

FORM ADV PART 2A: FIRM BROCHURE



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ADDITIONAL INFORMATION ABOUT VATIC INVESTMENTS, LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

MATERIAL CHANGES

This brochure, dated March 28, 2024, is an annual update. The following material information has changed since our last updated brochure, dated October 13, 2023.

- Vatic has updated the amount of its discretionary assets under management as of March 28, 2024.

Investors are encouraged to review this updated brochure in its entirety.

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ADVISORY BUSINESS

Vatic Investments, LLC (“Vatic”) is a Delaware limited liability company and was formed on March 6, 2017. Vatic was founded and is indirectly principally owned and controlled by James Chiu. Its principal place of business is located in New York, New York.

Vatic is a discretionary investment adviser that previously managed the assets of a family of open-ended private investment funds. Vatic may continue to provide investment advice to private funds or separately managed client accounts or provide investment advice in a sub-advisory capacity. In addition to offering investment advisory services, Vatic also serves as commodity pool operator to an open-ended commodity pool utilizing Vatic’s high frequency futures trading system (the “HFT Pool”), which is organized as a Delaware limited liability company, as further described below under “*Other Financial Industry Activities and Affiliations*.” The HFT Pool does not engage in securities trading and therefore is not an investment advisory client of Vatic within the meaning of the Investment Advisers Act of 1940, as amended (the “Advisers Act”).

Vatic seeks to deploy a “statistical arbitrage” investment strategy which attempts to profit from the application of quantitative and statistical methods to a variety of datasets. In pursuing this investment strategy, Vatic trades primarily (whether directly or indirectly through other investment vehicles) U.S. and international equity and equity-like securities (i.e., common stock, single stock swaps and exchange-traded funds (“ETFs”)). Vatic may also pursue futures-based or option-based strategies and may also trade such other financial instruments or interests, including, but not limited to, “new issues,” options, other swaps and futures contracts and such other financial instruments or interests as Vatic deems appropriate.

Vatic will tailor its advisory services in respect of advisory clients to each such client’s investment objectives, restrictions and guidelines as communicated to Vatic by each such client (and, with regard to private funds, in accordance with such fund’s confidential offering memorandum, limited partnership agreement and/or other governing documents, as applicable); however, clients are generally not permitted to impose restrictions on investing in specific financial instruments or types of financial instruments, except as Vatic may otherwise agree in a particular case. Vatic’s investment advisory services are further described below under “*Methods of Analysis, Investment Strategies and Risk of Loss*.” Vatic does not participate in any wrap fee programs.

As of March 28, 2024, Vatic had no client assets under management, but is actively pursuing new client engagements.

FEES AND COMPENSATION

Vatic or its affiliates may charge asset-based management fees. Such compensation is subject to negotiation between Vatic and each client. In addition, Vatic (or an affiliate) may also receive a performance-based allocation, as further described in “*Performance-Based Fees and Side-by-Side Management*” below.

Vatic may, in its sole discretion, waive, reduce, or otherwise modify the fees it charges to certain investors (e.g., early-stage investors in a private fund), including Vatic’s affiliates and its and their members, officers, directors and employees.

Other Fees and Expenses. Clients may incur other fees and expenses in connection with Vatic's advisory services. Fees are negotiated with each client and/or are otherwise set forth in a private fund's governing documents (as applicable). The operating expenses to be borne by a client will be subject to agreement with the client, and generally may include (but are not necessarily limited to), as applicable: (i) brokerage fees and commissions and other transaction costs and investment-related expenses incurred in connection with the client's or relevant private fund's investment and trading activities; (ii) custody charges; (iii) any interest, fees (including commitment fees), and costs of fund-related borrowings (including borrowings related to positions held on margin); (iv) expenses and filing fees related to the ongoing offering of interests in such relevant private funds; (v) routine operational costs such as printing and duplication expenses, legal, accounting, director services, bookkeeping, recordkeeping, licensing fees and related support expenses for order and execution management systems, treasury systems and/or risk management systems, shadow accounting expenses, including licensing fees and expenses of managed services, auditing, consulting and other professional expenses, administration (including the costs and expenses of the fund administrator, including additional fees for ancillary services), clerical and tax preparation expenses; (vi) E&O, D&O, cyber or any other form of insurance related to such relevant private funds and their management and operations; (vii) exchange, board of trade or other trading or execution facility membership or participation expenses; (viii) market data, price quote data and other data, including, but not limited to, research data and alternate data, newswire and data processing expenses, cloud computing and cloud data storage fees and expenses, and connectivity charges; (ix) fees and costs payable in connection with preparing and mailing reports to investors in such relevant private funds; (x) compliance related fees and expenses, and fees and expenses associated with preparing and submitting regulatory filings (e.g., expenses relating to the preparation and filing of SEC Form PF, CFTC Form CPO-PQR and NFA Form PQR and the expenses relating to such relevant private funds' registration as an alternative investment fund manager for purposes of and as defined in Directive 2011/61/EU of the European Parliament and of the Council of June 8, 2011 on Alternative Investment Fund Managers (AIFMD)); (xi) all other ordinary and out-of-pocket expenses of such relevant private funds; (xii) all taxes (if any) imposed on any such relevant private fund (or that any such relevant private fund is required to withhold or pay with respect to any of its investors), and fees payable to governments or agencies; (xiii) annual registration fees; and (xiv) extraordinary expenses (e.g., litigation costs (including expenses incurred in connection with any settlement related to a portfolio investment), indemnification obligations (including indemnification of any person indemnified under the offering documents of such relevant private funds or any other agreements to which such relevant private fund is party), expenses of registering such relevant private funds with any governmental agency under the requirements of any applicable law, and costs incurred in connection with a reorganization or restructuring of such relevant private funds), if any.

PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Vatic or its affiliates may charge performance-based compensation. Such compensation is subject to negotiation between Vatic and each client.

Conflicts of Interest Related to Performance-Based Compensation and Varying Fee Rates. Vatic and/or its affiliates may receive performance-based compensation as described above. Performance-based compensation creates certain inherent conflicts of interest with respect to the management of assets. Specifically, Vatic's and its affiliates' entitlement to performance-based compensation may create an incentive for Vatic and its affiliates to take risks in managing assets that they would not otherwise take in the absence of performance-based compensation.

Vatic's investment advisory services may be provided to varied types of clients, including, for example, private funds and/or separately managed accounts, certain of which may pay higher levels of compensation

to Vatic than others. This would give rise to a potential conflict of interest, since Vatic may have an incentive to favor certain clients that pay higher amounts of performance-based or other compensation to Vatic and/or its affiliates over other clients that pay lower amounts of such compensation, for example, by seeking to direct more profitable investments to clients that are subject to more lucrative compensation arrangements with Vatic or its affiliates. However, Vatic's Code of Ethics prohibits the allocation of investment opportunities based on anticipated compensation or profits to Vatic or its affiliates. For a discussion of potential conflicts of interest that may exist, please see "*Methods of Analysis, Investment Strategies and Risk of Loss*" and "*Code of Ethics, Participation or Interest in Client Transactions*" below.

TYPES OF CLIENTS

Vatic seeks to provide investment advisory services to private funds, but may seek to advise other clients in the future. Vatic does not impose any minimum account size requirements, but may, in the future, negotiate specific minimum investments and/or account size requirements in a client agreement or a private fund's governing documents, as applicable.

To the extent that Vatic provides investment advice to private funds, such funds typically rely upon the exclusion from the definition of an "investment company" described in Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "1940 Act"). Accordingly Vatic generally limits such fund investors to "qualified purchasers" as defined in Section 2(a)(51) of the 1940 Act.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Vatic typically deploys "statistical arbitrage" strategies, which attempt to profit from the application of quantitative and statistical methods to a variety of datasets.

In implementing a statistical arbitrage strategy, historical price relationships are generally modeled with statistical and mathematical techniques using historical data. The models will generally seek to profit from pricing effects which may occur due to market reactions to relevant events, deviations from or occurrence of certain statistical patterns, dislocations resulting from temporary imbalances of supply and demand, or inefficiencies resulting from the behavior of other market participants. Positions are entered into when the models indicate that there is an opportunity to profit from anticipated price movements. For example, the strategy may result in the Vatic recommending/buying "long" securities that Vatic's statistical analysis indicates are underpriced, and recommending/selling "short" securities, that such analysis indicates are expensive relative to their historic prices. Such strategies may be deployed across a wide range of markets and instruments, and may be deployed with various forecast time horizons, depending on the underlying market and instruments being evaluated, and these characteristics may change materially over time.

In implementing its strategies, Vatic may seek to hedge or limit directional and market exposure within a portfolio. Vatic expects to trade primarily (whether directly or indirectly through other investment vehicles) U.S. and international equity and equity-like securities (i.e., common stock, single stock swaps and ETFs). In the future, Vatic may pursue futures-based or option-based strategies and may also trade such other financial instruments or interests, including, but not limited to, "new issues," options, other swaps and futures contracts and such other financial instruments or interests as Vatic deems appropriate.

Certain Risk Factors.

The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Potential clients should consider the following risks before engaging Vatic to manage their accounts.

Changes in Trading Approach. Vatic may not follow one specific investment strategy, but rather, may employ different trading strategies which it determines are consistent with a client's investment objective. Because Vatic may change a client's allocation of assets among a variety of diverse investments and strategies at any time, clients will be exposed to the risks associated with each of those investments and strategies but will not know at the time of investment, or over the duration of their investment, the precise nature of such exposure. An allocation to Vatic's investment program therefore involves a high degree of uncertainty and clients will be exposed to a significant degree of risk.

General Risks of Arbitrage Transactions. The success of arbitrage strategies (whether statistical arbitrage, volatility arbitrage, capital structure arbitrage, or otherwise) depends often on the ability to execute two or more simultaneous transactions at desired prices. Should such transactions not be executed simultaneously at the desired prices, losses may be incurred on both sides of the transaction. Additionally, separate costs are incurred on both sides of an arbitrage transaction, and substantial favorable price moves may be required before a profit can be realized. There can be no assurances that the hedging and arbitrage strategies used by Vatic will be successful. The market values of related financial instruments may not move in correlation with each other or in ways anticipated by Vatic, and intervening events may cause hedged positions not to perform as anticipated. A hedged position may perform less favorably in generally rising markets than an unhedged position.

Statistical Arbitrage Strategies. A substantial portion of Vatic's investments on behalf of its clients are expected to be based on statistical arbitrage strategies. Statistical arbitrage strategies involve taking advantage of historical price relationships between financial instruments. The price relationships are generally simulated with statistical or other mathematical models constructed using historical data. Positions are entered into when the models indicate that there is an opportunity to profit from anticipated price movements.

The relative value and arbitrage markets in which Vatic's clients are expected to participate, as well as the other markets and strategies in which Vatic's clients may participate, are extremely competitive. There can be no assurance that Vatic will be able to identify or successfully pursue attractive investment opportunities in this environment. Vatic's investments for its clients are expected to involve substantially more company-specific and market risk and associated volatility in the future than in the past, as arbitrage and similar opportunities may be further reduced or eliminated. Vatic and its clients may compete with many firms that have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to such persons.

Algorithmic and Quantitative Trading Risks. Vatic will make significant use of quantitative and "algorithmic" or "black box" trading strategies or systems in its trading on behalf of clients. Algorithmic trading is generally accomplished through the use of computer algorithms and systems to automatically make trading decisions, submit orders, and manage those orders after submission, all without human intervention. Vatic's algorithmic trading activities, including risk management, depend on the integrity and performance of the hardware, software and communications systems supporting them, including, without limitation, co-location hardware and components rented from third-party service providers or vendors. Extraordinary transaction volume, hardware or software failure, programming defects or flaws, power or telecommunications failure or a natural disaster, including, without limitation, in respect of any co-location, could cause Vatic's computer systems to operate at an unacceptably slow speed or even fail. Any significant

degradation or failure of the systems Vatic uses to gather and analyze information, enter transaction orders, process data, monitor risk levels and for other purposes may result in substantial losses on transactions, liability to other parties, lost profit opportunities, increased operational expenses and/or diversion of technical resources.

Additionally, the algorithmic trading undertaken by Vatic relies upon quantitative models and systems. Such models and systems may entail the use of sophisticated statistical calculations and complex computer systems and algorithms, and there is no assurance that Vatic will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose clients to the risk of significant losses. The efficacy of the trading signals produced by Vatic's models and systems is dependent on a number of factors, including, without limitation, the analytical and mathematical foundation of such models and systems, the accurate incorporation of such principles in a complex technical and coding environment, the quality of the data introduced into such models and systems, and the successful deployment of the outputs into the investment process. In addition, the analytical techniques used by Vatic cannot provide any assurance that clients will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by Vatic change in ways not anticipated by Vatic. Furthermore, given the rapid speed with which orders are entered into the market by an algorithmic trading system, any errors or "bugs" in such algorithmic trading system, or any human error, could result in a significant amount of erroneous orders being submitted to the market, which could result in significant trading losses for Vatic's clients. Finally, the effectiveness of quantitative models and systems may diminish over time, and attempts to apply existing quantitative models and systems to new or different markets, strategies or financial instruments may prove ineffective.

Furthermore, Vatic depends on the proper and timely function of complex computer and communications systems maintained and operated by or for the exchanges on which Vatic executes transactions, clients' clearing brokers and other data providers. Failures or inadequate or slow performance of any of these systems could adversely affect Vatic's ability to timely complete transactions, including Vatic's ability to close out positions, and result in lost profit opportunities and significant losses on transactions.

Short-Term Technical Strategies. Vatic expects to use short-term strategies that include elements of technical analysis and rely on technical trading systems in its trading on behalf of clients. Vatic's trading decisions based on these strategies will seek to take into account certain "technical" factors in identifying price trends and price movements. The buy and sell signals generated by technical trading systems are not based on analysis of fundamental supply and demand factors, general economic factors or anticipated world events but generally upon a study of actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest. For any technical trading system to be profitable, there must be patterns in some financial instrument that the system can track and those patterns must be significant enough to dictate entry or exit decisions. Patternless markets have occurred in the past and are likely to recur. In a patternless or erratic market, a technical trading system may fail to identify a pattern on which action should be taken or may misreact to minor price movements and thus establish a position contrary to overall price tendencies, which may result in losses. Accordingly, technical traders often modify or replace their systems on a periodic basis. Any factor (such as increased governmental control of, or participation in, the markets traded) that lessens the prospect of sustained price moves in the future may reduce the likelihood Vatic's technical systems will be profitable. Any factor that would make it more difficult to execute trades at a technical trading system's signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

Market Neutral Strategies. Vatic may employ market neutral strategies on behalf of its clients. The use of any "market neutral" or "relative value" hedging or arbitrage strategies should in no respect be taken to imply that Vatic's strategies are without risk. Substantial losses may be recognized on "hedge" or "arbitrage" positions, and illiquidity and default on one side of a position can effectively result in the

position being transformed into an outright speculation. Every market neutral or relative value strategy involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the price spread between different classes of stock for the same underlying issuer. Further, Vatic's "market neutral" strategies may employ limited directional strategies that expose Vatic's clients to certain market risks.

Long/Short Strategies. Vatic may employ long/short strategies on behalf of its clients. Because a long/short strategy involves identifying financial instruments which are generally undervalued (or, in the case of short positions, overvalued) by the marketplace, success of this strategy necessarily depends upon the market eventually recognizing such value in the price of the security, which may not necessarily occur or may occur over extended time frames, which may limit profitability. Long and short positions may undergo significant short-term declines (increases) and experience considerable price volatility during these periods. In addition, long and short positions may or may not be correlated to each other. If the long and short positions are not correlated, it is possible to have investment losses in both the long and short sides of the portfolio.

Short Sales. A short sale involves the sale of a financial instrument that seller does not own in the expectation of purchasing the same financial instrument (or a financial instrument exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the seller often must borrow the financial instrument, and the seller is obligated to return the financial instrument to the lender, which is accomplished by a later purchase of the financial instrument by the seller. When Vatic makes a short sale of a financial instrument on a U.S. exchange on behalf of a client, the client must leave the proceeds thereof with a broker and must also deposit with a broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a non-U.S. exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the financial instrument and a corresponding loss to the client. Vatic does not have a policy limiting the amount of capital its clients may deposit to collateralize their obligations to replace borrowed financial instruments sold short.

Reliance on Fundamental Analysis. Vatic's trading decisions are expected to be based, in part, on fundamental analysis. Fundamental analysis considers financial instrument-specific factors, which may include factors such as country gross domestic product, monetary policy, inflation expectations, trade balances and geopolitical metrics. Vatic's operating belief is that price converges to fundamental value over time, but that price can differ significantly from fundamental value for a variety of temporary reasons. Vatic's fundamental analysis may be flawed in that it identifies what turns out to be the wrong opportunities and/or its assessment of fundamental value turns out to be incorrect in that the financial instrument does not converge to that valuation. There can be no guarantee that Vatic's fundamental analysis will enable Vatic to accurately value the financial instruments in which its clients invest or that any anticipated price trends will materialize with respect to such investments.

Multiple Trading Systems. Vatic may in the future utilize multiple trading systems in its trading on behalf of its clients, and such systems may generate trading signals independent of each other. Thus, there is the possibility that Vatic's clients could hold offsetting positions in the same or similar financial instruments at the same time or during the same period of time, thereby incurring multiple brokerage commissions with little or no net change in the clients' holdings. There is also the possibility that the different trading systems may from time to time enter orders for the same instruments in the same direction, and therefore compete for the same trades. Such competition could prevent orders for clients from being executed at desired prices.

Dependence on Underlying Intellectual Property. The success of Vatic's investment strategy is in part dependent upon the validity of the intellectual property utilized by Vatic in the conduct of its business, including in respect of its proprietary trading algorithms and any other analytical tools upon which Vatic's trading activities are predicated. Vatic may fail to maintain or may modify such intellectual property and any such intellectual property could be held to be invalid or unenforceable. In any event, third parties may in the future obtain and use, without Vatic's permission, any intellectual property or technology Vatic or its affiliates create or develop. Any unauthorized use thereof could adversely affect any competitive advantage Vatic may have as a result of such intellectual property or technology. Also, third parties may independently develop proprietary intellectual property and technology similar to Vatic's proprietary intellectual property or technology, or claim Vatic or its clients have violated their intellectual property rights, including copyrights, trademark rights, tradenames, trade secrets and patent rights.

Any failure by Vatic to maintain its current intellectual property, any unauthorized use of Vatic's intellectual property or technology, and any litigation (even if Vatic is successful and regardless of the merits), may result in significant costs, divert Vatic's resources from its clients' business, or require Vatic to modify its intellectual property or technology in an adverse manner.

Equity Securities. Vatic may trade in equity securities on behalf of its clients. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and entitle the holder to dividends only if and to the extent declared by the issuer. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments. The securities of smaller companies may involve more risk and their prices may be subject to more volatility.

Small-Cap Stocks. Vatic may take both long and short positions in small-cap companies on behalf of its clients. The success of clients' positions in small-cap companies will depend upon Vatic's ability to accurately predict how the price of such equity securities will fluctuate in response to risks often associated with the issuers of such securities, including lack of management experience, financial resources and product diversification, as well as the competitive strength of larger corporations. In addition, clients may be unable to exit positions in certain small-cap stocks at an advantageous time or price. In most cases, the frequency and volume of trading in such stocks is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Also, due to thin trading in some of these stocks, an investment in these stocks may be considered less liquid than an investment in many larger-capitalization stocks, making purchases or sales at desired prices or in desired quantities more difficult. When effecting large transactions, Vatic may have to trade at a discount/premium from quoted prices or may have to make a series of small transactions over an extended period of time due to the trading volume of the securities of smaller companies. Accordingly, positions in such stocks may be required to be held for a lengthy period of time and often require more time to exit and result in higher transaction expenses than trading in securities for which there is an active market. In some cases, Vatic's disposition of the securities may be dependent upon a major issuer liquidity event (i.e., a sale of the issuer).

Trading in ETFs. Vatic may invest in ETFs on behalf of its clients, both long and short. ETFs are funds that track a particular basket or index of securities traded on a public exchange such as the American Stock Exchange. ETF investments are subject to the risks arising from the portfolio of underlying stocks, including market and issuer risks, but may also present certain unique risks. It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole even when stock prices in general are rising. In addition, the fees and expenses charged by such ETFs result in an additional level of fees and greater expense to clients than would be associated with direct investment.

Equity Swaps. Vatic may enter into single stock equity swaps on behalf of its clients. A swap is a contract under which two parties agree to make periodic payments to each other based on the value of a security,

specified interest rates, an index or the value of some other instrument, applied to a stated or “notional” amount. A single stock equity swap is a customized derivative instrument that entitles the counterparty to certain payments on the gain or loss on the value of a particular underlying equity security. Single stock equity swaps are subject to various types of risk, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk.

Over-the-Counter Trading. Certain derivative instruments may not be traded on an exchange. Over-the-counter financial instruments that may be purchased or sold by Vatic on behalf of its clients may include swap transactions, forward foreign currency transactions and bonds and other fixed-income securities. Over-the-counter financial instruments, unlike exchange-traded financial instruments, are two-party contracts with price and other terms negotiated by the buyer and the seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which Vatic can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. Because performance of over-the-counter financial instruments is not guaranteed by any exchange or clearinghouse, clients will be subject to the risk of the inability or refusal to perform with respect to such financial instruments on the part of the counterparties with which they trade. Any such failure or refusal, whether due to insolvency, bankruptcy or other causes, could subject clients to substantial losses.

Turnover. Vatic expects to invest client assets on the basis of short-term market considerations. The portfolio turnover rate of investments for clients may be significant, and therefore may incur substantial brokerage commissions, mark-ups and fees that will reduce the client’s investment returns.

Risks of Investing in Non-U.S. Securities. Trading in securities of non-U.S. issuers, securities traded principally in securities markets outside the United States and/or securities denominated in non-U.S. currencies may involve certain special risks due to country or region specific economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, imposition of required holding periods, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, non-U.S. issuers may be subject to different accounting, reporting, and disclosure requirements than domestic issuers. The securities of some non-U.S. companies and non-U.S. securities markets are less liquid and at times more volatile than securities of comparable U.S. companies and U.S. securities markets. Non-U.S. brokerage commissions and other fees may be higher than in the United States.

Trading in Currencies. Vatic may trade currencies and related financial instruments on behalf of its clients. Vatic’s clients are expected to only trade such instruments in interbank and forward contract markets which Vatic believes to be well-established and of recognized standing. Nonetheless, clients may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, clients’ positions. Although certain currency trades may be effected through exchange-traded instruments, the foreign currency market remains predominantly an over-the-counter market, and is therefore subject to the risks typical to over-the-counter trading. Vatic may effect such trades with brokers, banks and other market participants which it believes to be creditworthy.

Leverage. The low margin and collateral deposits required to trade many exchange-traded derivatives may permit an extremely high degree of leverage. In addition, Vatic may utilize broker-provided financing in its trading on behalf of clients and, although it is not anticipated, may utilize borrowings for purposes of covering margin requirements applicable to clients’ futures and related positions. The degree of leverage that Vatic may utilize may not be limited to any predetermined level, but will be subject to applicable legal, regulatory or broker imposed leverage limitations, to the extent applicable. As a result of trading with a

high degree of leverage, a relatively small price movement in a financial instrument's price may result in immediate and substantial losses to clients and could result in the mandatory liquidation of certain positions if margin requirements are not satisfied. If a client is in a leveraged position, any losses would be more pronounced than if leverage were not used and, under particularly adverse circumstances, could exceed the client's capital under Vatic's management.

Business Dependent Upon Key Individual. The success of Vatic is highly dependent upon the expertise and abilities of James Chiu. The loss of his services could have a material adverse effect on the performance of Vatic's clients and could make it impossible for Vatic to continue to manage investments for its clients.

Reliance on Investment Professionals and Employees. The success of Vatic's investment strategy is dependent upon its investment professionals and other employees. Although Vatic believes that its success is not dependent upon any one investment professional or employee of Vatic, there can be no assurance that any of the investment professionals or employees will continue to be associated with Vatic.

Deployment of New Capital. It may be necessary for Vatic to deploy new capital at a gradual pace. To the extent that any substantial new capital contribution is deployed more slowly than is desired, there may be a negative impact on the overall returns of Vatic's clients until that capital contribution is fully invested.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with Vatic's investment program or an investment in any private fund or account advised by Vatic. Prospective clients and investors in any private fund or account advised by Vatic must consult their own advisers before deciding whether to make such an investment. Investors and prospective investors in any private fund or account advised by Vatic should carefully review the sections on Risk Factors in the relevant offering documents, as applicable.

DISCIPLINARY INFORMATION

Vatic is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Vatic or the integrity of Vatic's management. Vatic has no such information to report.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Vatic and its principals and personnel are not registered, and do not have an application pending to register, as a broker-dealer or registered representative thereof, or as a futures commission merchant or commodity trading advisor, or associated person thereof. Vatic currently is registered as a commodity pool operator with the Commodity Futures Trading Commission in respect of the operation and trading activities of the HFT Pool, and certain of its principals and personnel are registered as associated persons in connection with Vatic's registration.

Other Activities of Vatic and Related Persons. Vatic and its affiliates act as commodity pool operator and provide commodity trading advisory services to the HFT Pool, which trades and invests on various global futures markets, deploying Vatic's high frequency futures trading system strategies. Although Vatic's research personnel generally focus their time on either Vatic's statistical arbitrage strategies or on Vatic's high frequency futures trading strategies (used by the HFT Pool), other principals, officers, directors and employees of Vatic and its affiliates typically will have shared responsibilities with respect to both lines

of business. Such persons are expected to devote a portion of their time to the management and strategic direction of, and/or trading activities on behalf of the HFT Pool, in addition to the investment advisory business of Vatic. Although these individuals are expected to commit an appropriate amount of their business efforts to Vatic, they are not required to devote all of their time to the affairs of Vatic's investment advisory business.

In addition, Vatic and its affiliates, and its and their members, principals, officers, directors and employees, as described below in "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*," are permitted to engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment or trading accounts, entities or vehicles. Vatic and its affiliates, and its and their members, principals, officers, directors and employees are permitted to invest and trade for such accounts, as well as for their own accounts, in securities which are the same as or different or opposite from those traded or held by Vatic's clients. As a result, Vatic and its affiliates, and its and their members, principals, officers, directors and employees, and other ventures managed thereby, may from time to time have investments in securities in which a Vatic client may take a position, may trade and invest simultaneously with Vatic clients and may take investment positions that are different or opposite from the positions taken by Vatic clients, and such clients and investors shall have no right in or to any such activities or the income or profits derived therefrom. The records of such trading generally will not be made available to Vatic clients, except to the extent required by law.

As a result of these relationships, conflicts of interest may arise between Vatic and its affiliates (and its and their members, principals, officers, directors and employees), and Vatic clients, with respect to matters such as the allocation of investment opportunities, purchases and sales of financial instruments in connection with particular trading situations, and allocation of personnel, resources and expenses. Vatic seeks to mitigate these potential conflicts of interests in several ways. First, as of the date hereof, the investment strategies deployed on behalf of Vatic clients are not expected to overlap with those of the HFT Pool (which does not trade securities), and Vatic therefore does not believe that trading activities on behalf of the HFT Pool will create a material conflict of interest with Vatic clients. Second, the markets in which Vatic trades are generally liquid, public markets, and therefore it is not anticipated that Vatic and its clients will regularly be in competition for limited investment opportunities with other accounts owned and/or managed by Vatic or its affiliates, or its or their members, principals, officers, directors or employees. Finally, trading by principals, officers, directors and employees of Vatic and its affiliates will be subject to Vatic's Code of Ethics and personal trading policy, as described below in "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*," which seeks to mitigate the conflicts described above. Among other things, Vatic's Code of Ethics will require covered employees to pre-clear certain securities transactions for their personal accounts with appropriate personnel of Vatic and its affiliates, and prohibits derogating the interests of clients to those of Vatic principals or affiliates.

Other Clients. Although Vatic and its affiliates, and its and their members, principals, officers, directors and employees may manage investments on behalf of a number of accounts, investment decisions and allocations will not, in many cases, be made in parallel among all such accounts. Other accounts managed by Vatic and its affiliates, and its and their members, principals, officers, directors and employees may make investments and utilize investment strategies that may not be made or utilized by Vatic on behalf of its clients and may take positions that are opposite those of all or some Vatic clients. Accordingly, the various accounts managed by Vatic and its affiliates, and its and their members, principals, officers, directors and employees may produce results that are materially different from those experienced by a particular Vatic client, and the records of any investment management activities that Vatic and its affiliates, and its and their members, principals, officers, directors and employees may engage in on behalf of such other accounts generally will not be available to any other Vatic client or investor, except to the extent required by law.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Vatic has adopted a Code of Ethics (the “Code”) pursuant to Advisers Act Rule 204A-1 that governs a number of potential conflicts of interest Vatic has or may have when providing advisory services to its advisory clients. The Code is designed to encourage a culture of compliance within Vatic and its affiliates through ethical practices and conduct. The Code covers a variety of guidelines and requirements concerning, among other topics, the prohibition of trading of securities while in possession of material non-public information; personal securities trading procedures, including reporting of securities transactions; the monitoring of outside business affiliations; reporting of the giving and receiving of gifts and entertainment; monitoring and restricting political contributions, when and as required; and the maintenance of confidentiality of investment, client, and employee information. All of Vatic’s and its affiliates’ personnel (including their principals, officers, directors and employees) must acknowledge the terms of the Code annually, or as amended. Clients or prospective clients may request a copy of the Code by contacting Vatic’s Chief Compliance Officer at the number listed on the cover page.

Vatic may, in appropriate circumstances when deemed consistent with a client’s investment objectives, cause client accounts to purchase or sell securities in which Vatic, its affiliates and/or clients, directly or indirectly, have a position or interest. See “*Other Financial Industry Activities and Affiliations – Other Activities of Vatic and Related Persons.*”

Subject to satisfying the Code and applicable laws, personnel of Vatic and its affiliates generally are permitted to trade for their own accounts in securities which are recommended to and/or purchased for clients, as described above in “*Other Financial Industry Activities and Affiliations.*” The Code is designed to assure that the personal transactions, activities and interests of Vatic’s and its affiliates’ personnel will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while at the same time allowing Vatic’s and its affiliates’ personnel to invest for their own accounts. The Code requires pre-clearance of certain transactions for the personal securities accounts of Vatic’s “access persons,” and requires that the interests of clients not be derogated to those of Vatic’s and its affiliates’ personnel in their personal trading. Nonetheless, because the Code in some circumstances would permit Vatic’s and its affiliates’ personnel to invest in the same securities as clients, there is a possibility that such personnel might benefit from market activity by a client. Trading by Vatic’s and its affiliates’ personnel is monitored in accordance with the Code, in an effort to prevent conflicts of interest between Vatic and its clients.

BROKERAGE PRACTICES

Vatic will generally select the brokers to be utilized by its discretionary clients and typically will have discretion to select different brokers to be used for each transaction and to negotiate the rates and commissions paid by Vatic. Vatic may not adhere to any rigid formulae in making the selection of brokers, but will continue to seek “best execution” for its clients in the selection process. In selecting brokers to execute transactions, Vatic need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Vatic will take into account the broker’s reliability, reputation, financial responsibility, stability, ability to execute trades, nature and frequency of sales coverage, commission rate, if any, and responsiveness. Vatic may or may not negotiate “execution only” commission rates on behalf of clients. In cases where it does not negotiate “execution only” rates, Vatic may be deemed to be paying for other services provided by the broker with so-called “soft dollars” included in the commission rate.

While it is not expected that Vatic will use “soft dollars,” if Vatic uses “soft dollars”, it is expected that Vatic will only enter into “soft dollar” arrangements that fall within the “safe harbor” provided by Section 28(e) of the Securities Exchange Act of 1934, as amended (the “1934 Act”). Furthermore, to the extent that any incidental benefits (such as research) are provided to Vatic or its affiliates, in connection with trading futures or options on futures, it is expected that such incidental benefits would fall within the safe harbor provisions of Section 28(e) of the 1934 Act as if such benefits were being provided in connection with the trading of securities. Research, brokerage and data services obtained by the use of commissions arising from Vatic clients’ portfolio transactions may be used by Vatic in its other investment activities, including for accounts of other clients, including other funds and investment pools, and thus, a particular Vatic client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Vatic has not acquired products or services utilizing “soft dollars” generated from client brokerage commissions within the preceding year.

Brokerage for Client Referrals. Although Vatic does not currently do so, Vatic may in the future direct brokerage business to brokers who refer prospective clients or investors to Vatic. Because such referrals, if any, are likely to benefit Vatic, but will not necessarily provide any significant benefit to Vatic’s clients, Vatic will have a conflict of interest when allocating brokerage business to a broker who has referred clients or investors to Vatic. To prevent brokerage commissions from being used to pay investor referral fees, Vatic will not allocate brokerage business to a referring broker unless they determine in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to Vatic’s clients.

REVIEW OF ACCOUNTS

Account Reviews. Vatic generally engages a third-party fund administrator to provide day-to-day administrative and bookkeeping services to its private fund clients. Vatic conducts daily trade reviews and reconciliations of the positions held by Vatic clients to the records of the clients’ brokers and analyzes certain performance and risk measures. These reviews are conducted by Vatic’s and its affiliates’ operations personnel.

Client Reporting. Vatic clients are provided with monthly unaudited reports including information regarding net assets and performance and in the case of private fund clients, generally are expected to obtain and provide audited financial statements annually to all investors.

CLIENT REFERRALS AND OTHER COMPENSATION

Vatic currently has no arrangements whereby it receives an economic benefit from any person who is not a client for providing investment advice or other advisory services to its clients, and does not directly or indirectly compensate any third-parties for advisory client referrals (although it may determine to do so in the future).

CUSTODY

To the extent that Vatic is deemed to have custody of the funds and securities of its clients, Vatic maintains such funds and securities at one or more “qualified custodians,” as defined under Rule 206(4)-2 of the Advisers Act. A “qualified custodian” generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. An independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, will audit any private funds (as applicable) on an annual basis, and copies of the audited financial statements will be sent to the investors in such funds, within 120 days of such funds’ fiscal year-end. Vatic does not anticipate accepting custody of the assets of any non-private fund clients, unless otherwise agreed with a particular client.

INVESTMENT DISCRETION

Vatic generally exercises discretionary authority over client accounts, pursuant to the terms of an Investment Advisory Agreement (as applicable). The agreement typically grants a power of attorney in favor of Vatic to select the identity and amount of any investments to be bought or sold by Vatic. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the Vatic clients’ accounts.

VOTING CLIENT SECURITIES

To the extent provided in the Investment Advisory Agreement, Vatic may accept the authority to vote proxies for securities held by Vatic client accounts; however it is generally not Vatic’s practice to vote such proxies. In light of Vatic’s trading methodology and investment focus, Vatic does not believe that it would be cost-effective for the firm to review each proxy vote and assess the underlying proposals, as the outcome of such proposals typically does not materially impact the implementation of Vatic’s investment strategies. Vatic will analyze on a periodic basis the practicability and estimated costs associated with casting such proxies on behalf of Vatic client accounts against any estimated potential benefits and strategic relevance of doing so and reserves the right to vary this practice where it determines that doing so is in the best interests of a Vatic client, although it is not anticipated that Vatic will do so. Clients generally may not direct specific proxy votes for the securities held in their accounts.

Clients may obtain a copy of Vatic’s proxy voting policies and procedures and information about whether and how any proxies were voted on behalf of the client’s account(s) by contacting Vatic’s Chief Compliance Officer at the number listed on the cover page.

FINANCIAL INFORMATION

Vatic is required to provide clients with certain financial information or disclosures about its financial condition. Vatic has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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