

Annapurna Capital Management LP

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This brochure provides information about the qualifications and business practices of Annapurna Capital Management LP. If you have any questions about the contents of this brochure, please contact us at michelle.nair@annapurnacm.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Annapurna Capital Management LP is an investment adviser registered with the Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “**Adviser’s Act**”). Registration does not imply a certain level of skill or training.

Additional information about Annapurna Capital Management LP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This brochure (“**Brochure**”) is Annapurna Capital Management LP’s initial Form ADV Part 2A which has been submitted with our application for registration with the SEC; therefore, there are no material changes to report. In the future, if the Brochure contains material changes from any previous update, we will identify and discuss those changes in this section.

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Item 4: Advisory Business

A. General Description of Advisory Firm

Annapurna Capital Management LP (hereinafter “**Annapurna**”, “**we**”, “**us**”, “**our**” or the “**Firm**”) is organized as a Delaware limited partnership with a principal place of business in West Palm Beach, Florida. The principal owner is Deep Kumar, who owns interests in Annapurna both directly and indirectly through one or more entities.

Annapurna will provide investment management services to privately placed pooled investment vehicles (each, a “**Fund**” and collectively, the “**Funds**”). As used in this Brochure, the term “**Clients**” refers to the Funds; in each case, except where the context otherwise requires. The Funds are intended for qualified investors and institutional investors (each, an “**Investor**” and collectively, the “**Investors**”). These Investors must meet certain minimum financial requirements, among other requirements, to be eligible to participate in the Funds, which are structured as private investment companies that are exempt from registration as investment companies under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”). Investment advice is provided directly to the Funds, subject to the discretion and control of the Funds’ general partners or board of directors, as applicable. The General Partners are affiliates of Annapurna and serve as general partners of the Funds.

This Form ADV also covers Annapurna Fund GP LLC (the “**Fund General Partner**”), a limited liability company organized under the state of Delaware. The Fund General Partner is an affiliate of the Firm and it serves or may serve as the general partner of Funds (as defined below).

We will tailor our advisory services as may be described in the investment program of the relevant Client’s private placement memorandum or as set forth in such Client’s organizational documents, the subscription documents related to an investment in such Client and/or the investment management agreement with such Client (collectively, the “**Offering Documents**”).

Annapurna will provide investment management services to the Clients on a discretionary basis; however, such advice will be provided in accordance with and subject to the investment objectives and guidelines set forth in each Client’s applicable Offering Documents.

B. Description of Advisory Services.

Certain Funds expect to employ a multi-asset and multi-geography strategy with the goal of generating superior risk adjusted returns over the business cycle with a negative correlation to equity markets. To achieve this goal, such Funds will aim to generate outsized positive returns in high-volatility environments and to generate flat to positive returns in low-volatility environments. The underpinning of such Funds’ investment strategy is the identification of pricing anomalies in derivatives, particularly in the pricing of volatility in option markets. This analysis spans various asset classes, including interest rates, equity, FX, credit and commodities.

C. Availability of Customized Services for Individual Clients.

We will tailor our advisory services as described in the investment program of the relevant Fund’s Offering Documents. In addition, we may enter into agreements, such as side letters, with certain Investors that may in each case provide for terms of investment that are more favorable for certain Investors than the terms provided to other Investors in the same Fund. Such terms may typically include, among other things, the waiver or reduction of management and/or incentive fees/allocations, the provision of additional information or reports, rights related to specific regulatory requests or requirements of certain Funds, more favorable transfer rights, and more favorable liquidity rights.

D. Wrap Fee Programs

We do not currently participate in any Wrap Fee Programs.

E. Assets Under Management

Currently, we do not have regulatory assets under management, but we expect to have, within 120 days of the effective date of our initial registration, assets under management sufficient to allow us to remain eligible for registration with the SEC.

Item 5: Fees and Compensation

The fees applicable to each Fund will be set forth in detail in the corresponding Offering Documents. A brief summary of such expected fees is provided below.

Management Fee

Annapurna expects that it will be paid a management fee (“**Management Fee**”) per month of the net asset value of the Funds. The Management Fee is expected to be calculated and paid in advance within 10 days of the first day of each month. Annapurna expects that the Management Fee will range from 1.25% to 2.0% per annum.

The Firm, in its sole discretion, may waive, reduce or calculate differently the Management Fee for any Investor of a Fund.

Performance Compensation

The Firm or its affiliates may also be entitled to a performance based compensation. Annapurna expects that the performance based compensation or “**Incentive Allocation**” will range from 15% to 20%, subject to each Fund’s Offering Documents.

The Firm or its affiliates, in their sole discretion, may waive, reduce or calculate differently the Incentive Allocation for any investor of a Fund.

Expenses

In addition to paying investment Management Fees and/or Incentive Allocations to the Firm or its affiliate, each Fund will bear all of its operating and its pro rata share of the operating expenses of its “master fund” (as applicable), including subsidiaries, intermediate funds and/or special purpose vehicles through which such Fund invests or intends to invest (collectively, the “**Fund Expenses**”), including such costs incurred at or prior to the formation of such Fund and prior to the initial closing date of such Fund, which expenses will include, without limitation:

(a) all costs and expenses incurred in connection with such Fund’s and its master fund’s formation and the marketing, offering and sale of the interests or shares in such Fund, including, but not limited to, legal and accounting fees and expenses, registration fees, filing fees and all costs and expenses incurred in connection with the preparation of offering and organizational documents, due diligence questionnaires, marketing and similar materials, and drafting and negotiating contracts with service providers, in each case, at or prior to the formation of such Fund or prior to the initial closing of such Fund;

(b) expenses associated with all investments and transactions considered, evaluated and/or consummated by such Fund, or any other trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles, as well as overall consideration and evaluation of such entities’ portfolio, including, without limitation, those expenses incurred before the initial closing date of the Funds, including, without limitation, expenses associated with sourcing, negotiating, investigating, researching, financing and structuring of investments and potential investments, whether or not consummated, including, without limitation, data and research on-boarding, ingestion, aggregation, and analysis, third-party research, data (including “big data” or “alternative data”), analytics, modeling, risk, structuring, pricing, execution and other third-party information, technology, hardware, software or other technology systems, including, without limitation, installation and maintenance, software and service fees (including, without limitation, the expenses with respect to data, data feeds, subscriptions, expert networks, political intelligence providers and reports);

- (c) the costs of research-related computer hardware and software expenses, including, without limitation, Bloomberg terminals and subscriptions and other market information systems, as well as the costs of research management systems and corporate access tracking systems;
- (d) the costs of the Firm's portfolio management system and any other software used for accounting and/or monitoring of the Fund's portfolio, including, without limitation, subscriptions relating to, among other things, trading and order management systems and services;
- (e) expenses associated with holding, financing, monitoring, hedging, maintaining and disposing of all investments and all transaction and other costs associated therewith, including, without limitation, expenses associated with proxy research and voting services;
- (f) travel and related expenses associated with investments and potential investments;
- (g) professional fees associated with investments and potential investments, including, without limitation, consulting, due diligence, accounting, valuation, financial, legal and other advisory fees and expenses;
- (h) transaction fees, brokerage commissions, custodial fees, clearing and settlement charges and similar fees and expenses associated with the acquisition, disposition and settling of investments and potential investments, including, without limitation, fees, expenses and commission paid in connection with outsourced trading;
- (i) expenses associated with legal and regulatory filings of such Fund, including subsidiaries, intermediate funds and/or special purpose vehicles, in the United States, the Cayman Islands, or in any other jurisdiction, including, without limitation, pursuant to Sections 13 and 16 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), as well as the expenses associated with preparation and filing of the Firm's Form 13F, Form 13H, and Form PF, if applicable, and any other similar filing in any other U.S. or non-U.S. jurisdiction;
- (j) administrative, custodial, appraisal, valuation, legal, regulatory, compliance, consulting, advisory and similar fees, and expenses associated with each Fund's or other trading vehicles', including subsidiaries', intermediate funds' and/or special purpose vehicles', operations, investments and transactions, including, without limitation, fees and expenses of such Fund's administrator;
- (k) expenses incurred in connection with responding to requests or inquiries from any U.S. federal, state, local or non-U.S. governmental entity or authority, regulatory body or self-regulatory organization with respect to such Fund, or other trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles;
- (l) broken-deal, failed transaction, break-up and similar fees, costs and expenses (if any);
- (m) costs and expenses of leverage or any other borrowings of each Fund, or other trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles, including, without limitation, interest charges and fees;
- (n) expenses incurred in the collection of monies owed to the Funds, or other trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles, as applicable;
- (o) auditing and accounting expenses, including, without limitation, expenses associated with the preparation of financial statements, tax returns and Schedules K-1, and the fees and expenses of the auditor;
- (p) any taxes, fees or other governmental charges;

- (q) costs and expenses associated with investor communications and reports and the delivery thereof to investors;
- (r) the costs of service providers or software to measure or monitor risk metrics, to aggregate positions and/or to provide reporting with respect to risk metrics and/or positions;
- (s) costs and expenses associated with meetings of the a Fund's Investors, including, without limitation, the reasonable costs of the Firm personnel travel to such meetings;
- (t) insurance expenses, including, without limitation, general partner liability insurance and other policies, if any, including directors' and officers' liability insurance and errors and omissions insurance;
- (u) costs and expenses (including, without limitation, taxes, fees or other governmental charges) associated with the formation, organization and operation of any trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles, or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of such Fund or such trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles;
- (v) wind-up, liquidation, termination and dissolution expenses of such Fund or any trading vehicle;
- (w) costs, fees, and expenses related to registration, qualification and/or exemption under any applicable U.S. federal, state, local or non-U.S. laws, rules or regulations, including, without limitation, blue sky fees, Form D, Form 8.3, CFTC filings and notices and other securities and/or investment-related filing expenses;
- (x) costs related to any transfers of interests or shares of such Fund, unless otherwise charged to or borne by the applicable transferor and/or transferee;
- (y) expenses incurred in connection with the preparation of, and any amendment to, the governing documents of such Fund, the subscription agreements, and the private placement memorandum of such Funds, as well as the preparation of, compliance with and amendment to any side letter agreement entered into by such Fund;
- (z) expenses incurred in connection with pursuing, defending or participating in any litigation, arbitration, mediation or similar proceeding by such Fund or any other trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles;
- (aa) any extraordinary expenses (including, without limitation, all litigation-related and indemnification and contribution expenses, including, without limitation, the amount of any judgment or settlement paid in connection therewith);
- (bb) fees of the independent members of the advisory committee and any other governance board;
- (cc) the Management Fee; and
- (dd) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of such Fund, or other trading vehicles, including subsidiaries, intermediate funds and/or special purpose vehicles, including, without limitation, any other cost that may otherwise be paid with soft dollars pursuant to Section 28(e) of the Exchange Act.

Generally, all expenses borne by a Fund, other than the Management Fee and any expenses that the Firm or its affiliate determines should be allocated to a particular investors of such Fund, will be allocated on a pro rata basis in accordance with such investor's participation percentages. The Firm or its affiliate may, however, allocate expenses on another basis, including by allocating certain expenses to certain (which

may be less than all) investors of such Fund, if the Firm or its affiliate determines that such an allocation is more equitable or otherwise required by applicable law, rule or regulation.

Further, the Firm or its affiliate will have the right to charge any Investor of such Fund, and not treat as a Fund Expense, any expense attributable to a single investor or group of Investors.

From time to time, the Firm and/or its affiliates may elect to bear certain expenses on behalf of a Fund that are Fund Expenses. The Firm and/or their affiliates will not have any obligation to bear such expenses and may elect at any time (in whole or in part) to no longer bear such expenses on behalf of such Fund.

To the extent that expenses to be borne by a Fund are paid by Firm or its affiliates, such Fund will reimburse such party for such expenses. Each Fund does not have a pre-determined limit on its ordinary or extraordinary operating expenses. Each Fund's actual annual operating expenses are disclosed in such Fund's year-end audited financial statements, which are provided to each investor of such Fund. To the extent that Fund Expenses are attributable to multiple Clients, such amounts will be allocated in accordance with the Firm's expense allocation policy, pursuant to which the Firm generally will allocate such expenses pro rata- based upon the respective net asset values of such applicable Clients or respective size of investment by such applicable Clients in an underlying investment, as applicable. Notwithstanding the foregoing, the Firm may make non-pro rata allocations as it determines in its good faith discretion.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

As described in Item 5 above, Annapurna will be entitled to receive performance-based compensation in the form of the Incentive Allocation.

We have an incentive to dispose of a Client's investments at a time and in a sequence that would generate the most performance-based compensation, even if it would not be in the Fund's interest to dispose of the investments in that manner.

Item 7: Types of Clients

Annapurna's only clients are the Funds, as described in Item 4 above. The Offering Documents of each Fund may set minimum amounts for investment by prospective Investors in such Fund. These minimum amounts may be waived by the Firm. Investment advice is provided directly to the Funds and not individually to Investors in the Funds.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to the Funds, and investment strategies pursued and investments made by us on behalf of the Funds, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Fund's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Each Investor in a Fund should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

Certain Funds expect to employ a multi-asset and multi-geography strategy with the goal of generating superior risk adjusted returns over the business cycle with a negative correlation to equity markets. To

achieve this goal, such Funds will aim to generate outsized positive returns in high-volatility environments and to generate flat to positive returns in low-volatility environments. The underpinning of such Funds' investment strategy is the identification of pricing anomalies in derivatives, particularly in the pricing of volatility in option markets. This analysis spans various asset classes, including interest rates, equity, FX, credit and commodities.

All investments, including a Fund's investments, risk the loss of capital. The Firm believes that the Funds' investment program and research techniques moderate this risk through a careful selection of investments and assets and through the use of certain hedging techniques. No guarantee or representation is made (and no such guarantee or representation could be made) that a Fund's program will be successful.

Risk of Loss Factors

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us. It should be noted that other risk factors may apply to such an investment that are not identified in this Brochure or in the applicable Offering Document.

Strategy and Investment Risks

Risk of Loss

No guarantee or representation is made that any Fund's investment program, including the 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.

Risks Relating to the Volatility of Options

While volatility can create profit opportunities for a Fund, it can also result in such Fund incurring significant losses. At any given time, different market participants will have different views on the level of market volatility; if the Firm incorrectly estimates market volatility, the Firm will misprice the options which it trades which may result in the Funds incurring significant losses.

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 the Funds 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 the Funds' portfolios. The effect of the use of leverage by the Funds in a market that moves adversely to its investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged.

Borrowing for Cash Management Purposes

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

Collateral

The instruments and borrowings utilized by the Fund to leverage investments may be collateralized by all or a portion of the Fund's portfolio. Accordingly, the Fund 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 the Fund's margin accounts decline in value, the Fund could be subject to a "margin call", pursuant to which the Fund 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 the Fund 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 the Fund may have similar rights. There can be no assurance that the Fund 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 the Fund's portfolio.

Lending of Portfolio Securities

The Fund may lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Diversification and Concentration

The Firm may select investments that are concentrated in a limited number or types of securities. In addition, the Fund's portfolio may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

Lack of Control

The Fund may invest in debt instruments and equity securities of companies that it does not control, which the Fund 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 the Fund does 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 the Fund's

interests. In addition, the Fund may share control over certain investments with co-investors, which may make it more difficult for the Fund 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 the Fund and the Investors' investments therein.

Hedging Transactions

The Fund may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Fund's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Fund's 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 the Fund's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Fund's securities; (vii) protect against any increase in the price of any securities the Fund anticipates purchasing at a later date; or (viii) act for any other reason that the Firm deems appropriate. The Fund 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 the Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund 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.

Short Selling

General Risk

The success of the Funds' short selling investment strategy depends upon the Firm's 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 the Funds of buying those securities to cover the short position.

Borrowing and Counterparty Risk

There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds 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.

Even though the Funds 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 the Funds 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 the Funds.

In addition, the Funds may be required to provide additional margin to its counterparties, including its prime brokers, on short notice if the price of a Security underlying a short position suddenly rises. If the Funds are unable to deliver the additional margin required, the Funds may need to prematurely close out the short position at unattractive prices, thereby resulting in a substantial loss. Depending on the timing and magnitude of a price increase in respect of an open short position, the Funds may be required to liquidate long

positions to meet margin requirements, thereby further increasing the losses (or decreasing the gains) of the Funds.

Further, fees charged to the Funds for borrowing securities may be substantial, and will decrease any gains (or increase losses) associated with a short position.

Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the OTC 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 the Funds may be entirely dependent on the willingness of OTC 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.

Short-Squeeze Risk

A so-called “short squeeze” can occur when the price of securities in which the Funds have an open short position rise sharply 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 Security, resulting 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 the Funds 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 the Funds’ short positions, including, without limitation, as a result of legally-required reporting with respect to the Funds’ ownership of options to purchase the underlying Security being shorted.

Legal Restrictions and Reporting-Related Risk

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 the Funds invest may be materially affected and the ability of the Firm to take advantage of opportunities for short selling may be significantly reduced.

Specifically, on October 13, 2023, the SEC adopted new rule 13f-2 (“**Rule 13f-2**”) of the Exchange Act. Rule 13f-2 requires institutional Firms to report equity security short positions to the SEC on new Form SHO. While the Form SHO information that the Firm will file with the SEC (if any) is treated as confidential, the SEC plans to publish aggregated data derived from Form SHO submissions within a month of the end of each reporting period. This information published by the SEC will be the aggregated gross short position for each class of equity security and the aggregate of the net activity reported by all reporting managers for each equity security. In addition, each month the SEC also plans to publish similar aggregated Form SHO data for the prior 12 months that reflect updated information that accounts for any changes that result from amendments and restatements to Form SHO filings. Rule 13f-2 will go into effect on January 2, 2024. However, compliance with the Rule 13f-2 reporting requirements will not be required until 12 months later, January 2025, with the SEC commencing the publication of aggregated short

position data collected under Rule 13f-2 three months later. In addition, in December 2023, several industry groups sued the SEC to invalidate the rule, although it is not clear whether the case will be resolved before market participants will need to comply with the rule's requirements.

While the short position information provided by the Firm to the SEC will be confidential and not available to the public, market participants will now have monthly visibility, albeit on an aggregate basis, into the magnitude of open short positions with respect to a particular issuer. The disclosure that will be provided pursuant to Rule 13f-2 increases the risk that a "short squeeze" could occur in one or more short positions maintained by the Funds because market participants will now have broad and regularly recurring information regarding the open short positions.

Discretion of the Firm; New Strategies and Techniques

While the Firm will generally seek to employ the representative investment strategies and techniques discussed herein, the Firm (subject to the policies and control of the Fund General Partner, in its capacity as general partner of the Fund) has considerable discretion in the types of securities the Fund may trade and has the right to modify the investment strategies and techniques of the Fund without the consent of the Investors. New investment strategies and techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses to the Fund. In addition, any new investment strategy or technique developed by the Fund may be more speculative than earlier investment strategies and techniques and may involve material and as-yet-unanticipated risks that could increase the risk of an investment in the Fund.

Risks Relating to Methods of Analysis

Quantitative Analysis

Quantitative Model Risk and Risk Management Danger

There can be no assurance that the models used by the Firm will continue to be viable. The use of a model that is not viable or not completely viable could, at any time, have a material adverse effect on the performance of the Funds. There can be no assurance that the Funds will achieve its investment objectives or that the models (even if completely or partially viable) will continue to further or ultimately be capable of furthering the Funds' investment objectives.

In addition, given that the systems can execute trades autonomously, undesired results may only be detected after the fact, perhaps after a significant number of transactions have occurred.

Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be subject to misinterpretation. In the complex environment in which the Firm operates, effective risk management depends upon many factors, not all of which may be properly identified, and effective assessment, analysis, process creation, control or treatment of risks could be difficult to implement. For the sake of clarity and without limitation, though losses arising from quantitative model risks could adversely affect the Funds' performance, such losses would likely not constitute reimbursable Trade Errors under the Firm's policies or the Investment Management Agreement.

At times the Firm may manually override or shut down the operations of a quantitative model. This would generally be done in an effort to mitigate the damage from a deteriorating or malfunctioning model or a model that is reacting negatively to unforeseen market conditions. Such an override or intervention could result in greater losses than would be the case if there had been no intervention and/or could result in the model being overridden or inactive at a time when the model would have achieved gains for the portfolio.

Obsolescence Risk

The Funds are unlikely to be successful unless the assumptions underlying the models are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and the Firm does not successfully address such omission through its testing and evaluation and modify the models accordingly, major losses may result. The Firm will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. Any modification of the models or strategies will not be subject to any requirement that Limited Partners receive notice of the change or that they consent to it. There can be no assurance as to the effects (positive or negative) of any modification on the Funds' performance. For the sake of clarity and without limitation, though losses arising from obsolescence risks could adversely affect the Funds' performance, such losses would likely not constitute reimbursable Trade Errors under the Firm's policies or the Investment Management Agreement.

Crowding/Convergence

There is significant competition among quantitatively-focused managers and the ability of the Firm to deliver returns that have a low correlation with the broader global markets and other hedge funds is dependent on its ability to employ models that are simultaneously profitable and differentiated from those employed by other managers. To the extent that the Firm is not able to develop sufficiently differentiated models, the Limited Partners' investment objectives may not be met, irrespective of whether the models are profitable in an absolute sense. In addition, to the extent that the Firm's models come to resemble those employed by other managers, the risk that a market disruption that negatively affects predictive models will adversely affect the Funds is increased, as such a disruption could accelerate reductions in liquidity or rapid repricing due to simultaneous trading across a number of funds in the marketplace. For the sake of clarity and without limitation, though losses arising from crowding/convergence risks could adversely affect the Funds' performance, such losses would likely not constitute reimbursable Trade Errors under the Firm's policies or the Investment Management Agreement.

Risk of Programming and Modeling Errors

The research and modeling process engaged in by the Firm is extremely complex and involves financial, economic, econometric and statistical theories, research and modeling; the results of that process must then be translated into computer code. Although the Firm seeks to hire individuals skilled in each of these functions and to provide appropriate levels of oversight, the complexity of the individual tasks, the difficulty of integrating such tasks, and the limited ability to perform "real world" testing of the end product raise the chances that the finished model may contain an error. For the sake of clarity and without limitation,

though losses arising from programming and modeling errors could adversely affect the Funds' performance, such losses would likely not constitute reimbursable Trade Errors under the Firm's policies or the Investment Management Agreement.

Involuntary Disclosure Risk

The ability of the Firm to achieve its investment goals for the Funds is dependent in large part on its ability to develop and protect its models and proprietary research. The models and proprietary research and the Models and Data are largely protected by the Firm through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer the Firm's models, and thereby impair the relative or absolute performance of the Funds.

Proprietary Trading Methods

Because the trading methods employed by the Firm on behalf of the Funds are proprietary to the Firm, a Limited Partner will not be able to determine any details of such methods or whether they are being followed.

Technical Trading Strategies

The buy and sell signals generated by certain strategies of the Funds are not based on any analysis of fundamental supply and demand factors, general economic factors or anticipated world events but generally upon factors such as studies of actual daily, weekly and monthly price fluctuations, volume variations, changes in open interest and correlations and variance measures. The profitability of any technical trading strategy depends upon occurrence in the future of major price moves or trends in the instruments traded. In the past there have been periods without discernible trends and presumably similar periods will occur in the future. The best trading strategy will not be profitable if there are no trends of the kind it seeks to follow. In addition, a technical trading strategy may be profitable for a period of time, after which the strategy fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their strategy on a periodic basis. Any factor that may lessen the prospect of major trends in the future (for example, as increased governmental control of, or participation in, the markets) may reduce the prospect that the strategy will be profitable. Any factor that would make it more difficult to execute trades at the strategy's signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

Spread Trading

A part of the Firm's strategy may involve spread positions between two or more securities positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably, thus causing a loss to the spread position. The Firm's strategy also may involve arbitraging among two or more securities. This means, for example, that the Firm may cause the Funds to purchase (or sell) securities (on a current basis) and take offsetting positions in the same or related securities. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price

differential could change unfavorably causing a loss to the position. Moreover, the arbitrage business is extremely competitive, and many of the major participants in the business are large investment banking firms with substantially greater financial resources, larger research staffs and more investment professionals than will be available to the Firm. Arbitrage activity by other larger firms may tend to narrow the spread between the price at which the Firm may cause the Funds to purchase a Security and the price the Firm expects that the Funds will receive upon consummation of a transaction.

Model and Data Risk

The Firm will rely heavily on quantitative and systematic models (both proprietary models developed by the Firm, and those supplied by third parties) and information and data supplied by third parties (“**Models and Data**”). Models and Data can be used to construct sets of transactions and investments, to value investments or potential investments (whether for trading purposes, or for the purpose of determining the net asset value of the Funds), to provide risk management insights, and to assist in hedging the Funds’ exposure.

When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the Funds to potential risks. For example, by relying on Models and Data, the Firm may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful.

All models rely on correct market data inputs. Because the Firm’s models are usually constructed based on, or employ, historical or current market data supplied by third parties, the success of relying on Models and Data may depend heavily on the accuracy and reliability of the supplied data, which can contain errors.

For the sake of clarity and without limitation, though Model and Data risks could adversely affect the Funds’ performance, losses that arise as a result of the use of Models and Data likely would not constitute reimbursable Trade Errors under the Firm’s policies or the Investment Management Agreement.

Self-Trades

The Firm utilizes both traditional, fundamental analysis as well as model and program-driven algorithmic investment processes. These two investment processes are operated separately and independently; as a result, at times, trade orders that are offsetting positions may be placed for a single client at the same time, and it is possible that some of these may be filled against each other. While the Firm has policies and procedures intended to reduce the chances of “self-trades” occurring, it is likely that they will occur from time to time. Historically, regulators and self-regulatory organizations have typically held that self-trades are presumptively manipulative and, while the Firm would attempt to demonstrate that any self-trades involving the Funds are inadvertent and not manipulative, there is a risk that an exchange or another regulator would commence an action against the Firm.

Correlation Risk

The Funds may be exposed to correlated risks. These occur when funds and other investors hold similar positions and employ similar strategies, resulting in intensified risks leading to potential cascading loss in times of market stress.

Quantitative traders can be particularly susceptible to this type of correlation risk as a result of convergence in their automated trading algorithms and positions held. The high leverage and hedging techniques that many arbitrage-driven quantitative hedge fund managers use can further magnify the effects of correlation risk.

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 the Funds' trading strategies, the Funds 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, the Funds may incur losses.

Risks Relating to Specific Investments

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 the Funds will participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on the Funds.

Regulation in the Derivatives Industry

There are many rules related to derivatives that may negatively impact the Funds, 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 the Funds, 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 the Funds.

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

These regulations may also result in the Funds 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 the Funds from a regulatory perspective. However, this could limit the Funds' trading activities, create losses, preclude the Funds from engaging in certain transactions or prevent the Funds 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 the Funds:

Reporting

Most swap transactions have become subject to anonymous “real time reporting” requirements, meaning that information relating to transactions entered into by the Funds will become visible to the market in ways that may impair the Funds’ ability to enter into additional transactions at comparable prices or could enable competitors to “front run” or replicate the Funds’ 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 the Funds in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Funds would be exposed under non-cleared derivatives), the Funds 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 Funds 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 OTC markets. The Funds may have to split its derivatives portfolio between centrally cleared and OTC 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 the Funds may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the Funds’ 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 the Funds to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on the Funds. 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 the Funds to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Funds. In addition, clearinghouses may not allow the Funds to portfolio-margin its positions, which may increase the Funds' 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 the Funds 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 Funds' FCM, subjecting the Funds 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 the Funds to subject itself to regulation by these venues and subject the Funds 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 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 the Funds 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 the Funds will be required to post to swap counterparties may increase by a material amount, and as a result the Funds may not be able to deploy capital as effectively. Additionally, to the extent the Funds are required to segregate initial margin with a third party custodian, additional costs will be incurred by the Funds.

Call and Put Options

The Funds 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.

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 the Funds 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 the Funds 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, the Funds may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Funds to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Funds 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, the Funds will pay a premium regardless of whether there is a credit event.

Futures Contracts

The value of futures contracts depends upon the price of the 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 the Funds' 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 the Funds from promptly liquidating unfavorable positions and subject the Funds

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, the Funds 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

The Funds 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 wide spread 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 the Funds. In its forward trading, the Funds 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 the Funds trade. Fund 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 the Funds in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the Funds 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 the Funds' obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase the Funds' financial risk.

Failure to Enter into Offsetting Trade

To the extent the Funds invest in a futures contract or long option, unless an offsetting trade is made, the Funds 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, the Funds may suffer a loss since neither the Funds nor the Firm has the operational capacity to accept physical delivery of commodities.

Exotic Options

Exotic options are typically, but not always, traded OTC. 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. The Funds 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 customised, 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.

Commodities. 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. The Funds and the Firm have no control over the factors that affect the price of commodities. Accordingly, the value of the Funds' investments could change substantially and in a rapid and unpredictable manner.

Currencies

A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Funds 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.

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, the Funds 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 the Funds have not hedged against such a general move. The Funds 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.

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 the Funds' investments may not adequately compensate for the business and financial risks assumed.

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.

Market Making by Dealers

The value of the Funds' 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 the Funds' profitability or result in losses.

Interest Rate Risk

Changes in interest rates can affect the value of the Funds' investments in fixed-income instruments. Increases in interest rates may cause the value of the Funds' debt investments to decline. The Funds 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 the Funds' portfolio 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 the Funds' 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 OTC 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, the Funds 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.

The Funds 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, the Funds may be paid interest in kind in connection

with its investments in corporate debt and related financial instruments (e.g., the principal owed to the Funds 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, the Funds 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 the Funds 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 the Funds or similar event, the Funds' debt investment therein will be subject to fraudulent conveyance, subordination and preference laws.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to any Fund's (or Investor's) or a 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 Affiliations

Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

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

Code of Ethics

Annapurna has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds and investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics' Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Personal Securities Trading

Employees are required to direct their brokers to send duplicate copies of personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with Annapurna's "**Personal Trading Policy**." Employees are prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm's "**Restricted List**."

Employees must obtain pre-approval from the CCO before: (i) trading "**Reportable Securities**" (as defined in the Code of Ethics, and which includes a wide variety of investments such as stocks, bonds, fixed income, options, warrants, futures, and derivatives); (ii) engaging in any outside business activities; or (iii) making any private investments.

We will provide a copy of our Code of Ethics to any Investor or prospective Investor, upon request.

Managing the Firm's Clients

Conflicts of interest may arise, at times, from the fact that the Firm is expected to provide investment management services to a variety of Clients. In general, Clients will have investment objectives, programs, strategies and positions that are similar to or conflict with each other, or in a sense can be competing with each other for the same investment opportunities. Some Clients may have the ability to hedge and make other decisions that could be contrary to or conflict with the investment decisions being made on behalf of other Clients. Such conflicts could affect the prices and availability of securities in which the Clients invest. In addition, even if one Client's account has investment objectives, programs or strategies that are similar to those of another, the Firm may at times give advice or take actions with respect to the investments held by, and transactions of, one Client account that differs from the advice given or the timing or nature of actions taken with respect to the investments held by, and transactions of, other Client accounts for a variety of reasons, including differences between investment strategies, Client restrictions, market conditions, regulatory considerations and tax treatment of the accounts. As a result, Client accounts at times have different portfolios and investment returns. Conflicts of interests also arise from time to time when the Firm makes decisions on behalf of a Client with respect to matters where the interests of the Firm or one or other Client accounts differs from the interests of the first Client.

Item 12: Brokerage Practices

Factors Considered in Selecting Broker-Dealers

The Investment Manager has complete discretion in deciding which Securities are bought and sold, the amount and price of those Securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

Portfolio transactions for the Funds will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Investment Manager and/or certain Accounts, but not beneficial to all Accounts. Subject to the Investment Manager's duty to seek best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Investment Manager may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: the ability of the brokers and dealers to effect the transaction; the brokers' or dealers' facilities, reliability and financial responsibility; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the prices and commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. The Investment Manager need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Manager nor the Funds separately compensate any broker or dealer for any of these other services.

The Investment Manager maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

Soft Dollars

From time to time, the Investment Manager may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Investment Manager will effect such transactions, and receive 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 Investment Manager believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with “soft dollars” generated by the Funds may be used by the Investment Manager to service one or more Other Accounts, including Accounts that may not have paid for the soft dollar benefits. The Investment Manager will not seek to allocate soft dollar benefits to Accounts in proportion to the soft dollar credits the Accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Investment Manager (i.e., a “mixed use” item), the Investment Manager 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 Investment Manager’s allocation of the costs of such benefits and services between those that primarily benefit the Investment Manager and those that primarily benefit the Accounts.

When the Investment Manager uses brokerage commissions (or markups or markdowns) generated by any Accounts to obtain research or other products or services, the Investment Manager receives a benefit because it does not have to produce or pay for such products or services. While the Investment Manager is obligated to seek best execution for each Account, the fact that the Investment Manager can obtain or receive such products or services may create an incentive for it to select or recommend a particular broker-dealer based on the Investment Manager’s interests, to the exclusion of another broker-dealer that offers business terms that are also favorable to one or more Accounts.

At least annually, the Investment Manager considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Accounts on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Investment Manager make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer,

nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

Capital Introduction

From time to time, brokers (including the Prime Brokers) may assist the Funds in raising additional funds from investors. Additionally, brokers may provide capital introduction and marketing assistance services, and representatives of the Investment Manager may speak at conferences and programs sponsored by the brokers, for investors interested in investing in private investment funds. Through such events, prospective investors in the Fund may encounter representatives of the Investment Manager. Brokers may also provide other services, including consulting services relating to technology and office space. Although neither the Investment Manager nor the Fund compensates brokers for such assistance, events or services, or for any investments ultimately made by prospective investors attending such events, such activities may influence the Investment Manager in deciding whether to use such broker in connection with brokerage, financing and other activities of the Funds. Subject to its obligation to seek best execution, the Investment Manager may consider referrals of investors to the Funds in determining its selection of brokers. However, the Investment Manager will not commit to an investor or a broker to allocate a particular amount of brokerage in any such situation.

Custody

The Investment Manager will be deemed to have custody of client funds and Securities because it will have the authority to obtain client funds or Securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account.

The Investment Manager will be subject to Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”). However, it will not be required to comply (or will be deemed to have complied) with certain requirements of the Custody Rule with respect to the Fund because it will comply with the provisions of the so-called “**Pooled Vehicle Annual Audit Exception**”, which, among other things, requires that the Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its Fiscal Year.

Each Prime Broker is a “qualified custodian” as such term is defined in the Custody Rule. The Investment Manager will maintain client assets in compliance with the Custody Rule.

Item 13: Review of Accounts

Our Chief Investment Officer and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the Funds' Offering Documents. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

We perform various periodic reviews of each Client's portfolio. Such reviews are conducted by our officers.

We will distribute an audited financial report with respect to the previous fiscal year to all Investors in the Funds within 120 days of fiscal year end. We may also distribute quarterly unaudited net asset value statements, quarter-end performance reports, and a quarterly investor letter to all Investors.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person for client referrals.

Item 15: Custody

Under Rule 206(4)-2 of the Advisers Act (the “Custody Rule”), Annapurna will be deemed to have custody of Client funds or securities in any circumstances under which (i) Annapurna actually possesses funds or securities, (ii) Annapurna is authorized to withdraw funds or securities from a Fund, or (iii) Annapurna or a related person serves in a legal capacity, such as general partner, which affords Annapurna access to funds or securities of the Funds.

We will comply with the Custody Rule by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund’s annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), we will distribute the Funds’ audited financials, which will be prepared in accordance with GAAP to Investors within 120 days of such Fund’s fiscal year end.

Item 16: Investment Discretion

We will have full discretionary investment authority with respect to the Funds as described in each Fund’s Offering Document, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities.

Item 17: Voting Client Securities

In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the “proxy voting rule”), we have adopted proxy voting policies and procedures. The Firm’s general policy is not to vote proxy proposals, amendments, consents or resolutions (collectively, “**Proxies**”).

Item 18: Financial Information

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Funds, and have not been the subject of a bankruptcy petition at any time during the past ten years.