for Client Accounts

The Firm is expected to manage assets in accordance with the stated investment objectives of each client as set forth in the respective confidential offering memorandum and governing documents (collectively, “*Offering Documents*”), or an investment management agreement or similar agreement (an “*IMA*”).

Investment advice is provided directly to the clients and not individually to the limited partners, shareholders, and investors in the clients (the “*Investors*” or “*Fund Investors*”).

The Funds, in the General Partner’s sole discretion, may enter into “side letters” or similar agreements with certain Investors that may waive or modify the application of or grant special or more favorable rights with respect to, the Offering Documents to the extent permitted by applicable law.

D. Wrap Fee Programs

The Firm does not participate in wrap fee programs.

E. Assets Under Management

The Firm manages, on a discretionary basis, approximately \$165,421,000 of client regulatory assets under management. This figure for regulatory assets under management was determined as of September 30, 2024. The Firm does not manage any assets on a non-discretionary basis.

Item 5

Fees and Compensation

A. Advisory Services and Fees

1. The Funds

The Firm, either directly or indirectly through the General Partner, receives management fees and incentive compensation in connection with the management of the Funds.

The fees and/or compensation applicable to the Funds are set forth in detail in the applicable Offering Documents. A brief summary of fees and compensation applicable to the Funds is provided below.

Management Fee

The Firm is paid a management fee (the “*Management Fee*”) on a quarterly basis that ranges between 1.25% and 2% per annum based upon the net asset value of Fund Investors’ capital account balances as of the beginning of the quarter, subject to certain reductions as more fully set forth in the Offering Documents.

In the sole discretion of the Firm, the Management Fee has, and may in the future, waive, reduce or calculate differently with respect to certain Investors, including the Chief Investment Officer and any other member, director, partner, affiliate or employee of the General Partner or the Firm (collectively, “*Firm Related Investors*”). Typically, no Management Fee will be paid by any Firm Related Investor.

Incentive Allocation

At the end of each fiscal year, the General Partner will be entitled to receive an incentive allocation based on the investment performance of the Funds (the “*Incentive Allocation*”) generally in an amount between 15% and 20% of the net realized and unrealized gains for the year (excluding any unrealized gains on Special Investments) subject to a traditional “high watermark” as more fully set forth in the Offering Documents. The Incentive Allocation for Special Investments is calculated upon the realization of such investments.

The Firm and/or the General Partner, in its sole discretion, have, and may in the future, reduce, waive or calculate differently the Incentive Allocation with respect to certain Investors, where applicable, including any Firm Related Investor.

2. The Separate Account

The Separate Account pays a management fee and performance-based incentive compensation in an amount substantially similar to those paid by Fund Investors.

B. Payment of Fees

With respect to the Funds, Management Fees are paid quarterly in advance. The Incentive Allocation is paid annually in arrears or upon withdrawals by Fund Investors. The Management Fee and Incentive Allocation are generally deducted from each Investor's capital balance account by the Funds' administrator. With respect to the Separate Account, the management fee is paid monthly in arrears and the incentive fee is paid annually in arrears.

C. Additional Expenses

In addition to the management fees and incentive fees or allocations described above, each client generally bears all of its own expenses. Each client shall bear those expenses as set forth in the applicable Offering Document, as amended from time to time, including, but not limited to, some or all of the following:

- expenses related to the research, due diligence and monitoring of actual and prospective Fund investments (whether or not consummated) and the consummation of investments, including the following: third-party investment sourcing fees; fees and expenses related to obtaining research and market data (including any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data, and expenses related to obtaining, processing and analyzing "big data" or "alternative data"); due diligence expenses including consulting and appraisal fees; travel expenses; brokerage and prime brokerage and futures commission merchant fees, commissions and expenses; expenses relating to reorganizations, restructurings and workouts; expenses relating to short sales; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and fees related to financings or refinancings; fees and expenses of proxy research and voting services; and fees and expenses of third-party professionals, including consultants, investment bankers, attorneys and accountants;
- organizational and reorganizational expenses;
- operational expenses, including the following: fees and expenses relating to information technology hardware, software or other technology (including costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organization or applicable law (including reporting obligations), facilitate and manage the order execution of securities by the Funds or any trading vehicle or otherwise manage the Funds or any trading vehicle, such as Bloomberg terminals, portfolio management systems, risk management systems and order management systems; fees and expenses of third-party risk management products, models and services; third-party administrative fees and expenses (including for certain third-party middle-office or back-office services); loan administration costs; fees and expenses of third-party professionals, including consultants, valuation service providers, attorneys and accountants; the costs of any litigation or investigation involving activities of the Funds or any trading vehicle; third-party audit and tax preparation expenses; insurance expenses, including premiums for cybersecurity insurance and liability insurance covering the General Partner, the Firm and the members,

partners, officers, employees and agents of any of them and each member of the advisory committee (if formed), fees and expenses (including director registration fees) of the General Partner's, a Fund's and any trading vehicle's directors and officers; fees and expenses of the advisory committee (if formed); costs of preparing and distributing reports and notices; taxes; expenses incurred in connection with negotiating and complying with provisions of any side letter agreement; fees and expenses related to compliance with the rules of any self-regulatory organization or applicable law in connection with the activities of a Fund or any trading vehicle, including any governmental, regulatory, licensing, filing or registration fees or taxes (including fees and expenses incurred in connection with the preparation and filing of Form PF, Section 13 filings, Section 16 filings and other similar regulatory filings); expenses incurred in connection with the offering and sale of the interests and other similar expenses related to a Fund; and

- extraordinary expenses, including the following: indemnification expenses; fees and expenses incurred in connection with any tax audit by any taxing authority, including any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, dissolution, winding up or termination of a Fund or any trading vehicle.

Such expenses will be shared on a *pro rata* basis by all Investors in a Fund; provided that any specific Special Investment expenses will be specifically allocated to the applicable Investors participating in such Special Investment. To the extent that expenses to be borne by a Fund are paid by the General Partner (in excess of its ratable share) or by the Firm, the applicable Fund will reimburse the General Partner or the Firm, as the case may be, for such expenses.

D. Prepayment of Fees

With respect to the Funds, Management Fees are paid quarterly in advance, prorated for subscriptions into or withdrawals or redemptions from the Funds, as applicable. With respect to the Separate Account, management fees are paid monthly in arrears.

E. Additional Compensation and Conflicts of Interest

Neither the Firm nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

Item 6
Performance-Based Fees and Side-By-Side Management

The Firm, or the General Partner, receives performance-based compensation from every client. As a result, the Firm does not face certain conflicts of interests that may arise when an investment adviser accepts performance-based fees or allocations from some clients, but not from other clients.

Performance-based compensation can incentivize the Firm to make investments that are riskier or more speculative than it would otherwise make due to the higher return potential associated with higher risk investments. The Firm will seek to mitigate such conflicts of interest through the adoption and implementation of its investment policies that provide that transactions and investment opportunities will be allocated in accordance with each client's investment guidelines and Offering Documents. In addition, since the Incentive Allocation (as discussed in Item 5, "*Fees and Compensation*") is calculated on a basis that includes unrealized appreciation of a Fund's net assets, the allocation may be greater than if it were based solely on realized gains.

Item 7

Types of Clients

The Firm's clients consist of the Funds and the Separate Account, as discussed in Item 4, "*Advisory Business*." Investors in the Funds generally include, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors.

The Firm generally requires Fund Investors to make a minimum capital commitment of at least \$5,000,000, although the amount of the minimum capital commitment may be waived or modified by the Firm in its sole discretion.

Item 8
Method of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis and Investment Strategies

The descriptions set forth in this Brochure of specific advisory services that the Firm offers to clients, and investment strategies pursued and investments made by it on behalf of clients, should not be understood to limit in any way the Firm's investment activities. The Firm may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that are considered appropriate, subject to each client's investment objectives and guidelines. The investment strategies that the Firm pursues are speculative and entail substantial risks. Clients and Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

The investment objective of the Funds is to seek to exploit the shortage of flexible capital available to finance market transitions in the energy, transportation and other related sectors. Illustrative core sub-themes include, but are not limited to, mineral production, processing and recycling, energy transmission and distribution; supply chain resilience, and legacy energy resources, which, in each case, can be expected to provide strong cash income opportunities. The Funds will seek to balance a concentrated portfolio credit, hybrid equity, commodity or equity investments across a variety of sub-themes with a principal protection overlay for risk mitigation. The expected target allocation will be approximately 40-60% in credit investments and 30-50% in equity, hybrid or commodity investments, in all cases, with a focus on drawdown risk management at the individual investment level and overall portfolio level.

The Firm's risk management process will contemplate various macroeconomic factors, including interest rates, cyclical variables, geopolitical events and the pace of industry transition alongside the Firm's bottom-up security selection. The portfolio is expected to be further augmented by the team's experience with hedging instruments utilizing options, futures and swaps. The Firm's risk management philosophy prioritizes remaining agile and humble about the risks posed by unexpected developments in order to safeguard the interests of the Funds' Investors over the long term.

B. Material, Significant or Unusual Risks Relating to Investment Strategies

The investment program that the Firm pursues on behalf of its clients is speculative and involves substantial risks. There can be no assurance that clients will achieve their investment objectives. As a result of the inherent riskiness and uncertainty of an investment in a client, such investment involves the risk loss of some or all of an Investor's investment.

Risk Factors

Prospective Investors should carefully consider the risks involved in an investment in a client, including, but not limited to, those discussed below. Investment risks specific to the investment strategy of the Funds are described in the applicable Offering Documents. Prospective Investors

should review the applicable Offering Documents, which contain all material information and may contain explanations of additional strategies and corresponding risks not discussed below.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients that the Firm advises. These risk factors include only those risks the Firm believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis that it employs.

Risks Relating to Investment Strategy

Risk of Loss

No guarantee or representation is made that the Firm's investment program, including investment objectives, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time.

No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the Firm (or investments otherwise made by the investment professionals of the Firm) are not necessarily indicative of their future performance.

Long/Short

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

Short Selling

The success of the Firm's short selling investment strategy depends upon its ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to clients of buying those securities to cover the short position. There can be no assurance that clients will be able to maintain the ability to borrow securities sold short. In such cases, clients can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and

be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and clients may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though clients secure a “good borrow” of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing clients to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by clients.

A so-called “short squeeze” can occur when the price of a security starts to rise rapidly in a short time frame. The rapid rise may be a result of (i) multiple short sellers seeking to cover their short positions in the same time frame by purchasing the securities, resulting in a rapid price increase; (ii) market participants collectively purchasing a significant amount of shares, thereby causing a substantial increase in the price of such securities; or (iii) one or more lenders of a security that was used to facilitate a short position suddenly demanding the return of the security that has been loaned. A “short squeeze” may result in clients having to prematurely close out a short position at relatively unattractive high prices, resulting in a substantial loss. Further, the risk of a “short squeeze” likely will increase if other short sellers, market participants and/or lenders become aware of clients’ short positions, including, without limitation, as a result of legally-required reporting with respect to clients’ ownership of options to purchase the underlying financial instrument being shorted.

Certain jurisdictions have enacted restrictions on short selling (including wholesale bans, at times) as well as public disclosure requirements. If additional short selling restrictions and disclosure requirements are enacted, the prices of the instruments in which clients invest may be materially affected and the ability of the Firm to take advantage of opportunities for short selling may be significantly reduced.

Long-Term

The success of clients' long-term investment strategy depends upon the Firm’s ability to identify and purchase securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, clients may forego value in the short-term or temporary investments in order to be able to avail clients of additional and/or longer-term opportunities in the future. Consequently, clients may not capture maximum available value in the short-term, which may be disadvantageous, for example, for Investors who withdraw all or a portion of their capital accounts before such long-term value may be realized by clients.

Short-Term Market Considerations

The Firm's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading-related expenses.

Leverage and Borrowing

Leverage for Investment Purposes

The use of leverage will allow clients to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of clients' portfolio. The effect of the use of leverage by clients in a market that moves adversely to its investments could result in substantial losses to clients, which would be greater than if clients were not leveraged.

Borrowing for Cash Management Purposes

Clients will have the authority to borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which clients can borrow will affect the operating results of clients.

Collateral

The instruments and borrowings utilized by clients to leverage investments may be collateralized by all or a portion of clients' portfolio. Accordingly, clients may pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure clients' margin accounts decline in value, clients could be subject to a "margin call", pursuant to which clients must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to clients can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to clients may have similar rights. There can be no assurance that clients will be able to secure or maintain adequate financing.

Costs

Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on a client's portfolio.

Diversification and Concentration

Although it is expected that client portfolios generally will be diversified, clients may hold a limited number of positions (both long and short) at any given time. As a result of clients' possible lack of diversification, a significant loss in any one position may have a material adverse effect on the net asset value of a client and such client's rate of return. Therefore, any fluctuation in the overall value of securities in specific industries or sectors likely will have a material effect on the performance of clients. The Firm's specialized investment strategy and potential lack of diversification may be more vulnerable to changes in the economy or those industries or other factors than a broad-based portfolio, and, as a result, performance results may be highly volatile and may result in clients significantly outperforming, or under-performing, the market as a whole.

Lack of Control

Clients may invest in debt instruments and equity securities of companies that it does not control, which clients may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which clients do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve clients' interests. In addition, clients may share control over certain investments with co-investors, which may make it more difficult for clients to implement its investment approach or exit the investment when it otherwise would. The occurrence of any of the foregoing could have a material adverse effect on clients and the Investors' investments therein.

Hedging Transactions

The Firm is not required to hedge market risks or other risks inherent in clients' positions, including Special Investments. In addition, the Firm may not anticipate a particular risk so as to hedge against it.

Clients, however, intend to utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of client investment portfolios resulting from fluctuations in the markets and changes in interest rates; (ii) protect clients' unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in client portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of clients' securities; (vii) protect against any increase in the price of any securities clients anticipate purchasing at a later date; or (viii) act for any other reason that the Firm deems appropriate. Clients will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Firm may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for clients than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

Fundamental Analysis

Certain trading decisions made by the Firm may be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to clients' trading strategies, clients may not be able to realize its investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Firm misinterprets the meaning of certain data, clients may incur losses.

Risks Relating to Market Conditions Generally

General Economic and Market Conditions

The success of clients' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of clients' investments. Volatility or illiquidity could impair clients' profitability or result in losses. Clients may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Governmental Interventions

Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on clients' strategies.

Potential Interest Rate Increases

Uncertainty of the U.S. and global economy, and sensitivity of interest rates to changes in U.S. government and other nations' monetary and fiscal policies, including changes in the U.S. federal funds rate, create a risk that interest rates will be volatile in the future. Interest rate volatility is difficult to predict, and may cause the value of any assets sensitive to interest rates, including fixed income instruments, held by clients to decrease, which may result in substantial withdrawals from a client that, in turn, force such client to liquidate such instruments at disadvantageous prices thereby negatively impacting the performance of such client.

Sanctions

Client operations are or may become subject to economic sanctions laws and regulations of various jurisdictions. At any given time, whether under applicable law, by contractual commitment or as a voluntary risk management measure, clients may be required, or elect, to comply with various sanctions programs, including the Specially Designated Nationals and Blocked Persons List and Sectoral Sanctions programs administered by OFAC, the sanctions regimes administered by subsidiary organs of the United Nations Security Council, the Sanctions Orders of the Cayman Islands (including as extended to the Cayman Islands by Order of the government of the United Kingdom from time to time), and the Restrictive Measures adopted by the European Union. Some sanctions that may apply to clients prohibit or restrict dealings with particular identified persons. Other potentially applicable sanctions programs broadly prohibit or restrict dealings in certain countries or territories or with individuals and entities located in such countries or territories. In addition to such current sanctions, additional sanctions may be imposed in the future. Such sanctions may be imposed with little or no advance warning or “safe harbor” for compliance and may be ambiguous, including as to the scope of financial activities that regulators may ultimately deem to be covered by the sanctions.

Depending on the scope and duration of a particular sanctions program, compliance by clients may result in a material adverse effect on the Fund and the Investors’ investments therein. The Firm and its clients may be subject to heightened or targeted regulatory scrutiny and information requests as a result of such sanctions. In addition, if the Firm or a client were to violate or be deemed in violation of any such sanction, each could face significant legal and monetary penalties. Sanctions may negatively impact a client’s ability to effectively implement its investment strategy and have a material adverse impact on a client’s investments in various ways, including by preventing or inhibiting clients from making certain investments, forcing clients to divest from investments previously made, and leading to substantial reductions in the revenues, profits and value of clients’ investments. Finally, sanctions may have broader economic implications, such as influencing the price of certain commodities, which may have adverse effects on inflation and the value of the U.S. dollar, which may adversely affect investment objectives and strategies of clients.

Climate Change-Related Risks

The environmental effects of climate change, including rising temperatures, extreme weather, fires, flooding, erratic weather fluctuations, agricultural failures and displacement and destabilization of human populations, could have materially adverse effects on the securities held by clients. The Firm believes that such risks may increase over time, although the time period over which these consequences might unfold is difficult to predict.

In addition to the physical, economic and geo-political risks associated with climate change, there are transition risks. The willingness of certain governments, industries and businesses, especially those that profit from, or have a reliance on, fossil fuels, to adapt to climate change or transition to sustainable practices, may also adversely affect securities.

Regulatory changes and divestment movements tied to concerns about climate change could adversely affect the value of certain industries whose activities or products are seen as accelerating climate change, or ill-positioned in light of the economic and social demands imposed by climate change. In recent years, certain investors have incorporated the business risks of climate change and the adequacy of companies' responses to climate change as part of their investment theses. These shifts in investing priorities may result in adverse effects on the trading price of securities if investors determine that the company has not made sufficient progress on climate change and environmental sustainability matters whether or not climate change proves to be as severe as predicted or preventable.

The values of securities whose performance is linked to assets and revenue streams that are exposed to climate change risk may readily be affected by both long-term, systemic effects of climate change, as well as severe environmental events whose occurrence is inherently unpredictable.

Assumption of Catastrophe Risks

Clients may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters (which may be caused, or enhanced in frequency and severity, by climate change factors); war, terrorism and other armed conflicts; social or political unrest; cyberterrorism; major or prolonged power outages or network interruptions; and public health crises, including infectious disease outbreaks, epidemics and pandemics. To the extent that any such event occurs and has a material effect on global financial markets or specific markets or issuers in which clients invest (or has a material negative impact on the operations of the Firm or the Service Providers), the risks of loss can be substantial and could have a material adverse effect on a client and the Investors' investments therein. Furthermore, any such event may also adversely impact one or more individual Investors' financial condition, which could result in substantial withdrawal requests by such Investors as a result of their individual liquidity situations and irrespective of a client's performance.

Risks Relating to the Alternative Energy and Renewables Sectors

Clients invest in the securities of companies in the alternative energy sector. Alternative energy refers to the generation of power through alternative sources that can replace or supplement traditional fossil-fuel sources. It includes power derived principally from solar, wind, renewable fuels (including biofuels), and also includes the various technologies that support the production, use and storage of these sources, such as battery storage, electric vehicles, smart grid technologies and energy efficient consumer, commercial and industrial products.

The alternative energy industry may be significantly affected by the competition from new and existing market entrants, obsolescence of technology, short product cycles, production spending, varying prices and profits, commodity price volatility, changes in exchange rates, imposition of

import controls, depletion of resources, seasonal weather conditions, technological developments and general economic conditions, market sentiment, fluctuations in energy prices and supply and demand of alternative energy fuels, fluctuations in the price of oil and gas, energy conservation efforts, the success of exploration projects, changes in taxation and tax incentives and other government regulations and local, national and international political events. Additionally, adverse weather conditions may cause fluctuations in renewable energy generation and adversely affect the cash flows associated with these assets.

Further, the alternative energy industry may be adversely affected by legislation. For example, if the government reduces environmental regulations or their enforcement, companies that produce products designed to provide a clean environment, and in which clients may invest, are less likely to be profitable. Shares of companies involved in the alternative energy industry may be more volatile than shares of companies operating in more established industries. Certain valuation methods currently used to value companies involved in the alternative energy industries have not been in widespread use for a significant period of time. As a result, the use of these valuation methods may serve to further increase the volatility of certain alternative and transitional energy company share prices. If government subsidies and incentives for alternative energy sources are reduced or eliminated, the demand for alternative energy may decline and cause corresponding declines in the revenues and profits of companies engaged in the alternative energy industry. In addition, changes in U.S., European and other governments' policies towards alternative energy technology also may have an adverse effect on a client's performance.

Risks Relating to the Infrastructure Sector

Clients invest in securities relating to the infrastructure sector. Infrastructure issuers and assets involve many relatively unique and acute risks. Project revenues can be affected by a number of factors including economic and market conditions, political events, competition, regulation, and the financial position and business strategy of customers. Unanticipated changes in the availability or price of inputs necessary for the operation of infrastructure assets may adversely affect the overall profitability of the investment. Events outside the control of an issuer, such as political action, governmental regulation, demographic changes, economic growth, increasing fuel prices, government macroeconomic policies, political events, social stability, natural disasters, changes in weather, changes in demand for products or services, bankruptcy, or financial difficulty of a major customer and acts of war or terrorism, could significantly reduce the revenues generated or significantly increase the expense of constructing, operating, maintaining or restoring infrastructure. In turn, this may impair an issuer's ability to repay its debt or even result in termination of an applicable concession or other agreement. As a general matter, the operation and maintenance of infrastructure assets or businesses involve various risks and are subject to substantial regulation, many of which may not be under the control of the owner/operator, including labor issues, failure of technology to perform as anticipated, structural failures and accidents and the need to comply with the directives of government authorities. Although issuers may maintain insurance to protect against certain risks, where available on reasonable commercial

terms (such as business interruption insurance that is intended to offset loss of revenues during an operational interruption), such insurance is subject to customary deductibles and coverage limits and may not be sufficient to recoup all of an investment's losses. Furthermore, once assets of issuers become operational, they may face competition from other infrastructure assets in the vicinity of the assets they operate, the presence of which depends in part on governmental plans and policies.

Infrastructure sector issuers may be susceptible to reduced investment in public and private infrastructure projects, and a slowdown in new infrastructure projects in developing or developed markets may constrain the abilities of infrastructure companies to grow in global markets. Other developments, such as significant changes in population levels or changes in the urbanization and industrialization of developing countries, may reduce demand for products or services provided by infrastructure companies.

Risks Relating to the Industrials Sector

Clients invest in the securities of companies in the industrials sector, which may include securities of companies such as those involved in construction and manufacturing, transportation, industrial machinery and equipment, materials and metals and mining. The industrials sector can be significantly affected by general economic trends, including employment, economic growth, and interest rates; changes in consumer sentiment and spending; the supply of and demand for specific industrial and energy products or services; government regulation and spending; and global competition. For example, adverse changes in the prices of certain commodities and unit volume reductions resulting from an oversupply of materials used in industrials and energy equipment and services industries can adversely affect those industries. Furthermore, a company in the industrials sector can be subject to liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control.

Risks Relating to the Energy Market Generally

Energy markets may be subject to short-term volatility due to a variety of factors, including weather, international political and economic developments, supply and demand for the relevant energy resource, interest rates, currency exchange rates, investment and trading activities in commodities markets, special risks of constructing and operating facilities, breakdowns in the facilities for the production, storage or transport of energy and energy-related products, acts of terrorism, changes in government regulation and sudden changes in fuel prices. Companies operating in the energy sector may be affected by fluctuations in the prices of energy commodities, including, for example, natural gas, natural gas liquids, crude oil and coal, in the short and long term. Fluctuations in energy commodity prices would directly impact companies that own such energy commodities and could indirectly impact companies that engage in transportation, storage, processing, distribution or marketing of such energy commodities. Fluctuations in energy commodity prices can result from changes in general economic conditions or political

circumstances (especially of key energy-consuming or producing countries), market conditions, weather patterns, domestic production levels, volume of imports, energy conservation, domestic and foreign governmental regulation, international politics, policies of the Organization of Petroleum Exporting Countries (“OPEC”), relationships among OPEC members and between OPEC and oil-importing nations, energy conservation, the economic growth and stability of the key energy-consuming countries, taxation, tariffs, and the availability and costs of local, intrastate, interstate and international transportation methods. The energy sector as a whole may also be impacted by the perception that the performance of energy sector companies is directly linked to commodity prices.

Other risks include: (i) the risk that technology employed in an energy project will not be effective or efficient; (ii) uncertainty about the availability or efficacy of sales agreements or supply agreements that may be entered into in connection with a project; and (iii) risks of equipment failures, supply interruptions, bankruptcy of key customers or suppliers, labor disputes, tort liabilities in excess of insurance coverage, inability to obtain desirable amounts of insurance at economic rates, acts of God and other catastrophes. The occurrence of events related to the foregoing could have a material adverse effect on clients and its investments. In addition, estimates of hydrocarbon reserves by qualified engineers are often a key factor in valuing certain energy assets. These estimates are subject to wide variances based on changes in commodity prices and certain technical assumptions. Accordingly, it is possible for such reserve estimates to be significantly revised from time to time, creating significant changes in the value of the company owning such reserves. Because a client’s performance depends on a variety of factors affecting energy companies, in addition to factors affecting securities and commodities markets generally, the performance of such client could decline, even if the performance of either the U.S. or foreign securities and commodities markets are positive.

Furthermore, the electric power industry is extensively regulated and subject to frequent regulatory change. The adoption of new legislation or changes in existing laws, or new interpretations of existing laws, could have a significant impact on the methods and costs of clients’ securities in such sector. The electric power industry is and will continue to be subject to varying degrees of regulation and licensing by U.S. federal, state and local regulatory authorities.

Uncertainty of the Renewable Energy Market

The markets for renewable power are rapidly evolving. If the regulatory environment evolves in a way that is not conducive to renewable technologies or if demand for renewable power fails to develop sufficiently, clients’ investments in securities relating to such sectors may not be successful. In particular, demand for renewable power in the markets and geographic regions that clients target may not develop or may develop more slowly. Many factors will influence demand for renewable power, including: cost competitiveness of technologies as compared with conventional technologies; performance and reliability of renewable power generation projects as compared with conventional generation projects; success of other renewable power generation

technologies that currently do not exist or that clients do not expect to target for investment; changes in technology and regulation that benefit or hamper renewable power generation projects, such as transmission or energy storage developments or other factors; fluctuations in economic, regulatory and market conditions which impact the viability of conventional and renewable energy sources, such as increases or decreases in the overall prices of oil, coal and natural gas; and availability of government subsidies and incentives.

Competition from Other Energy Resources

While renewable projects often generate revenue from multiple sources, including environmental credit sales, the performance of certain of clients may be impacted by the prevailing prices of coal and, to a lesser extent, oil and other fuel sources for energy. If energy derived from coal, oil or other energy resources becomes more expensive, the value of renewable power technologies could increase. Conversely, if new coal, oil or other energy resources are found or become more commercially viable to produce (including due to the increasing usage and economic viability of hydraulic fracturing), or if the cost of producing energy from these sources decreases significantly for other reasons, the attractiveness of renewable power sources could decrease.

Historically, the markets for oil and natural gas have been volatile and are likely to continue to be volatile in the future. Oil and natural gas prices are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for fossil fuels, market uncertainty and a variety of additional factors that are beyond the control of the Firm. These factors include the level of consumer product demand; the refining capacity of oil purchasers; supply of fossil fuels; cost and availability of storage and transmission; weather conditions; U.S. and non-U.S. governmental and international regulations; the price and availability of renewable fuels; political conditions in the Middle East, Africa, South America, Russia and other oil and gas producing regions; actions of OPEC; the non-U.S. supply of oil; the price of non-U.S. imports; storage levels of natural gas in storage facilities; and overall economic conditions.

Recent technological progress in pollution control equipment for coal-fired generation plants may make it feasible for utilities to continue to operate those plants under certain clean air regulations. Coal is plentiful in many countries, including the U.S., and continued use of coal in electric generation facilities may apply pressure to the value of renewable power assets.

Risks Related to Investments in the Solar Power Sector

Client investment programs may involve investments in securities relating to solar power products. Many factors may affect the demand for solar energy systems, including the following: (i) availability of government and utility company subsidies and incentives to support the development of the solar energy industry; (ii) government and utility policies regarding the interconnection of solar energy systems to the utility grid; (iii) fluctuations in economic and market conditions that affect the viability of conventional and non-solar renewable energy sources, such as changes in the price of natural gas and other fossil fuels; (iv) cost-effectiveness (including the

cost of solar panels), performance and reliability of solar energy systems compared with conventional and other non-solar renewable energy sources and products; (v) success of other renewable energy generation technologies, such as hydroelectric, wind, geothermal, solar thermal, concentrated solar and biomass; (vi) availability of customer financing with economically attractive terms; (vii) fluctuations in expenditures by purchasers of solar energy systems, which tend to decrease in slower economic environments and periods of rising interest rates and tighter credit; and (viii) deregulation of the electric power industry and the broader energy industry. U.S. federal, state and local governments currently provide tax credits, rebates, and other incentives to owners, users and manufacturers of solar energy. Any elimination or reduction of such incentives would increase the cost of solar energy, which would adversely impact the performance of clients.

Risks Related to Investments in the Wind Power Sector

Clients' investments in securities relating to the development and construction of wind-powered generating facilities, as well as their suppliers, are subject to substantial risks, including fluctuations in the price and availability of commodities, manufactured goods, equipment, labor and other items over a multi-year period. The electricity produced and revenues generated by wind power plants depend heavily on wind conditions, which are variable and difficult to predict. Operating results for wind power plants vary significantly from period to period, depending on the wind conditions during the periods in question. As wind power plants tend to be located in geographies with different profiles, there is some flattening of the seasonal variability associated with each individual wind power plant's generation, and as wind power plants expand the effect of such wind resource variability may be favorably reduced overall, although any such results cannot be guaranteed.

Risks Related to Investments in the Natural Gas Sector

Clients may invest, directly and indirectly, in securities relating to the production and distribution of natural gas and the related infrastructure. These companies are sensitive to fluctuations in natural gas supply and demand, interest rates, special risks of constructing and operating facilities, lack of control over pricing, merger and acquisition activity and regulation. Such fluctuations may, among other things, increase compliance costs and the costs of doing business, and in the past have tended to limit the growth potential of these companies. Historically, regulations have limited many companies in the natural gas sector to certain geographic areas and to certain lines of business.

The price of natural gas is volatile, which could cause large fluctuations in the value of clients' securities. In particular, in the front end of the natural gas market there could be and, in certain instances, has been substantial volatility. Movements in the price of natural gas may be the result of factors outside of the Firm's control and may not be anticipated by the Firm. Among the factors that can cause volatility in the price of natural gas are: worldwide or regional demand for energy, which is affected by economic conditions; the domestic and foreign supply, availability of storage

capacity and inventories of oil and gas; weather conditions, including abnormally mild winter or summer weather, and abnormally harsh winter or summer weather; availability and adequacy of pipeline and other transportation facilities; domestic and foreign governmental regulations, tariffs and taxes; political conditions in gas or oil producing regions, including the risk of nationalization of the natural gas and related sectors; the ability of members of the Organization of Petroleum Exporting Countries to agree upon and maintain oil prices and production levels; the price and availability of alternative fuels; international and regional trade contracts, labor contracts; and the impact of energy conservation efforts.

One of the natural gas industry's primary risks is the competitive risk associated with the prices of alternative fuels, such as coal and oil as well as nuclear, hydro and wind energy. The relative cost of natural gas versus competing fuels can impact the demand for natural gas and create price volatility. For example, major gas customers such as industrial users and electric power generators often have the ability to switch between the use of coal, oil or gas. Additionally, the gas industry is also sensitive to increased interest rates because of the industry's capital intensive nature. Government policy of certain state and local governments favoring alternative energy sources is resulting in the early retirement of natural gas powered electricity generation facilities and increasing the risk of so-called "stranded assets," which are facilities that are unable to complete their normal life cycle and repay their capital costs. The ongoing substitution of fuels continues to create price risk for the commodity natural gas.

Risks Related to Investments in the Hydrogen Sector

Clients may invest, directly and indirectly, in securities relating to hydrogen energy. There are potential product liability claims that are inherent in products that use hydrogen. Malfunction or failure of these new technologies may cause these companies to incur significant warranty and other costs, including customer relationships. The markets for delivered hydrogen and reliable backup power are highly competitive, and there are a number of companies located in the U.S. and abroad that deliver hydrogen, sell hydrogen generation equipment or are developing fuel cell technology. Some of these companies will have greater financial and other resources and have the potential to capture a greater market share.

Risks Relating to Investments in the Mining and Minerals Sectors

Clients may invest in sectors relating to exploration, mining, processing or distribution of metals and minerals. A portfolio with a significant concentration in the mining and minerals industries may present more risks than a portfolio which is broadly diversified over multiple industries. The metals or minerals industries could be affected by sharp price volatility caused by global economic, financial and political factors. An adverse change with respect to any of the risks related to investments in minerals-related securities could have a significant negative effect on clients.

Risks incident to mining activities, including resource availability, the worldwide balance of demand and supply, trends in industrial production which correlate with demand for a particular mineral, the availability and cost of substitute materials and economic cycles could also adversely affect the mining industry. Mining operations may be subject to extensive laws and regulations, such as mine closure and mined-land reclamation laws that govern mining operations in other jurisdictions and may have an adverse impact on mining in those jurisdictions. In addition, the level of mineral reserves in a particular mine are subject to uncertainty, and any estimate of the quantity or grade of the reserve may be inaccurate. As the process of mining depletes mineral reserves, the industry depends upon successful strategies to replenish reserves, including alternative exploration sites and advanced technology that enhances the life of a mine. In its pursuit of investments in mining and minerals, client portfolios may be exposed to the substantial risks of loss inherent in each of the above factors.

Investments in the mining and minerals industry are subject to risks associated with the exploration, development and production of minerals, including competition for resources, difficulties in obtaining required governmental approval to mine, inability to raise adequate capital, increases in production costs and political unrest in nations where sources of minerals are located. In addition, the price of metals and minerals is subject to wide fluctuations.

In addition, investments in mining securities related to metals involves additional risks and considerations not typically associated with other types of investments, including: (i) the risk of substantial price fluctuations of metals; (ii) the concentration of supply mainly in six territories (South Africa, Australia, China, the Commonwealth of Independent States (the former Soviet Union), Canada and the United States), where the prevailing economic and political conditions may have a direct effect on the production and marketing of certain metals; (iii) unpredictable international monetary policies, economic and political conditions; and (iv) possible governmental regulation of metal investments.

Risks Associated with Electric Vehicle-Related Investments

Investments in assets related to electric vehicles are subject to a variety of risks. Electric vehicle growth is dependent upon the continued adoption by consumers of electric vehicles. If the market for electric vehicles does not develop, or develops more slowly than expected, the business, prospects, financial condition and results of clients' investments relating to electric vehicles will be affected. Further, the availability and speed of electric vehicle chargers is expected to have a significant effect on adoption rates. The market for electric vehicles is relatively new, rapidly evolving, and could be affected by numerous external factors, such as: government regulations; tax and economic incentives; rates of consumer adoption, which is driven in part by perceptions about electric vehicle features, including battery storage, quality, safety, performance and cost; competition, including from other types of alternative fuel vehicles, plug-in hybrid electric vehicles, and high-fuel-economy internal combustion engine vehicles; and volatility in the cost of oil and gasoline.

Risks Associated with Energy Storage

The applications for energy storage and battery systems include the provision of backup power, grid independence, peak demand reduction, demand response, reducing intermittency of renewable generation and wholesale electric market services. However, project scale battery systems and technologies are at a nascent stage, and any system deployed may not deliver the performance expected. In addition, energy storage products and batteries are rapidly advancing technologies, and future advances in these products may render any such systems and technologies today inefficient or obsolete. In addition, energy storage and battery systems are complex, and defects or a failure of such systems to perform as expected may pose risks related to health, safety, and the environment. Any of such risks, or other risks that may be posed by the need to respond to developments in the market to remain competitive, could materially and adversely affect such companies.

Material and Labor Availability

Disruptions in the supply chain for project components and the cost and availability of qualified personnel can significantly increase the cost, and delay the timing, of development, financing and construction of alternative energy projects. Worldwide demand for such resources is high and may at times outstrip supply. Supply of components for projects is often available only on a just-in-time basis. Demand/supply imbalance and disruptions in supply chains could significantly increase the costs, and delay the timing of, a particular project or pipeline of projects and could lead to defaults under financing arrangements and/or failure to recover, or realization of lower returns on, invested capital. In addition, lack of component availability and/or qualified personnel may cause operating costs to be higher than anticipated and/or extend the duration of unexpected interruptions in operations, resulting in lower net project revenue.

Reduction in Government Support for Renewable Power

While renewable projects are cost competitive in many markets, such projects currently enjoy support from governments and regulatory agencies in certain states in the United States, which support is designed to incentivize the demand for renewable power, such as feed-in tariff regimes, production and investment tax credit regimes, depreciation benefits, renewable energy certificate programs, and various renewable and alternative portfolio standard requirements or mandates. The combined effect of these programs is to incentivize and subsidize the development, ownership and operation of renewable power projects, particularly in an environment where the existing power market structure facilitates the low cost of fossil fuel generation and might otherwise make the cost of producing energy from renewable sources uncompetitive. Any reduction, elimination or expiration of government subsidies and economic incentives for the renewable power industry could result in the diminished competitiveness of renewable sources of energy relative to conventional sources of energy, which would negatively affect the growth of the renewable energy industry overall and the opportunities for clients. Many government incentives could expire,

phase-out over time, exhaust the allocated funding or require renewal by the applicable authority. A reduction, elimination or expiration of government subsidies and economic incentives for renewable electricity generation could result in the diminished competitiveness of renewable energy. There can be no assurance that governmental support for renewable power sources will continue at current levels or that client investment opportunities will enjoy such incentives, which may in turn adversely affect the performance of clients.

Energy-Related Catastrophe Risk

The operations of energy, power and natural resources companies (including companies involved in commodity and specialty chemical production) are subject to many hazards inherent in the transporting (whether by railroad lines, waterways, trucks, pipeline systems or the electric grid), processing, storing, refining, distributing, mining or marketing a wide range of commodities, electricity, and natural resources, such as: damage to grids, pipelines, storage tanks or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism, human error, inadvertent damage from construction and farm equipment, leaks of natural gas, natural gas liquids, crude oil, refined petroleum products or other hydrocarbons, and fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. There can be no assurance that each participant in the energy sector will be fully insured against all risks inherent to its business. If a significant accident or event occurs that is not fully insured, it could adversely affect such participant's operations and financial condition.

Tariffs and Trade Barriers

Clients may invest, directly or indirectly, in securities relating to the international supply chain. The willingness and ability of international consumers to purchase foreign goods is dependent on political support for an absence of government-imposed barriers to international trade in goods and services. For example, if the price differential between foreign goods and domestically-produced goods were to decrease (e.g., due to increased tariffs on foreign goods, strengthening in the applicable foreign currencies relative to domestic currencies, rising wages, increasing input or energy costs or other factors) demand for foreign goods could decrease, which could result in reduced demand for intermodal container leasing. The long term impact of governmental regulation on international trade and cargo demand is uncertain. In recent years, a number of major trading economies implemented, and increased tariffs and other trade restrictions and significant renegotiations of existing trade agreements commenced (albeit with partial resolutions of certain disputes). If these trade restrictions and tariffs continue or increase it may materially impact container demand and change trade patterns, which could materially affect the Firm's investment program.

Risks Relating to Non-U.S. Investments and Non-U.S. Jurisdictions

Non-U.S. Exchanges

Clients may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets, higher brokerage commissions and custody fees.

Non-U.S. Investments

Investing in the securities of companies (and, from time to time, governments) outside of the U.S. involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict client investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, clients may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce clients' rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to clients under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Dependence on Developing Countries

The level of commodity prices can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made many developing countries, particularly China, disproportionately large users of commodities and has increased the extent to which commodity prices are dependent

on the markets of those developing countries. Political, economic and other developments that affect these developing countries may affect the level of certain commodities and, thus, the value of clients' investments. Because certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers, political, economic and supply-related events in those countries could have a disproportionate impact on the prices of commodity futures contracts and other types of financial instruments in which clients will invest. Events affecting the prices of commodities tend to affect prices worldwide, regardless of the location of the event.

Risks Relating to Private Investment Funds Generally

Legal and Regulatory Environment for Private Investment Funds and their Managers

The legal and regulatory environment worldwide for private investment funds (such as the Funds) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Funds to pursue its investment program and the value of investments held by clients. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Funds to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on the Funds and the Investors' investments therein. In addition, the Firm may, in its sole discretion, cause the Funds to be subject to certain laws and regulations if it believes that an investment or business activity is in the Funds' interest, even if such laws and regulations may have a detrimental effect on one or more Investors.

Systemic Risk

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

Risks Relating to Management

No Operating History

The Funds, the General Partner and the Firm are newly formed entities and do not have any operating history upon which prospective Investors can evaluate their anticipated performance. The Chief Investment Officer and other investment professionals of the Firm have been using investment strategies similar to some of the investment strategies described herein in connection with proprietary trading on behalf of other private investment funds for several years. However, there can be no assurance that the Funds or the Firm will be successful.

Dependence on the Firm

The success of clients is dependent upon the ability of the Firm to manage clients and effectively implement the Firm's investment program. Clients governing documents do not permit the Investors to participate in the management and affairs of clients. If the Firm were to lose the services of the Chief Investment Officer or if the Funds or any other client managed by the Firm were to incur substantial losses, the Firm might not be able to provide the same level of service to the Fund or other clients as it has in the past or continue operations. The loss of the services of the Firm could have a material adverse effect on clients and the Investors' investments therein.

Dependence on Service Providers

Clients are also dependent upon its counterparties and the businesses that are not controlled by the Firm that provide services to clients (the "*Service Providers*"). Examples of Service Providers include the administrator, a prime broker, the custodian, legal counsel and the auditors. Errors are inherent in the business and operations of any business, and although the Firm will adopt measures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact with counterparties and Service Providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on the Fund and the Investors' investments therein.

As clients have no employees, they are reliant on the performance of the Service Providers. Each Investor's relationship in respect of its interests is with a client only. Accordingly, absent a direct contractual relationship between the Investor and the relevant Service Provider, no Investor will have any contractual claim against any Service Provider for any reason related to its services to clients. Instead, the proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against clients, as the case may be, by the relevant Service Provider is, *prima facie*, clients, as the case may be.

Banking Relationships

The Firm and clients will hold cash and other assets in accounts with one or more banks, custodians or depository or credit institutions (collectively, "*Banking Institutions*"), which may include both U.S. and non-U.S. Banking Institutions from time to time. Clients may also enter into credit facilities and have other relationships with Banking Institutions as contemplated elsewhere in the applicable Offering Documents. The distress, impairment, or failure of, or a lack of investor or customer confidence in, any of such Banking Institutions may limit the ability of the Firm or clients to access, transfer or otherwise deal with its assets, draw upon a credit facility, or rely upon any of such other relationships, in a timely manner or at all, and may result in other market volatility and disruption, including by affecting other Banking Institutions. All of the foregoing could have a negative impact on clients. For example, in such a scenario, clients could be forced to delay or forgo an investment or a distribution, including in connection with a withdrawal, or generate cash to fund such investment or distribution from other sources (including by disposing of other

investments or making other borrowings) in a manner that it would not have otherwise considered desirable. Furthermore, in the event of the failure of a Banking Institution, access to a depository account with that institution could be restricted and U.S. Federal Deposit Insurance Corporation (“FDIC”) protection may not be available for balances in excess of amounts insured by the FDIC (and similar considerations may apply to Banking Institutions in other jurisdictions not subject to FDIC protection). In such a case, the Firm or its clients, as applicable, may not recover all or a portion of such excess uninsured amounts and could instead have an unsecured or other type of impaired claim against the Banking Institution (alongside other unsecured or impaired creditors). The Firm does not expect to be in a position to reliably identify in advance all potential solvency or stress concerns with respect to its or clients’ banking relationships, and there can be no assurance that the Firm or clients will be able to easily establish alternative relationships with and transfer assets to other Banking Institutions in the event a Banking Institution comes under stress or fails.

Investment and Due Diligence Process

Before making investments, the Firm will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Firm may be required to evaluate important and complex business, financial, tax, accounting and legal issues. When conducting due diligence and making an assessment regarding an investment, the Firm will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Firm at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

Alternative Data

The Firm may use alternative data in its investment process. Alternative data includes datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases. These data are sometimes referred to as “big data” or “alternative data”. The Firm applies these alternative data to better anticipate micro- and macro-economic trends and otherwise to develop or improve trading or investment themes.

The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense, including technological efforts, that are expected to be borne—in whole or in part—by clients. No assurance can be given that the Firm will be successful in utilizing alternative data in its investment process.

Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data in this manner, and its use or misuse under current or future laws and regulations could create liability for the Firm and clients in numerous jurisdictions. The Firm cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any

adverse inquiries or formal actions could cause reputational, financial, or other harm to the Firm or to clients. Conversely, any future limitations on the use of alternative data could have a material adverse impact on the performance of clients.

Increased Regulatory Oversight

Increased regulation (whether promulgated under securities laws or any other applicable law) and regulatory oversight of and changes in law applicable to private investment funds and their managers may impose administrative burdens on the Firm, including responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert the Firm's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof). Regulatory inquiries often are confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

Risks Relating to the Operations and Investment Activities of Clients

Systems and Operational Risks Generally

Clients depend on the Firm to develop and implement appropriate systems for client activities. Clients rely heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of clients' activities. In addition, clients rely on information systems to store sensitive information about clients, the Firm, their affiliates and the Investors. Certain client and Firm activities will be dependent upon systems operated by third parties, including the prime brokers, the administrator, market counterparties and other service providers, and the Firm may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by the Firm, the prime brokers, the administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in clients' operations may cause clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on clients and the Investors' investments therein.

Cybersecurity Risk

As part of its business, the Firm processes, stores and transmits large amounts of electronic information, including information relating to the transactions of clients and personally identifiable information of the Investors. Similarly, service providers of the Firm and clients may process, store and transmit such information. The Firm has procedures and systems in place that it believes are

reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Firm may be susceptible to compromise, leading to a breach of the Firm's network. The Firm's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Firm to the Investors may also be susceptible to compromise. Breach of the Firm's information systems may cause information relating to the transactions of clients and personally identifiable information of the Investors to be lost or improperly accessed, used or disclosed.

The service providers of the Firm and its clients are subject to the same electronic information security threats as the Firm. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of clients and personally identifiable information of the Investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Firm's or clients' proprietary information may cause the Firm or clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on clients and the Investors' investments therein.

Valuation of Assets and Liabilities

Client assets and liabilities are valued in accordance with the Firm's valuation policies and procedures. The valuation of any such asset or liability involve inherent uncertainty. The value of a security determined in accordance with such the policies and procedures may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of clients if the judgments of the Firm (or the General Partner in its capacity as general partner of the Master Fund), regarding the appropriate valuation should prove to be incorrect.

Counterparty Risk

Clients expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit clients to trade in any variety of markets or asset classes over time. However, there can be no assurance that clients will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit clients' trading activities, create losses, preclude clients from engaging in certain transactions or prevent clients

from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on clients' business due to clients' reliance on such counterparties.

Clients may effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, clients enter into a contract directly with dealer counterparties which may expose clients to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, clients may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if clients had entered into contracts with multiple counterparties. Certain OTC derivative contracts require that clients post collateral.

If there is a default by a counterparty, clients under most normal circumstances will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of a client being less than if such client had not entered into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of clients' securities from such counterparty or the payment of claims therefor may be significantly delayed and clients may recover substantially less than the full value of the securities entrusted to such counterparty.

Collateral that clients post to its counterparties that is not segregated with a third-party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty was to become insolvent, a client may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, clients may use counterparties located in jurisdictions outside the United States. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to clients' assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on clients and its assets. Investors should assume that the insolvency of any such counterparty would result in significant delays in recovering clients' securities from or the payment of claims therefor by such counterparty and a loss to clients, which could be material.

Competition; Availability of Investments

Certain markets in which clients may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Firm will be able to identify or successfully pursue attractive investment opportunities in such environments.

Volatility Risk

Clients' investment program may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by clients.

Credit Ratings

In general, the credit rating assigned by a nationally recognized rating agency to a security represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Clients may incur losses if it makes investments based on credit ratings that subsequently change in a way not favorable to clients' investment objective.

Exposure to Material Non-Public Information

From time to time, the Firm may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, clients will be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

Currency Exchange Exposure

Clients may invest in securities denominated in currencies other than the U.S. dollar. Clients, however, value their securities in U.S. dollars. Clients may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when clients wish to use them, or that hedging techniques employed by clients will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of client positions denominated in currencies other than the U.S. dollar will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies.

Risks Relating to Specific Investments

The Firm does not recommend a particular type of investment instrument to clients, but rather, the Firm recommends and invests in multiple investment instruments. Given the broad discretion the Firm has in managing client portfolios, any one or more of the risks listed in the previous section may be incurred by our clients.

However, because it may be useful in understanding our investment program, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized:

Commodities

Factors affecting Commodities Prices

The values of commodities which underlie the commodity futures contracts and other types of financial instruments are generally affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. Clients and the Firm have no control over the factors that affect the price of commodities. Accordingly, the value of client investments could change substantially and in a rapid and unpredictable manner.

In addition, certain segments of the investor community have developed negative sentiment towards investing in certain commodities such as oil and gas. Some investors, including investment advisors and certain sovereign wealth funds, pension funds, university endowments and family foundations, have stated policies to disinvest in the oil and gas sector based on their social and environmental considerations. Certain other stakeholders have also pressured commercial and investment banks to stop financing oil and gas production and related infrastructure projects. Such developments, including environmental activism and initiatives aimed at limiting climate change and reducing air pollution, could affect the price of commodities and the price of securities issued by commodity-related businesses, including client investments.

Metals and Mining Commodities

Clients may make investments in companies in the metals and mining industry including the exploration and development for metals, minerals, and other commodities (and related industries and markets). The acquisition of metals and mining companies and assets is subject to substantial risk and uncertainty and may be affected by, and not limited to, risks related to rock formation characteristics, unexpected or unusual formations, rock bursts, cave-ins, natural disasters, weather and climate, labor disruptions, regulatory, and changes to environmental laws, rules and regulations, tax laws, technologies, and commodity prices. There can be no assurances that any future acquisitions of mining companies and assets will perform as expected or that returns from such acquisitions. Mining companies may involve substantial risks related to construction, including the risk of delays or increases in cost due to factors that cannot be predicted, including regulatory and permitting delays, political opposition, delays in procuring sites, labor disputes and strikes. A material delay may significantly impair the financial viability of a mining investment project.

Energy-Related Commodities

Markets for energy-related commodities, including electricity, coal, natural gas, crude oil and other petroleum products, can be susceptible to substantial price fluctuations over short periods of time and are particularly affected by political events, natural disasters, exploration and development success or failure, and technological changes. In addition, significant short-term price volatility can be caused by the inability to store electricity, tariff regulation and consumer advocacy.

Investments in the energy, energy services, metals and mining and other commodity sectors by client may be subject to a variety of risks, not all of which can be foreseen or quantified. Such risks may include but are not limited to: (i) the risk that the technology employed in an energy or metals and mining project will not be effective or efficient; (ii) uncertainty about the availability or efficacy of energy sales agreements or fuel supply agreements that may be entered into in connection with a project; (iii) risks that regulations affecting the energy or metals and mining industries will change in a manner detrimental to the industries including efforts by U.S. states and federal governmental agencies to regulate, limit or ban modern completion or hydraulic fracturing (i.e., “fracking”); (iv) environmental liability risks related to energy or metals and mining properties and projects; (v) risks of equipment failures, fuel interruptions, loss of sale and supply contracts or fuel contracts, salt water transportation contracts, salt water disposal contracts or fuel contracts, decreases or escalations in power contract or fuel contract prices, bankruptcy of key customers or suppliers, tort liability in excess of insurance coverage (if any), inability to obtain desirable amounts of insurance at economic rates and acts of God or other catastrophes; (vi) uncertainty about the extent, quality and availability of gas reserves; (vii) the risk of changes in values of companies in the energy and metals and mining sectors, including customers of a sector whose operations are affected by changes in prices and supplies of energy fuels (prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics,

energy conservation, the success of exploration projects, the tax and other regulatory policies of various governments and the economic growth of countries that are large consumers of energy, as well as other factors); and (viii) the risk that interest rates may increase, making it difficult or impossible to obtain project financing, or impairing the cash flow of leveraged projects. Prices and supplies of energy fuels can fluctuate significantly over a short period of time due to changes in international politics, the ability of the members of OPEC to agree and maintain oil prices and production controls, political instability, armed conflicts, energy conservation, the success of exploration projects, the tax and other regulatory policies of various governments, and the economic growth of countries that are large consumers of energy, as well as other factors. The occurrence of events related to the foregoing may have a material adverse effect on client investments.

Certain of the investments will be subject to the risks inherent in acquiring or developing recoverable oil and natural gas reserves, including capital expenditures for the identification and acquisitions of projects, the drilling and completing of wells and the conduct of development and production operations. The presence of unanticipated pressures or irregularities in formations, miscalculations or accidents may cause such activity to be unsuccessful, which may result in losses. Furthermore, successful investment in the upstream natural resource sector requires an assessment of (i) recoverable reserves in the area, (ii) operating and capital costs, (iii) future oil and natural gas prices, (iv) potential environmental and other liabilities, and (v) other factors. Such assessments are necessarily inexact and their accuracy inherently uncertain.

Environmental Matters

Investments in the energy, metals and mining, and other commodity sectors may entail risks associated with more mature businesses and heavily regulated industries. The energy and natural resources industries are subject to comprehensive U.S. federal, state and local laws and regulations, as well as non-U.S. laws and regulations. Present, and future, statutes, rules and regulations could cause additional expenditures, decreased revenues, restrictions and delays that could materially and adversely affect client investments and the prospects of clients. There can be no assurance that: (i) existing regulations applicable to investments generally or the investments will not be revised or reinterpreted, (ii) new laws and regulations will not be adopted or become applicable to the investments, (iii) the technology and equipment selected to comply with current and future regulatory requirements will meet such requirements, (iv) the investments will not be materially and adversely affected by such future changes in, or reinterpretation of, laws, rules and regulations (including the possible loss of exemptions from laws and regulations) or any failure to comply with such current and future laws, rules and regulations, or (v) regulatory agencies or other third parties will not bring enforcement actions in which they disagree with regulatory decisions made by other regulatory agencies.

Further, environmental laws, rules, regulations and regulatory initiatives play a significant role in the energy and natural resources industries and can have a substantial impact on investments in these industries. Clients could face substantial risk of loss from environmental claims arising from investments made with undisclosed or unknown environmental problems or inadequate reserves or insurance for previously identified matters, as well as from occupational safety issues and concerns. Required expenditures for environmental compliance have adversely impacted investment returns in a number of segments of the industry. The energy and natural resources industries will continue to face considerable oversight from environmental regulatory authorities and significant influence from non-governmental organizations (“NGOs”) and special interest groups. Clients may be subject to changing and increasingly stringent environmental and health and safety laws, regulations and permit requirements. New and more stringent environmental and health and safety laws, rules, regulations and permit requirements or stricter interpretations of current laws, rules or regulations could impose substantial additional costs on investments and clients. Compliance with such current or future environmental requirements does not ensure that the operations of the investments will not cause injury to the environment or to people under all circumstances or that the operator of the investments, and therefore clients will not be required to incur additional unforeseen environmental expenditures. Environmental hazards could expose the investments to material liabilities for property damages, personal injuries or other environmental harm, including costs of investigating and remediating contaminated properties.

Moreover, failure to comply with any such requirements could have a material adverse effect on the investments, and there can be no assurance that the operator of the investments will at all times comply with all applicable environmental laws, rules, regulations and permit requirements. Past practices or future operations of the investments also could result in material personal injury or property damage claims. Any noncompliance with these laws and regulations could subject clients to environmental liability and such investments to material administrative, civil or criminal penalties or other liabilities.

Convertible Securities

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by clients is called for redemption, clients will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Firm’s ability to achieve their investment objective on behalf of clients.

Currencies

A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by clients are affected generally by relative interest

rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

Debt Securities

Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations. In addition, debt securities are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, foreign exchange rates, political stability, soundness of economic policies and general market liquidity.

Market Making by Dealers

The value of the Firm's fixed-income investments will be affected by general fixed income market conditions, such as the volatility and liquidity of the fixed income market, which are affected by the ability of dealers to "make a market" in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes, such as capital requirements, and is expected to continue. As dealers' inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed income market, which could impair client profitability or result in losses.

Interest Rate Risk

Changes in interest rates can affect the value of client investments in fixed-income instruments. Increases in interest rates may cause the value of client debt investments to decline. Clients may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Prepayment Risk

The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of

factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact client portfolios in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that the Firm may have constructed for these investments, resulting in a loss to clients’ overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Zero-Coupon and Deferred Interest Bonds

Zero-coupon bonds and deferred interest bonds are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

High-Yield

Bonds or other fixed-income securities that are “higher yielding” (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the

issuer's inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, clients may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

Clients may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically, such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt

Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, clients may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to clients in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, clients may experience substantial losses.

Mezzanine Debt

Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of clients to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with

leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for investment-grade instruments. In the event of the insolvency of a portfolio company of a client or similar event, client debt investments therein will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt

Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Non-Performing Nature of Debt

Certain debt instruments may be non-performing or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt instruments.

Troubled Origination

When financial institutions or other entities that are insolvent or in serious financial difficulty originate debt, the standards by which such instruments were originated, the recourse to the selling institution, or the standards by which such instruments are being serviced or operated may be adversely affected.

Equitable Subordination

Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “equitable subordination”). If clients engage in such conduct, clients may be subject to claims from creditors of an obligor that debt held by clients should be equitably subordinated. Furthermore, a significant number of the investments may involve investments in which clients would not

be the lead creditor. Accordingly, it is possible that lender liability or equitable subordination claims affecting the investments could arise without the direct involvement of clients.

Derivative Instruments

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. The regulatory and tax environment for derivative instruments in which clients may participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on clients.

Regulation in the Derivatives Industry

There are many rules related to derivatives that may negatively impact clients, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared OTC instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional “know your counterparty” obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of the Firm and clients, and increase the amount of time that the Firm spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to clients.

These rules are operationally and technologically burdensome for the Firm and clients. These compliance obligations require employee training and use of technology, and there are operational risks borne by clients in implementing procedures to comply with many of these additional obligations.

These regulations may also result in clients forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants (“FCMs”)), as the use of other parties may be more efficient for clients from a regulatory perspective. However, this could limit client trading activities, create losses, preclude clients from engaging in certain transactions or prevent clients from trading at optimal rates and terms.

Many of these requirements were implemented under legislation intended to reform the U.S. financial regulatory system, the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation, or “EMIR”), and similar regulations globally. In the United States, regulatory responsibility for derivatives is divided between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The SEC has regulatory authority over “security-based swaps” and the CFTC has regulatory authority over “swaps”. EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC

bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps, that are still in the proposal stage or are expected to be introduced in the future.

The following describes derivatives regulations that may have the most significant impact on client portfolios:

Reporting

Most swap transactions have become subject to anonymous “real time reporting” requirements, meaning that information relating to transactions entered into by clients will become visible to the market in ways that may impair a client’s ability to enter into additional transactions at comparable prices or could enable competitors to “front run” or replicate client strategies.

Central Clearing

In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives, including EMIR, are underway to require certain derivatives to be cleared through central clearinghouses. In the United States, clearing mandates affect certain interest rate and credit default swaps. The CFTC and the SEC may introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for clients in many respects (for instance, they may reduce the counterparty risk to the dealers to which clients would be exposed under non-cleared derivatives), clients could be exposed to new risks, such as the risk that an increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and, as a result, the Firm may not be able to hedge its risks or express an investment view as well as it would have been able to had it used customizable derivatives available in the over-the-counter markets. The Firm may have to split its derivatives portfolio between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

Another risk is that clients may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout the life of the contract, the amount of the initial margin that is required to be posted

in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject clients to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on clients. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt instruments, which may require clients to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to clients. In addition, clearinghouses may not allow Firm to portfolio-margin its positions, which may increase clients' costs.

Although standardized clearing for derivatives is intended to reduce counterparty risk (for instance, it may reduce the counterparty risk to the dealers to which clients would have been exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and the Firm's FCM, subjecting clients to the risk that the assets of the FCM are insufficient to satisfy all of the FCM's payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

Swap Execution Facilities

In addition to the central clearing requirement, certain swap transactions are required to trade on regulated electronic platforms, such as swap execution facilities ("SEFs"), which require clients to subject itself to regulation by these venues and subject clients to the jurisdiction of the CFTC. CFTC rules governing the operation of SEFs continue to evolve; the SEC has yet to finalize rules related to security-based SEFs.

The EU regulatory framework governing derivatives is set not only by EMIR but also a legislative package known as a recast of the Markets in Financial Instruments Directive ("MiFID II"). Among other things, MiFID II requires transactions in derivatives to be executed on regulated trading venues.

It is not clear whether these trading venues will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for clients to obtain tailored swap products to hedge particular risks in its portfolio due to higher collateral requirements on bilateral transactions as a result of these regulations.

Margin Requirements for Non-Cleared Swaps

Rules issued by U.S., EU and other regulators globally (the “*Margin Rules*”) impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that clients will be required to post to swap counterparties may increase by a material amount, and as a result clients may not be able to deploy capital as effectively. Additionally, to the extent clients are required to segregate initial margin with a third party custodian, additional costs will be incurred by clients.

Call and Put Options

Clients may incur risks associated with the sale and purchase of call options and put options. Under a conventional cash-settled option, the purchaser of the option pays a premium in exchange for the right to receive upon exercise of the option (i) in the case of a call option, the excess, if any, of the reference price or value of the underlier (as determined pursuant to the terms of the option) above the option’s strike price or (ii) in the case of a put option, the excess, if any, of the option’s strike price above the reference price or value of the underlier (as so determined). Under a conventional physically-settled option structure, the purchaser of a call option has the right to purchase a specified quantity of the underlier at the strike price, and the purchaser of a put option has the right to sell a specified quantity of the underlier at the strike price.

A purchaser of an option may suffer a total loss of premium (plus transaction costs) if that option expires without being exercised. An option’s time value (i.e., the component of the option’s value that exceeds the in-the-money amount) tends to diminish over time. Even though an option may be in-the-money to the purchaser at various times prior to its expiration date, the purchaser’s ability to realize the value of an option depends on when and how the option may be exercised. For example, the terms of the transaction may provide for the option to be exercised automatically if it is in-the-money on the expiration date. Conversely, the terms may require timely delivery of a notice of exercise, and exercise may be subject to other conditions (such as the occurrence or non-occurrence of certain events, such as knock-in, knock-out or other barrier events) and timing requirements, including the “style” of the option.

Uncovered option writing (i.e., selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the reference price or value of the underlier declines below the exercise price by

more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

Clients may incur risks associated with the purchase of warrants. Warrants are long-term options to purchase particular securities to be issued by, or owned by, the issuer of the warrants. Clients will use warrants in substantially the same manner as call options.

Index or Index Options

The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether clients will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.

Index Futures

The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by clients also is subject to the Firm's ability to correctly predict movements in the direction of the market.

Credit Default Swaps

Credit default swaps can be used to implement the Firm's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, clients may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of clients to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. Clients may also buy credit default protection with respect to a referenced entity if, in the Firm's judgment, there is a high likelihood of credit deterioration. In such instance, clients will pay a premium regardless of whether there is a credit event.

Futures Contracts

The value of futures contracts depends upon the price of securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which clients' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent clients from promptly liquidating unfavorable positions and subject clients to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Non-U.S. Futures Transactions

Foreign futures transactions involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, clients may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

Forward Contracts

Clients may enter into forward contracts and options thereon, including non-deliverable forwards. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually widespread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Firm would otherwise recommend, to the possible detriment of clients. In its forward trading, clients will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which clients trade. Client assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Firm may order trades for clients in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject clients to the risk of loss.

Contracts for Differences

Contracts for differences (“CFDs”) are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument’s value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any financial instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the posting of additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on clients’ obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase such clients’ financial risk.

Failure to Enter into Offsetting Trade

To the extent that the Firm causes a client to invest in a futures contract or long option, unless an offsetting trade is made, such client would be required to take physical delivery of the commodity underlying the future or option. To the extent the Firm fails to enter into such offsetting trade prior to the expiration of the contract, clients may suffer a loss since neither clients nor the Firm have the operational capacity to accept physical delivery of commodities.

Exotic Options

Exotic options are typically, but not always, traded over-the-counter. OTC contracts may not trade in a liquid market and pricing may be opaque. The illiquidity of these markets can be exacerbated in times of market stress. Clients may incur substantial costs entering into and exiting positions that could have a material impact on performance. Exotic options may be subject to a higher degree of pricing risk as demonstrated by instances in which different counterparties in the market employ different valuation and pricing methodologies to the same exotic option. Because exotic options can often be highly customized, there is lower visibility with respect to the pricing and valuation of these instruments. Exotic options may be subject to high levels of price volatility. For example, in the case of barrier options, as the price of the asset underlying the option trades closer to a barrier level, the delta of the option (i.e., the ratio of the change in the price of the underlying asset to the corresponding change in the price of the option) and the gamma of the option (i.e., the rate of change of the delta with respect to the underlying asset's price) may become very high. Exotic options may be subject to higher levels of model risk than commonly traded options because standard models are not able to adequately capture or predict the risks associated with the exotic options. Exotic options may be "path dependent". This means that their terminal value (at exercise or expiration) depends upon the value of the underlying asset, not only at the time of exercise or expiration, but also at prior points in time. In this sense, the option's terminal value depends upon the "path" taken by the underlying asset over the life of the option. For example, a barrier option's value at expiration depends upon both the value of the underlying asset at expiration and whether the past value of the underlying asset ever satisfied a barrier condition. In contrast, a vanilla option (e.g., a call option) is not path dependent. Its value at exercise or expiration depends on the value of the underlying asset only at that point in time. The additional features incorporated by exotic options require additional judgments regarding the likelihood of certain conditions being satisfied, any one of which can result in loss if made incorrectly. An OTC option may be closed out only with the counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

Distressed Obligations

The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence

problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to a client's investments in any security. Obligations in which a client invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing clients' investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which clients invests, clients may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from clients' investments may not compensate Investors adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new Security the value of which will be less than the purchase price to clients of the security in respect of which such distribution was made.

Equity Securities Generally

The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, clients may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Firm's expectations or if equity markets generally move in a single direction and a client has not hedged against such a general move. Clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Investments in non-U.S. markets and issuers may be less liquid and subject to greater price volatility than investments in U.S. markets and issuers. The market price of a publicly traded equity security can be adversely affected by a wide variety of broad macroeconomic and market factors unrelated to the financial condition and prospects of the issuer. Dividends and interest paid by foreign issuers may be subject to withholding and other foreign taxes. In addition, there may be higher brokerage, custody and other transactional costs and less governmental regulation of the securities markets (including less publicly available information about foreign issuers and a lack of uniform accounting standards), as well as risks associated with economic and political developments, different legal systems and currency conversions. Futures and options involve risks of pricing differences between the market value of the underlying securities and the futures and options and a possible lack of a liquid secondary market for a futures or options contract and the resulting inability to close a futures or options position, which could adversely affect clients. Risk arbitrage is subject to high risk because of the uncertainty of the outcome of an arbitrage situation, which may depend on the outcome of litigation, changes in the terms or a transaction or regulatory developments or actions. If the Firm's evaluation of an anticipated outcome of an arbitrage situation should prove incorrect, clients could experience substantial losses as a result of a decline in the market value of securities in which clients hold a long position or an increase in the value of securities in which clients hold a short position.

Illiquid Securities

Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and clients may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Clients may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, clients may be required to hold such securities despite adverse price movements. Even those markets which the Firm expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Initial Public Offerings

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition,

some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of clients' interests.

Preferred Stock

Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

Restricted Securities

Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by clients. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

Special Purpose Acquisition Companies

A special purpose acquisition company (a "SPAC") is a publicly traded company formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more undervalued operating businesses. Following the acquisition of a target company, a SPAC typically would exercise control over the management of such target company in an effort to increase the value of such target company. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company's value increased. In the event that a SPAC is unable to locate and acquire target companies by the

deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in “blank check” companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition, and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, most SPACs are illiquid and have a concentrated shareholder base that tends to be comprised of hedge funds (at least at inception). Clients may invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be limited basis for clients to evaluate the possible merits or risks of such SPAC’s investment in any particular target business. To the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies. For these and additional reasons, investments in SPACs are speculative and involve a high degree of risk.

Undervalued Securities

The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from clients’ investments may not adequately compensate for the business and financial risks assumed.

Unlisted Securities

Unlisted securities may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

When Issued and Forward Commitment Securities

The purchase of securities on a “when-issued” basis involves a commitment by a client to purchase or sell securities at a future date (typically one or two months later). No income accrues on securities that have been purchased on a when-issued basis prior to delivery to such client. When-issued securities may be sold prior to the settlement date. If clients dispose of the right to acquire a when-issued security prior to its acquisition, it may incur a gain or loss. In addition, there is a risk that securities purchased on a when-issued basis may not be delivered to a client. In such cases, such client may incur a loss.

Special Situation Investments

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

Illiquid Securities

Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and clients may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Clients may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, clients may be required to hold such securities despite adverse price movements. Even those markets which the Firm expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

Item 9
Disciplinary Information

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

Item 10
Other Financial Industry Activities and Affiliates

A. Broker-Dealer Registration

The Firm and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor Registration

The Firm and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

The Firm claims an exemption from CFTC registration under Rule 4.13(a)(3), which exempts commodity pool operators that (i) trade only a de minimis level of commodity interests, (ii) market to “accredited investors”, and (iii) do not market trading in commodity interests.

C. Material Relationships and Conflicts of Interests with Industry Participants

The Firm’s relationships and arrangements with its clients and other industry participants are material to its advisory business and may raise actual or potential conflicts of interest. Prospective Investors should carefully consider the risks involved in an investment with the Firm, including, but not limited to, those discussed below. Prospective Investors should consult their own legal, tax and financial advisers as to all of these risks and as to an investment with the Firm generally.

Multiple Client Accounts

The Firm provides investment advisory services to the Funds and the Separate Account. An affiliate of the Firm serves as the general partner of the Domestic Fund and the Master Fund. Notwithstanding the foregoing, the Firm is not restricted from managing assets of other investment vehicles and accounts, from entering into other investment advisory relationships or from engaging in other business activities, even if such activities may be in competition with the Funds and the Separate Account and/or may involve substantial time and resources of the Firm. These activities could be viewed as creating a conflict of interest in that the time and effort of the Firm will not be devoted exclusively to the business of the Funds and the Separate Account but will be allocated between the business of the Funds and the Separate Account and the other accounts and businesses. In addition, the Firm may in the future offer investors in the Funds and/or other third-party investors (including without limitation, Firm affiliates and Related Party Investors) the opportunity to co-invest with the Clients in particular investments.

Strategic Investor

The Firm has entered into an agreement with a strategic investor (the “*Strategic Investor*”) who has made a strategic investment in the Funds. In connection with such investment, the Strategic Investor benefits from certain rights that are customary for strategic investors in a private fund and that are in addition to, and more favorable than, the rights of Fund Investors, including: (i) different Management Fee and Incentive Allocation terms than those described in this Brochure and the applicable Offering Documents; (ii) certain capacity rights; (iii) certain information and notice rights in addition to those described in the applicable Offering Documents (e.g., relating to the Firm and the Master Fund’s portfolio); and (iv) certain consent rights with respect to actions that may be taken by the Funds, the General Partner or the Firm.

In accordance with the agreement with the Strategic Investor, the Strategic Investor is entitled to receive a portion of the Management Fee and the Incentive Allocation.

The Strategic Investor is not involved in the management of, day-to-day activities of, or investment activities of the Firm or the General Partner, and does not have any involvement with, or responsibility or liability to, any party for the Firm’s, the General Partner’s, or their respective affiliates’ compliance or non-compliance with applicable legal, investment, tax or regulatory requirements or for the performance of the Funds.

D. Material Conflicts of Interest Relating to Other Investment Advisers

The Firm does not recommend or select other investment advisers for our clients.

Item 11

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

A. Code of Ethics

The Firm has adopted a Code of Ethics (the “*Code*”) that is designed to reinforce and enhance the Firm’s high standards of personal and professional conduct and ethical way of doing business and, in particular, to provide procedures consistent with the provisions of the Investment Advisers Act of 1940, as amended (the “*Advisers Act*”). The Code is based on the principle that the Firm and its employees have a fiduciary duty to its clients, and must in this fiduciary capacity, place the interest of the clients before its own and designed to address and avoid conflicts of interests and will be applicable to all employees. The Code contains detailed rules concerning, among other issues, conflicts of interests, procedures with respect to personal securities transactions, gifts and entertainment, and outside business activities. Employees are required to certify their adherence to the terms set forth in the Code upon commencement of employment and annually thereafter. Furthermore, the Code provides for a range of sanctions, as deemed appropriate, including censure, fine, reversal of transactions and disgorgement of profits, suspension or termination of employment.

The Code incorporates the following general principles which all employees are expected to uphold:

- The interests of the Firm’s clients must always come first.
- Trading in client accounts must be in their best interests and always be supported by research and reasonable judgment.
- Employees must comply with all applicable laws and regulations of the countries in which the Firm conducts business.
- All personal securities transactions must be conducted in such a manner as to avoid actual or potential conflicts of interest or abuses of an individual’s position of trust and responsibility.
- Employees must not take any inappropriate advantage of their positions at the Firm.

The Firm will provide a copy of its Code to any client or Investor that requests one. Copies of the Code may be requested by contacting the Firm at ir@rippleeffectasset.com.

B. Securities in which the Firm or a Related Person Has a Material Financial Interest

The Firm’s employees, including the Chief Investment Officer, directly or indirectly, have personal investments in the Funds. As a result, the Firm and its employees have an interest in the investments that may also be recommended to clients. Such employees may be in possession of information relating to the Funds that is not available to other Fund Investors and prospective Investors. The size and nature of such employee investments in the Funds will change over time without notice to the Investors. Investments by Firm employees in the clients could incentivize such employees to increase or decrease the risk profile of the Funds.

The Firm does not intend to purchase or sell any securities for its own account. However, the Firm may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a “*Cross Trade*”) for a variety of reasons, including tax purposes, liquidity purposes, to rebalance the client portfolios, or to reduce transaction costs that may arise in an open market transaction. If the Firm decides to engage in a Cross Trade, the Firm will determine that the trade is in the best interests of both clients involved and take steps to ensure that the transaction is consistent with the Firm’s duty to seek best execution for each of those clients.

The Firm generally intends to execute Cross Trades, if at all, with the assistance of a broker-dealer that executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross transaction between two clients may occur as an “internal cross”, where the Firm instructs the custodian for the client accounts to book the transaction at the price determined in accordance with the Firm’s valuation policies and procedures. If the Firm effects an internal cross, the Firm will not receive any fee in connection with the completion of the transaction. To the extent that any such Cross Trade may be viewed as a principal transaction, as such term is used under the Investment Advisers Act of 1940, as amended (“*Advisers Act*”), due to the ownership interest in a client by the Firm, its affiliates, or its personnel, the Firm will comply with all applicable requirements of the Advisers Act.

C. Investing in Securities That the Firm or a Related Person Recommends to Clients.

The Firm’s Code places restrictions on personal trades by its employees and any of their respective spouses, domestic partners or children living in the same household of such employees (each a “*Covered Persons*”). In an effort to ensure that personal securities transactions will not interfere with making decisions in the best interests of clients, Covered Persons are generally not permitted to trade in single name equity or debt securities (including options or other derivatives on such securities)), including any position held by a client. On occasion, and subject to written pre-clearance from the Chief Compliance Officer, Covered Persons may be permitted to sell positions acquired prior to joining the Firm. Covered Persons must also disclose all personal accounts and holdings initially upon commencement of employment, and annually thereafter. In addition, Covered Persons are required to provide quarterly reports regarding transactions in Reportable Securities and newly opened personal accounts thereafter.

The Firm, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients.

The Firm has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

D. Conflicts of Interest Created by Contemporaneous Trading

The Firm allocates investment opportunities to clients on a fair and equitable basis, to the extent practical and in accordance with clients' applicable investment strategies and terms, over a period of time.

The Firm's clients pursue a substantially similar investment strategy and are generally managed *pari passu* (subject to a particular client's investment restrictions, if applicable). Allocations of investment opportunities are generally made to participating clients pro rata to each client's capital as of the beginning of the trading day in which the trading occurs.

Notwithstanding the foregoing, the Firm may determine that allocating an investment opportunity to multiple clients on a pro rata basis may not be appropriate. Reasons for allocating on a basis different than the general allocation policy described above include, among other things, availability of brokerage relationships, investment capacity, available leverage, desired leverage or available cash, investment guidelines and restrictions, liquidity requirements, regulatory, tax or legal reasons, overall portfolio composition, tolerance for volatility and risk, desired concentration, exposure and diversification targets, risk-return profile, the need to re-size risk in a client's portfolio, to avoid odd-lots or in cases when a pro rata allocation would result in a de minimis allocation to one or more clients. The foregoing does not comprise an exhaustive list of reasons for deviating from making an allocation on a pro rata basis.

The Firm will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to, a client solely because the Firm purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to, another client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practicable or desirable for the client.

In particular, when a client is ramping up its investment or trading strategies, it may receive larger allocations of certain securities than other clients to obtain its desired risk and portfolio size.

Item 12 Brokerage Practices

A. Selection of Broker-Dealers and Reasonableness of Compensation

The Firm has full discretionary authority to manage investments of clients, including authority to make decisions with respect to which investments are bought and sold, the amount and price of those investments, and the brokers or dealers (collectively, “*Broker-Dealers*”) to be used for a particular transaction, and the commissions or markups and markdowns paid. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

The Firm will place trades for execution only with approved Broker-Dealers.

Consistent with the Firm's fiduciary duty to its clients, the Firm has an obligation to seek best execution of client securities transactions. In the Firm's opinion, best execution is a combination of trade price, commission rates (or dealer markups and markdowns arising in connection with principal transactions), prompt and reliable execution and research that a Broker-Dealer provides. When selecting a Broker-Dealer to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Firm will consider the full range and quality of a Broker-Dealer's services (both qualitative and quantitative factors) including, but are not limited to:

- A Broker-Dealer's ability to effect such transactions;
- A Broker-Dealer's facilities;
- Reliability and financial responsibility of a particular Broker-Dealer;
- Access to and the quality of a Broker-Dealer's research;
- A Broker-Dealer's willingness to commit capital;
- The provision by a Broker-Dealer of capital introduction;
- Access to company management and access to deal flow; and
- Competitiveness of commission rates in comparison with other Broker-Dealers satisfying the Firm's other selection criteria.

The relative importance of the above factors may take into account the following criteria:

- The size of the transaction;
- The objectives, investment policy and risks specific to a particular client;
- The availability of securities to borrow for short sales; and
- The market for the security.

Accordingly, the prices and commission rates (or dealer markups and markdowns arising in connection with principal transactions) charged to clients by Brokers-Dealers may be higher than those charged by other brokers-dealers that may not offer such services.

The Firm will maintain policies and procedures to periodically review the quality of its executions, including periodic reviews by the Chief Compliance Officer and the Chief Investment Officer.

1. Research and Other Soft Dollar Arrangements

The Firm pays Broker-Dealer commissions (or markups or markdowns with respect to certain types of principal transactions) for executing client portfolio transactions in excess of those which another Broker-Dealer might have charged for executing the transaction in recognition of the value of the brokerage and research services provided by the Broker-Dealer. The Firm effects such transactions, and receives such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Firm believes it is important to its investment decision-making processes to have access to independent research.

Consistent with Section 28(e), the Firm uses research services and products in connection with its advisory services for any of its clients, not necessarily for only the client that “paid” for them. That is, the Firm might utilize research services that a broker-dealer provides for one of its clients in connection with its advisory services for other accounts and vice versa. The Firm does not seek to allocate soft dollar benefits to clients in proportion to the commission and soft dollar credits the clients generate. However, the Firm aims to allocate soft dollar benefits to each client in a fair and equitable manner.

Research products or services within the scope of Section 28(e) typically include research reports, market data, discussions with research analysts and consultants, meetings with corporate executives, software that provides for analysis of securities and certain publications. Brokerage services generally include activities related to executing securities transactions.

Where a product or service obtained with soft dollars provides both research and non-research assistance to the Firm (i.e., a “mixed use” item), the Firm will make a good-faith allocation of the cost which may be paid for with soft dollars. In making good-faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Firm’s allocation of the costs of such benefits and services between those that primarily benefit the Firm and those that primarily benefit the clients. As a matter of practice, however, the Firm does not currently use, or generally intend to use, soft dollars to pay for products and services broadly considered mixed-use.

To the extent that the Firm uses “full-service brokers” which provide research and other services to the Firm and the commission (or markups or markdowns) associated with such services is greater than would otherwise be obtained using available floor brokers or electronic brokers, such commission could be deemed to comprise soft dollar arrangements. The Firm has entered into “commission sharing arrangements” with one or more Broker-Dealer. Under these arrangements, a portion of the commission is paid to that Broker-Dealer for execution services and the remainder of the commission is paid to other approved Broker-Dealers or third-party research providers for research services provided by such Broker-Dealers or vendors. Transactions executed under these commission sharing arrangements generate a higher commission rate than transactions executed with other Broker-Dealers.

When the Firm uses brokerage commissions (or markups or markdowns) generated by any client to obtain research or other products or services, the Firm receives a benefit because it does not

have to produce or pay for such products or services. While the Firm is obligated to seek best execution for each client, the fact that the Firm can obtain or receive such products or services may create an incentive for it to select or recommend a particular Broker-Dealer more favorable to the Firm's interests, to the exclusion of another Broker-Dealer that offers business terms which are more favorable to one or more clients.

On a periodic basis, the Firm will evaluate the transactions executed under these arrangements to ensure that the brokerage and research services received by the Firm are within the safe harbor provided under Section 28(e).

2. Brokerage for Client Referrals

Subject to best execution, the Firm may also allocate purchase and sale transactions to Broker-Dealers on the basis of capital introduction and consulting services provided by such Broker-Dealers. Even though the Firm does not commit to allocate a particular amount of brokerage to a Broker-Dealer in return for capital introduction services and consulting services, the use of such services could create a conflict of interest when deciding which prime brokers to use.

3. Directed Brokerage

The Firm does not recommend, request, or require that a client direct the Firm to execute transactions through a specified Broker-Dealer.

B. Aggregating Orders for Client Accounts

If the Firm determines that the purchase or sale of a security is appropriate with regard to more than one client, the Firm may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client generally will receive the average price, with transaction costs generally allocated pro rata based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by the Firm. In the event of a partial fill, allocations may be modified on a basis that the Firm deems to be appropriate, including, for example, to avoid odd lots or de minimis allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Firm. As a result, certain trades in the same security for one client (including a client in which the Firm and its employees may have a direct or indirect interest) may receive more or less favorable prices or terms than another client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

Although the Firm believes that aggregating orders usually facilitates best execution and reduces transactional costs, it is possible that the average price received for a bunched order may be worse than the price which a client could have received had it executed a smaller quantity of shares on

its own. There may also be corresponding potential disadvantages when more than one client simultaneously seeks to dispose of commonly held securities or other investment positions.

Item 13

Review of Accounts

A. Periodic Review of Client Accounts

The Firm will review client accounts on an ongoing basis. The Chief Investment Officer has ultimate responsibility for all investment decisions made and will conduct reviews that include, but are not limited to, an assessment of daily profit and loss reports with respect to its clients' investment positions, the amount of leverage employed in connection with managing its clients' accounts, and adherence to each client's trading parameters and investment strategies. The Chief Investment Officer will evaluate the Firm clients' investments based on performance, company fundamentals, news and press releases, analyst reports, general market conditions and other considerations. A review of a client account may be triggered by any unusual activity or special circumstances.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review

A review of a client account may be triggered by any unusual activity or special circumstance.

C. Contents and Frequency of Account Reports to Clients

The Firm will provide Fund Investors with annual audited financial statements (within 120 days after the end of each fiscal year or as soon as reasonably practicable thereafter) and Schedules K-1 with respect to each Investor's interest in a Fund, as applicable. In addition, the Firm may provide Fund Investors with performance and other updates on a periodic basis.

In addition to the information provided to all Fund Investors as explained above, Ripple Effect provides certain Fund Investors, including the Strategic Investor, with additional information. This information may provide such Fund Investors with greater insight into the Funds' activities. Such investors may take actions with respect to their investment in the Funds while in possession of information about the Funds that is not available to other Investors.

Item 14
Client Referrals and Other Compensation

A. Economic Benefits for Providing Services to Clients

The Firm does not receive economic benefits from non-clients for providing investment advice and other advisory services.

B. Compensation to Non-Supervised Persons for Client Referrals

Neither the Firm nor any of its related persons directly or indirectly compensate any person who is not a supervised person for client referrals.

However, the Firm and its affiliates and/or the Funds may enter into agreements with placement agents providing for one-time or ongoing payments from the Firm, its affiliates or the Fund based upon the amount of an Investor's capital contributions or the Management Fees and/or Incentive Allocations borne by an Investor that was introduced to the Fund by the placement agent. Any amounts paid by the Fund to any placement agent will reduce the Management Fees and/or Incentive Allocations otherwise payable or allocable in respect of the interests held by any Investor that was introduced to the Fund by such placement agent. Placement agents that solicit Investors on behalf of the Funds will be subject to a conflict of interest because they will be compensated in connection with their solicitation activities.

In addition, the use of capital introduction services provided by executing or prime brokers may create a conflict of interest in that it may create an incentive for the Firm to direct additional brokerage to such executing brokers or prime brokers. The Firm will implement policies and procedures designed to seek best execution and periodically monitor and evaluate service providers.

Item 15

Custody

While the Firm does not maintain physical custody of funds and securities of the Funds, the Firm (or its affiliates) may be deemed to have custody of the funds and securities of the Funds pursuant to Rule 206(4)-2 of the Advisers Act due to its ability to access the accounts of the Funds directly or indirectly through the position of the General Partner. Fund Investors do not receive statements directly from the Funds' custodians. Instead, the Funds will be subject to an annual audit by an independent, PCAOB-registered auditing firm and audited financial statements will be distributed to each Fund Investor. Audited financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles and will be distributed within 120 days of a Fund's fiscal year end.

The Firm does not have custody of the funds and securities held in the Separate Account.

Item 16

Investment Discretion

The Firm has discretionary authority to manage investments on behalf of its clients, including the authority to determine which securities and investments to buy or sell and the amount of securities and investments to buy or sell. Despite this broad authority, the Firm is committed to adhering to the investment strategy and program set forth in the Offering Documents.

Item 17

Voting Client Securities

The Firm has adopted a proxy voting policy pursuant to and in compliance with the Advisers Act Rule 206(4)-6. The Firm's general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "*Proxies*") in a prudent and diligent manner that will serve a client's best interests and in line with such client's investment objectives.

The Firm generally expects to vote proxies in accordance with the recommendations of company management. However, there are many complexities to proxy votes, and the Firm will vote against a proposal or recommendation of management if it determines that such a vote is in the best interests of its clients.

There are many complexities to Proxies, and the Firm may take into account any of the following factors, as determined by the Firm in its sole discretion, including without limitation:

- The impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

The Firm may vote against a proposal or recommendation of management and will generally determine to abstain from voting a proxy, if it is believed the action is in the best interest of a client.

Generally, Investors may not direct the Firm's vote in a particular solicitation.

Conflicts of interest may arise between the interests of a client, on the one hand, and the Firm or its affiliates on the other hand. If the Firm determines that it may have, or be perceived to have, a conflict of interest when voting Proxies, it will vote in accordance with its Proxy voting policies and procedures.

Investors and prospective Investors may obtain a copy of the Firm's Proxy voting policies and Proxy voting record upon request by contacting the Firm by email at ir@rippleeffectasset.com.

Item 18
Financial Information

The Firm (i) is not required to include a balance sheet for its most recent fiscal year, (ii) is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and (iii) has not been the subject of a bankruptcy petition at any time during the past ten years.