

## Forest Avenue Capital Management LP

**2850 Tigertail Avenue,  
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Miami, FL 33133**

**March 2024**

This “**Brochure**” provides information about the qualifications and business practices of Forest Avenue Capital Management LP (hereinafter “**Forest Avenue**”, “**FAC**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Sarah Haynes, by phone at (305) 847-9750 or by email at [shaynes@forestavecap.com](mailto:shaynes@forestavecap.com). Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Forest Avenue is a Registered Investment Adviser with the SEC. Registration as an investment adviser does not imply that Forest Avenue or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Forest Avenue is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Forest Avenue is 321948. The SEC's website also provides information about any persons affiliated with Forest Avenue who are registered, or are required to be registered, as investment adviser representatives of the Firm.

**Item 2: Material Changes**

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This Brochure is Forest Avenue's Annual Amendment to its Form ADV Part 2A previously dated November 2023. This Brochure dated March 2024 does not contain any material updates from the last submission of the Form ADV Part 2A in November 2023.

Although not material, FAC updated its Regulatory Assets Under Management (defined below as RAUM) to reflect asset levels as of February 1, 2024.

Pursuant to SEC requirements and rules, you will receive an updated Brochure within one hundred twenty days of the close of Forest Avenue's fiscal year. This Brochure may be requested at any time, without charge, by contacting Forest Avenue's CCO at [ir@forestavecap.com](mailto:ir@forestavecap.com).

*The information set forth in this Brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this Brochure and the information in the applicable offering and/or governing documents, such documents will prevail.*

We encourage current and future investors to read this Brochure as well as all of the governing and offering documents applicable to your current or prospective investment, in their entirety.

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#### Item 4: Advisory Business

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Forest Avenue Capital Management LP (hereinafter “**Forest Avenue**”, the “**Adviser**”, “**Investment Manager**”, “**we**”, “**us**”, “**our**” or the “**Firm**”) is organized as a Delaware limited partnership with a principal place of business in Miami, Florida.

Forest Avenue is controlled by its principal owner, Tarigh Yusufi (the “**Principal**”), who acts as the managing member of our general partner, Forest Avenue Capital Management GP LLC, a Delaware limited liability company.

Forest Avenue provides discretionary investment management services to qualified investors through its private funds.

We serve as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered to investors on a private placement basis. We do not tailor our advisory services to the individual needs of any particular investor.

Forest Avenue manages the following private, pooled investment vehicles:

1. Forest Avenue Offshore Fund Ltd, a Cayman Islands exempted company (the “**Offshore Fund**”);
2. Forest Avenue Onshore Fund LP, a Delaware limited partnership (the “**Onshore Fund**”); and
3. Forest Avenue Master Fund LP, a Cayman Islands exempted limited partnership (the “**Master Fund**”).

The Master Fund, the Onshore Fund and the Offshore Fund are herein each referred to as a “**Fund**” or “**Client**”, and collectively referred to as the “**Funds**” or the “**Clients**”.

The Onshore Fund’s “**Limited Partners**” and the Offshore Fund’s “**Shareholders**” are hereafter collectively referred to as the “**Investors**” where appropriate.

Forest Avenue Funds GP LLC, a Delaware limited liability company, serves as the “**General Partner**” to the Master Fund and Onshore Fund.

Our investment decisions and advice with respect to the Funds are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**.”

We do not currently participate in any Wrap Fee Programs.

As of February 1, 2024, FAC has approximately \$683,049,372 in Regulatory Assets Under Management (“RAUM”). All assets managed by Forest Avenue are currently on a discretionary basis; we do not expect to manage any assets on a non-discretionary basis.

*This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933, as amended, and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be "accredited investors" as defined in Regulation D, "qualified purchasers" as defined in the Investment Company Act of 1940, or non-"U.S. Persons" as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of the Funds described herein.*

*Any such offer or solicitation will be made only by means of a confidential private placement memorandum.*

## **Item 5: Fees and Compensation**

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### ***Advisory Fees and Compensation***

The fees that are applicable to the Funds are set forth in detail in the applicable Offering Documents. A brief summary of such fees is provided below.

#### Management Fee

The Adviser will be paid a monthly management fee, payable in advance, as compensation for the services to be performed by the Adviser (the “**Management Fee**”). The Management Fee per month will equal one-twelfth of the applicable management fee rate multiplied by the balance of an applicable investor’s capital account as of the last day of the immediately preceding month (if applicable, giving effect to withdrawals to be effected on such date and subscriptions to be made as of the first day of the month with respect to which the Management Fee is being charged). For purposes of calculating the Management Fee, “private investments” are valued at the lower of cost basis and fair value.

The specific rates, calculation methodology and other terms of the Management Fee applicable to each tranche of interests is detailed in the applicable Offering Documents.

The Adviser may, in its sole discretion, waive, reduce, or modify the Management Fee with respect to any investor. It is anticipated that no Management Fee will be paid with respect to capital accounts of Tarigh Yusufi, employees of the Adviser or its affiliates, the immediate family members of the foregoing, or entities owned or controlled by or for the benefit of the foregoing.

#### Incentive Allocation

Generally, at the end of each fiscal year, the General Partner is entitled to an incentive allocation (the “**Incentive Allocation**”) from the Master Fund, which is determined separately with respect to each capital account established for an investor. The Incentive Allocation is subject to a high watermark as described further in the applicable Offering Documents.

The Funds offer several tranches of interests into which investors may invest, and the rate and manner of calculation of the Incentive Allocation applicable to each investor is determined by the terms of the tranche of interests into which each such investor invests. The specific Incentive Allocation amounts charged to investors will also vary due to a number of factors including, without limitation, restrictions on participating in new issues, timing of capital contributions and withdrawals, and the application of different private investment limits. Generally, the Incentive Allocation of an investor (other than in respect of “private investments”, as described further below) will be an amount equal to the applicable Incentive Allocation rate multiplied by the amount of net capital appreciation allocated to such investor’s capital account for such fiscal year, reduced by the Management Fee debited to such capital account for such fiscal year. The Incentive Allocation in respect of “private investments” is allocated to the General Partner only upon realization of the applicable private investment, and determined as the applicable Incentive Allocation rate multiplied by the net profit attributable to such realized private investment.

The specific rates, calculation methodology and other terms of the Incentive Allocation applicable to each tranche of interests is detailed in the applicable Offering Documents.

The Adviser may, in its sole discretion, waive, reduce, or modify the Incentive Allocation with respect to any investor. It is anticipated that no Incentive Allocation will be paid with respect to capital accounts of Tarigh Yusufi, employees of the Adviser or its affiliates, the immediate family members of the foregoing, or entities owned or controlled by or for the benefit of the foregoing.

### ***Payment of Fees***

Fees and compensation paid to the Adviser or its affiliates by the Funds are generally deducted from the assets of such Fund. As discussed above, Management Fees are generally deducted on a monthly basis, and the Incentive Allocation is generally deducted on an annual basis.

### ***Additional Fees and Expenses***

In addition to the Management Fee and Incentive Allocation items described above, Investors will bear certain operating expenses charged to the Funds.

The Onshore Fund and the Offshore Fund will each bear all of their respective organizational and offering expenses, and their pro rata share of the organizational and offering expenses of the Master Fund and all subsidiaries, intermediate funds, and special purpose vehicles through which the Funds invest or intend to invest. Such organizational and offering expenses will include, without limitation, all costs and expenses incurred in connection with each Fund's formation and the marketing, offering and sale of interests in the Funds, 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, marketing and similar materials, and drafting and negotiating contracts with service providers, in each case, at or prior to the formation of a Fund and prior to the initial closing of that Fund. The Funds will reimburse the General Partner, the Investment Manager and/or the Principal, as applicable, to the extent that any of them bears organizational and/or offering expenses on behalf of the Funds, in each case, including such costs incurred at or prior to the formation of the Funds and prior to the closing of the Funds.

Although U.S. generally accepted accounting principles ("**GAAP**") require organizational expenses to be expensed when incurred, the directors or General Partner of a Fund may, in their sole and absolute discretion, amortize the organizational and offering expenses incurred by the Fund for up to a 60-month period for financial reporting purposes and the calculation of net asset value.

The Onshore Fund and the Offshore Fund will each bear all of their respective operating expenses, and their pro rata share of the operating expenses of the Master Fund and all subsidiaries, intermediate funds, and special purpose vehicles through which the Funds invest or intends to invest (collectively, the "**Fund Expenses**"), including such costs incurred at or prior to the formation of the Funds and prior to the closing of the Funds, which expenses will include, without limitation:

(a) organizational and offering expenses; (b) expenses associated with all investments and transactions considered, evaluated and/or consummated by a Fund or any such subsidiaries, intermediate funds and special purpose vehicles, as well as overall consideration and

evaluation of such entities' portfolio, including, without limitation, those expenses incurred before the initial closing 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, analytics, modeling, risk, structuring, pricing, execution and other third-party information 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 Investment Manager's portfolio management system and any other software used for accounting and/or monitoring of the 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, in connection with outsourced trading; (i) expenses associated with legal and regulatory filings of the Funds or such subsidiaries, intermediate funds, and special purpose vehicles in the United States, the Cayman Islands, the U.S. or in any other jurisdiction, including, without limitation, pursuant to Sections 13 and 16 of the Exchange Act, as well as the expenses associated with preparation and filing of the Investment Manager'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 the Funds' or such subsidiaries', intermediate funds' or special purpose vehicles' operations, investments and transactions, including, without limitation, fees and expenses of the fund 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 the Funds or such subsidiaries, intermediate funds, and 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 the Funds or such subsidiaries, intermediate funds, and special purpose vehicles, including, without limitation, interest charges and fees; (n) expenses incurred in the collection of monies owed to the Funds or such subsidiaries, intermediate funds and special purpose vehicles, as applicable; (o) auditing and accounting expenses, including, without limitation, expenses associated with the preparation of financial statements, tax returns and Schedule K-1s, and the fees and expenses of the auditor; (p) any taxes, fees or other governmental charges, including, without limitation, any withholding taxes that are not investor-related taxes; (q) directors' fees and expenses; (r) costs and expenses associated with Investor communications and reports and the delivery thereof to Investors; (s) 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; (t) costs and expenses associated with meetings of Investors, including, without limitation, the reasonable costs of the Investment Manager's

travel to such meetings; (u) 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; (v) costs and expenses (including, without limitation, taxes, fees or other governmental charges) associated with the formation, organization and operation of any subsidiary, special purpose vehicle, alternative investment vehicle, holding company or similar entity formed with respect to investments, credit facilities or other transactions entered into for the benefit of the Funds or such subsidiaries, intermediate funds and special purpose vehicles; (w) wind-up, liquidation, termination and dissolution expenses; (x) 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; (y) costs related to any transfers of interests in the Funds, unless otherwise charged to or borne by the applicable transferor and/or transferee; (z) expenses incurred in connection with the preparation of and any amendment to the Offering Documents, as well as the preparation of, compliance with and amendment to any side letter; (aa) expenses incurred in connection with pursuing, defending or participating in any litigation, arbitration, mediation or similar proceeding by the Funds or any such subsidiaries, intermediate funds, and special purpose vehicles; (bb) 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); (cc) fees of the independent members of the governance board; (dd) the Management Fee; and (ee) all other fees, costs, charges and expenses associated with the business, affairs and/or operations of the Funds, the Master Fund, or such subsidiaries, intermediate funds and 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.

In general, each Investor will bear its proportionate share of the Fund Expenses on a pro rata basis based on the relative net asset value of the interests in the Funds held by such Investor. The Funds may, however, allocate expenses on another basis, including by allocating certain expenses to certain (which may be less than all) Investors, if the applicable Fund determines that such an allocation is more equitable or otherwise required by applicable law, rule or regulation.

In addition, any Fund Expenses attributable solely to investments in "new issues" or solely to Designated Investments (as defined in the Offering Documents) will be allocated solely to those Investors who participate in the relevant investments with respect to their relative interest in such investments. Further, the Funds will have the right to charge any Investor, and not treat as a Fund Expense, any expense attributable to a single Investor or a group of Investors.

From time to time, the Investment Manager, the General Partner and/or their affiliates may elect to bear certain expenses on behalf of the Funds that would otherwise be Fund's Expenses. The Investment Manager, the General Partner 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 the Funds.

To the extent that Fund Expenses are attributable to multiple Clients, such amounts will be allocated in accordance with the Investment Manager's expense allocation policy, pursuant to which the Investment Manager 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 Investment Manager may make non-pro rata allocations as it determines in its good faith discretion.

The Investment Manager, the General Partner and/or the Principal may advance funds on behalf of the Funds (including the Master Fund), and the Investment Manager, the General Partner and the Principal, as the case may be, will be reimbursed by the Funds for any advanced amounts.

Investors should review the applicable Offering Documents to fully understand the types of fees and expenses paid for by the applicable Fund(s). As set forth in the Offering Documents, any description herein and therein of the expenses that the Funds may bear (directly or indirectly) is not exhaustive.

### ***Prepayment of Fees***

Details of the fees that are applicable to the Funds are set forth in detail in the applicable Offering Documents.

### ***Additional Compensation and Conflicts of Interest***

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

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

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We and our affiliates are entitled to performance-based compensation. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

## **Item 7: Types of Clients**

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Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth investors, and financially sophisticated investors.

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

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The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued and investments made by us on behalf of our Clients, 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 Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

***Investment Objective***

Forest Avenue is a global equity long-short investment firm that also opportunistically pursues private investments. The Firm's primary objective is to generate superior, consistent returns agnostic of market conditions by identifying secular themes and highly compelling long and short investment opportunities we believe are misunderstood and, therefore, mispriced, and possess the most attractive risk-adjusted returns. Forest Avenue's flexible mandate positions it to take advantage of public and private investment opportunities across market cycles, asset classes, and geographies. Forest Avenue's investment universe covers two primary sector groups: (1) energy, industrials, infrastructure, renewables and utilities, and (2) consumer.

***Risk Management***

The Investment Manager's key risk management focus includes avoiding permanent capital losses, while taking advantage of short-term volatility and temporary mark-to-market dislocations. The Firm's risk management process is actively managed at both the portfolio and position levels to maximize risk-reward.

Portfolio risk management principles include diversifying the portfolio by sector and geography to minimize stock correlation, dynamically monitoring gross and net exposures, and operating with a sole decision maker.

***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.

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. There can be no assurances that we will achieve our investment objectives. An investment carries with it the inherent risks associated with investments in publicly-traded stocks and bonds, options, illiquid and other private investments, and related instruments, including, without limitation, the risks described below. Each prospective investor should carefully review the Offering Documents and the documents referred to herein before deciding to invest with Forest Avenue.

Prospective Investors should carefully consider the risks involved in an investment in the Funds, including those discussed below. Additional or new risks not addressed below may affect the Funds. The following list of risk factors cannot be and is not intended to be exhaustive. Prospective Investors should consult their own legal, tax and financial advisers about the risks of an investment in the Funds. The following risk factors and other relevant risks could have a material adverse effect on the Funds and the Investors' investments therein.

**Risks Relating to Private Investment Funds Generally***Risk of Loss*

No guarantee or representation is made that the Funds' investment program, including the Funds' 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.

*Legal and Regulatory Environment for Private Investment Funds and their Managers*

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

*Systemic Risk*

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

**Risks Relating to the Operations and Investment Activities of the Funds***Systems and Operational Risks Generally*

The Funds depend on the Investment Manager to develop and implement appropriate systems for the Funds' activities. The Funds each rely heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions across numerous and diverse markets and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Funds' activities. In addition, the Funds rely on information systems to store sensitive information about the Funds, the Investment Manager, their affiliates, and the Investors. Certain of the Funds' and the Investment Manager's activities are dependent upon systems operated by third parties, including prime brokers, the fund administrator, market counterparties and other service providers, and the Investment Manager may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by the Investment Manager, prime brokers, the fund administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being

properly booked, evaluated or accounted for. Disruptions in the Funds' operations may cause the Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Funds and the Investors' investments therein.

#### *Cybersecurity Risk*

As part of its business, the Investment Manager processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the Investors. Similarly, service providers of the Investment Manager and/or the Funds, especially the administrator, may process, store and transmit such information. The Investment Manager has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Investment Manager may be susceptible to compromise, leading to a breach of the Investment Manager's network. The Investment Manager's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. On-line services provided by the Investment Manager to the Investors may also be susceptible to compromise. Breach of the Investment Manager's information systems may cause information relating to the transactions of the Funds and personally identifiable information of the Investors to be lost or improperly accessed, used or disclosed.

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

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

#### *Private Investments*

The Funds intend to make certain investments in private investments. Such private investments may not be readily disposable and, in some cases, may be subject to contractual, statutory or regulatory prohibitions on disposition for a specified period of time. The market value of private investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in any particular industry and the financial condition of the issuers of the securities or other financial instruments in which the Funds invest. Capital invested in private investments generally is not available for withdrawal or distribution until a realization event occurs with respect to the respective private investment. An Investor will continue to participate in unrealized private investments

irrespective of whether such Investor has otherwise withdrawn from the Funds, and the Funds may be required to hold private investments for several years, if not longer.

Due to the illiquid nature of private investments, the Investment Manager is unable to predict the ultimate exit strategy for certain of its private investments, or that one will definitely be available prior to the dissolution of the Funds. Exit strategies that appear to be viable when an investment is initiated may be precluded by the time the investment is ready to be realized due to economic, legal, political, regulatory or other factors. As a result, the Funds may be unable to dispose of certain illiquid investments in any particular timeframe or at a price that the Investment Manager deems advantageous.

#### *Valuation of Assets and Liabilities*

The Funds' assets and liabilities are valued in accordance with the Firm's "**Valuation Policy.**" The valuation of any asset or liability involves inherent uncertainty. The Valuation Policy, and procedures adopted by the Investment Manager relating to the implementation of the Valuation Policy, are subject to change and may be revised from time to time. There is no guarantee that the value determined with respect to a particular asset or liability by the Investment Manager will represent the value that will be realized by the Funds on the eventual disposition of the related investment or that would, in fact, be realized upon an immediate disposition of the investment. The value of a security determined in accordance with the Valuation Policy may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on the net asset value of the Funds if the judgments of the General Partner regarding the appropriate valuation should prove to be incorrect.

#### *GAAP Net Asset Value Divergence*

Due to GAAP requirements, the net asset value of the Funds for purposes of GAAP-compliant financial reporting may diverge from the net asset value of the Funds for all other purposes, including for purposes of allocating gains and losses among the Investors, which, is relevant to, among other things, determining the balance of each capital account, calculating the Management Fee and the incentive allocation, and calculating the amounts payable by the Funds in respect of a withdrawal by or distribution to an Investor. Net asset value divergence may occur, for example, in connection with the amortization of the organizational and initial offering expenses of the Funds, the measuring of fair value (as a result of Financial Accounting Standards Board ("**FASB**") Accounting Standards Codification ("**ASC**") 820), or the recognition or unrecognition of uncertain tax positions (as a result of FASB ASC 740).

#### *Counterparty Risk*

The Funds expect to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Funds to trade in any variety of markets or asset classes over time. However, there can be no assurance that the Funds will be able to establish or maintain such relationships. An inability to establish or maintain such relationships 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. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on the Funds' business due to the Funds' reliance on such counterparties.

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

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

Collateral that the Funds post to its counterparties that is not segregated with a third party custodian may not have the benefit of customer-protected “segregation” of such funds. In the event that a counterparty were to become insolvent, the Funds may become subject to the risk that they may not receive the return of their collateral or that the collateral may take some time to return.

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

#### *Outsourced Trading*

One or more broker dealers may be engaged by the Investment Manager on behalf of the Funds to execute and/or direct a portion of the Funds’ trades on an outsourced basis. As a result, Fund expenses could be higher as a result of paying such third party than if the Investment Manager traded directly with such brokers.

#### *Competition; Availability of Investments*

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

*Volatility Risk*

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

*Credit Ratings*

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

*Co-Investments with Third Parties*

The Funds may, in connection with any investment, including, without limitation, a private investment, offer the opportunity to co-invest to various parties, as further described herein. Such investments will involve risks, including the possibility that a co-investor may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Funds may have direct participation or control of such investment (rather than participation through an entity controlled by the Investment Manager), and/or may be in a position to take (or block) action in a manner contrary to the Funds' investment objective. Investors and/or third parties may enter into compensation arrangements relating to such investments that likely will differ from those compensation arrangements otherwise applicable to other Investors, including management fee and incentive compensation arrangements. Such differing compensation arrangements may create potential conflicts of interest between such parties and the Funds.

*Significant Positions in Securities; Regulatory Requirements*

In the event the Funds acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Funds may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Funds and the Investment Manager. Any such requirements may impose additional costs on the Funds and may delay the acquisition or disposition of the securities or the Funds' ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit the Funds' ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a security. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Funds' position limits were aggregated with an affiliate's position limits, the effect on the Funds and resulting restriction on its investment activities

may be significant. If at any time positions managed by the Investment Manager were to exceed applicable position limits, the Investment Manager would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Funds might have to forego or modify certain of its contemplated trades.

In addition, if the Funds, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), the Funds may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances the Funds will be prohibited from entering into a short position in such issuer’s securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

The Funds, acting either alone or as part of a group, may acquire a “control” position in an issuer’s securities. This may subject the Funds to additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

#### *Commodity Interest Trading Limit*

The Investment Manager currently operates the Funds subject to the CFTC Rule 4.13(a)(3) de minimis exemption (the “**4.13(a)(3) Exemption**”). While the 4.13(a)(3) Exemption provides relief from certain CFTC reporting and recordkeeping requirements, it generally requires the Funds to, among other things, have de minimis levels of commodity interest trading. Accordingly, the Funds operate with significant restrictions upon its trading of the instruments that are restricted under the 4.13(a)(3) Exemption, such as commodity futures, security futures options thereon and certain swaps. As a substitute for such instruments, the Funds may trade other instruments that are not restricted under the 4.13(a)(3) Exemption. As a result, the Funds may incur higher transaction costs or effect a less optimal hedge than it would otherwise be able to if it were not operated subject to the 4.13(a)(3) Exemption.

#### *Pay-to-Play Laws, Regulations and Policies*

In light of controversies and highly publicized incidents involving money managers, a number of states and municipal pension plans have adopted so-called “pay-to-play” laws, regulations or policies which prohibit, restrict or require disclosure of payments to (and/or certain contacts with) state officials by individuals and entities seeking to do business with state entities, including investments by public retirement funds. The SEC also has adopted rules that, among other things, prohibit an investment adviser from providing advisory services for compensation with respect to a government plan investor for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. If the Investment Manager, its employees or affiliates fail to comply with such pay-to-play laws, regulations or policies, such non-compliance could have an adverse effect on the Funds (by, for example, providing the basis for the withdrawal of the affected government plan investor).

#### *Litigation Risk*

Some of the tactics that the Investment Manager may use involve litigation. The Funds could be a party to lawsuits either initiated by it, or by a company in which the Funds invest, other



shareholders of such company, or U.S. federal, state and non-U.S. governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the Funds.

#### *Exposure to Material Non-Public Information*

From time to time, the Investment Manager may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Funds may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. If these restrictions or prohibitions apply to securities in which the Funds are considering making an investment, such restrictions or limitations could prevent the Funds from accessing a profitable investment opportunity. If such restrictions or limitations apply to securities in which the Funds have an existing investment, then such restrictions or limitations could give rise to substantial investment losses, which losses, in the case of a security in which the Funds have a short position, are theoretically unlimited.

#### *Currency Exchange Exposure*

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

### **Risks Relating to Investment Strategies**

#### *Long/Short*

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

#### *Short Selling*

The success of the Funds' short selling investment strategy depends upon the Investment Manager'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. 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 if the demand to buy such securities outpaces the available supply, thereby exacerbating the loss.

For instance, 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 in a rapid price increase; (ii) market participants collectively purchasing a significant amount of shares, thereby causing a substantial increase in the price of such securities; and/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 positions at unattractively 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.

Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Further, 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 to the risks of securities loan recalls or “short squeezes,” 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. In addition, 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 in order to meet margin requirements, thereby further increasing the losses (or decreases the gains) of the Funds. In addition, stock loan fees charged to the Funds for borrowing securities may be substantial, and will decrease any gains (or increase losses) associated with the short position. 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 Investment Manager to take advantage of opportunities for short-selling may be significantly reduced.

*Long-Term*

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

*Short-Term Market Considerations*

The Investment Manager'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 for Investment Purposes*

The use of leverage allows each of 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 also magnifies the volatility of changes in the value of the Funds' portfolio. 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.

*Lending of Portfolio Securities*

The Funds each 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 Funds 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 Investment Manager may select investments that are concentrated in a limited number or types of securities. In addition, the Funds' 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 Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

*Lack of Control*

Each Fund may invest in debt instruments and equity securities of companies that it does not control, which the Funds may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities are subject to the risk that the issuer may make business, financial or management decisions with which the Funds 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 Funds' interests. In addition, the Funds may share control over certain investments with co-investors, which may make it more difficult for the Funds to implement their investment approach or exit the investment when they otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the Funds' investments therein.

*Service on Boards of Directors*

Personnel of the Investment Manager and its affiliates may serve as directors or board observers (or similar roles) of companies in which the Funds invest, including companies held as private investments. In such case, there exists the risk that the Funds are restricted in transacting in or redeeming its investment in that company as a result of, among other things, legal restrictions on transactions by company directors or affiliates. Further, in the event that material non-public information is obtained with respect to such companies, or the Funds become subject to trading restrictions pursuant to the internal trading policies of such companies or as a result of applicable law or regulations, the Funds may be prohibited for a period of time from purchasing or selling the securities of such companies, which prohibition may have an adverse effect on the Funds.

*Hedging Transactions*

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

*Discretion of the Investment Manager; New Strategies and Techniques*

While the Investment Manager generally seeks to employ the representative investment strategies and techniques discussed herein, the Investment Manager has considerable discretion in the types of securities the Funds may trade and has the right to modify the investment strategies and techniques of the Funds 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 Funds. In addition, any new investment strategy or technique developed by the Funds 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 Funds.

**Risks Relating to Market Conditions Generally***General Economic and Market Conditions*

The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors

may affect the level and volatility of the prices and the liquidity of the Funds' investments. Volatility or illiquidity could impair the Funds' profitability or result in losses. The Funds may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

#### *Governmental Interventions*

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

#### *Potential Interest Rate Increases*

The United States has experienced a sustained period of historically low interest rate levels. In recent years, however, short-term and long-term interest rates have risen. The uncertainty of the U.S. and global economy, changes in U.S. government policy, and changes in the federal funds rate, increase the risk that interest rates will remain volatile in the future. Sustained future interest rate volatility may cause the value of any fixed income securities held by the Funds to decrease, which may result in substantial withdrawals from the Funds that, in turn, force the Funds to liquidate such securities at disadvantageous prices negatively impacting the performance of the Funds.

#### *Discontinuation of LIBOR*

It is expected that the U.S. dollar London Interbank Offered Rate ("**LIBOR**"), which is commonly used as a reference rate within various financial contracts (any such rate, a "**Reference Rate**"), will not be published after June 30, 2023 (the one-week and two-month tenors of U.S. Dollar LIBOR ceased to be published after December 31, 2021). In anticipation of the end of LIBOR, the United States and other countries are replacing LIBOR with alternative Reference Rates. The Secured Overnight Financing Rate ("**SOFR**") (and with respect to term SOFR rates, the CME's term SOFR rates) is the Reference Rate recommended by the Alternative Reference Rates Committee (the "**ARRC**") convened by the U.S. Federal Reserve Board and the Federal Reserve Bank of New York. The ARRC and regulators have stated that any party choosing another Reference Rate should do so carefully. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which the Funds is a party. Generally, the transition to alternative Reference Rates may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including the Funds and their counterparties. With respect to financial contracts to which the Funds are a party, any such contract that has a maturity that extends beyond June 2023 and uses LIBOR as a Reference Rate (other than contracts that include curative fallback language or which have other curative mechanisms available, such as safe harbor legislation adopted in the State of New York to permit the replacement of LIBOR with the rates recommended by the ARRC in contracts governed by New York law and the Adjustable Interest Rate (LIBOR) Act included in the Consolidated Appropriations Act, 2022)

may need to be renegotiated, the process of which will consume resources of the Funds and may result in disputes among counterparties, the result of which may be adverse to the Funds. Regulators encouraged market participants to cease (and in the case of entities that they regulate, have required such entities to cease) entering into new contracts that use U.S. Dollar LIBOR as a reference rate. As a result, U.S. Dollar LIBOR's liquidity and usefulness is expected to diminish. Investors should expect that the Funds will be a party to SOFR-based contracts, or contracts utilizing different Reference Rates. Considered in their entirety, the impacts of the discontinuation of LIBOR on financial markets generally and on the specific financial contracts to which the Funds are a party may adversely affect the performance of the Funds.

#### *Rise of High-Frequency Trading*

In recent years, high-frequency trading has increased, which has raised questions about the impact high-frequency trading has on financial markets generally. Though the increase in high-frequency trading has been correlated with increased market liquidity, this purported liquidity may be illusory and high-frequency trading may be the cause of reductions in true liquidity and certain instances of extreme volatility. Opponents of high-frequency trading argue that it exploits the work of active traders, has reduced the number of active traders and has resulted in increased execution costs. The effects of high-frequency trading on specific trades or markets generally may adversely affect the Funds' ability to effect its trading strategy.

#### *MiFID II*

The package of European Union market infrastructure reforms known as "**MiFID II**" increased regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, over time, as some of the sources of liquidity exit European markets, and may result in significant increases in transaction costs.

Other regulatory changes, such as an increase in the scope of commodities and commodity derivatives regulation, including position limits and regulatory position management powers could, over time, similarly lead to liquidity reduction and/or an increase in costs and spreads in the European commodities markets.

Although the full impact of these reforms is difficult to assess at present, it is possible that the resulting changes in the available trading liquidity options and increases in transactional costs may have an adverse effect on the ability of the Investment Manager to execute the investment program.

#### *Sanctions*

The Funds' operations are or may become subject to economic sanctions laws and regulations of various jurisdictions. At any given time, whether under applicable law, by contractual commitment or as a voluntary risk management measure, the Funds may be required, or elect, to comply with various sanctions programs, including the Specially Designated Nationals and Blocked Persons List and Sectoral Sanctions programs administered by OFAC, the sanctions regimes administered by subsidiary organs of the United Nations Security Council, the Sanctions Orders of the Cayman Islands (including as extended to the Cayman Islands by Order

of the government of the United Kingdom from time to time), and the Restrictive Measures adopted by the European Union. Some sanctions that may apply to the Funds prohibit or restrict dealings with particular identified persons. Other potentially applicable sanctions programs broadly prohibit or restrict dealings in certain countries or territories or with individuals and entities located in such countries or territories. In addition to such current sanctions, additional sanctions may be imposed in the future. Such sanctions may be imposed with little or no advance warning or “safe harbor” for compliance and may be ambiguous, including as to the scope of financial activities that regulators may ultimately deem to be covered by the sanctions.

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

In particular, and by way of example, the value of certain Fund investments in Chinese companies could be adversely affected by sanctions. Relations between China and the United States have recently become strained, resulting, at times, in a degradation in trade relations and the imposition of sanctions. The U.S. Government, through legislation enacted by Congress, Executive Orders issued by the President, and regulations and other actions by various U.S. federal government agencies, including OFAC, the U.S. Department of Commerce, the U.S. Department of State and the U.S. Department of Defense, has imposed or authorized the imposition of sanctions against certain Chinese government officials, government entities, and state-owned and non-state-owned companies.

#### *Climate Change-Related Risks*

The environmental effects of climate change, including rising temperatures, extreme weather, fires, flooding, erratic weather fluctuations, agricultural failures and displacement and destabilization of human populations, could have materially adverse effects on the securities held by the Funds. The Investment Manager believes that such risks may increase over time, although the time period over which these consequences might unfold is difficult to predict. In addition to the physical, economic and geo-political risks associated with climate change, there are transition risks. The willingness of certain governments, industries and businesses, especially those that profit from, or have a reliance on, fossil fuels, to adapt to climate change or transition to sustainable practices may also adversely affect the securities held by the Funds.

Regulatory changes and divestment movements tied to concerns about climate change could adversely affect the value of certain industries whose activities or products are seen as accelerating climate change, or ill-positioned in light of the economic and social demands imposed by climate change. In recent years, certain investors have incorporated the business

risks of climate change and the adequacy of companies' responses to climate change as part of their investment theses. These shifts in investing priorities may result in adverse effects on the trading price of securities if investors determine that the company has not made sufficient progress on climate change and environmental sustainability matters whether or not climate change proves to be as severe as predicted or preventable.

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

#### *Assumption of Catastrophe Risks*

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

#### *Coronavirus Risks*

In December 2019, the virus SARS-CoV-2, which causes the coronavirus disease known as COVID-19, was first identified in the human population. The disease spread around the world, resulting in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across the globe, as well as the implementation of travel restrictions and remote working and "shelter-in-place" or similar policies by numerous companies and national and local governments. These actions caused the disruption of manufacturing supply chains and consumer demand in certain economic sectors, resulting in significant disruptions in local and global economies. Such disruptions continue to be felt, as many countries and U.S. states struggle to contain the virus and its variants. The short-term and long-term impact of COVID-19 on the operations of the Investment Manager and the performance of the Funds is difficult to predict. Any potential impact on such operations and performance will depend to a large extent on future developments and actions taken by authorities and other entities to contain COVID-19 and its economic impact. These potential impacts, while uncertain, could adversely affect the performance of the Funds.

### **Risks Relating to Specific Sectors and Types of Companies**

#### *Consumer Sector*

The Funds expect to invest in the securities of companies in the consumer sector, which may include securities of companies employing direct-to-consumer sales strategies, which investments involve substantial risk. The success of consumer product manufacturers and retailers is tied closely to the performance of the overall domestic and global economy, interest rates, competition and consumer confidence. Success depends heavily on disposable household income and consumer spending. Also, companies in the consumer discretionary



sector may be subject to severe competition, which may have an adverse impact on their respective profitability. Changes in demographics and consumer tastes can also affect the demand for, and success of, consumer products and services in the marketplace. Moreover, with respect to companies employing direct-to-consumer sales strategies, in which the Funds may invest, the performance of such companies will be highly correlated with their ability to successfully implement new technology and/or exploit existing technologies. Technology-reliant companies are challenged by various factors, including, among others, rapidly changing market conditions, participants and technological advances, new competing products and services and improvements in existing products and services, cybersecurity risks, and internet, power and/or network outages. There is no assurance that products or services sold by such companies will not be rendered obsolete or adversely affected by competing products and services or other challenges. In the event that technology-reliant sectors decline or that companies are unable to utilize technology successfully and competitively, returns to Investors likely will decrease.

#### *Industrials Sector*

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

#### *Infrastructure Sector*

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

subject to customary deductibles and coverage limits and may not be sufficient to recoup all of an investment's losses. Furthermore, once assets of issuers become operational, they may face competition from other infrastructure assets in the vicinity of the assets they operate, the presence of which depends in part on governmental plans and policies.

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

#### *Utilities and Energy Sectors*

The Funds expect to invest in the securities of companies in the energy sector, which companies may be significantly affected by outdated technology, short product cycles, falling prices and profits, market competition and risks associated with using hazardous materials. Energy companies may also be negatively affected by legislation that results in stricter government regulations and enforcement policies or specific expenditures. Rates charged by traditional regulated utility companies are generally subject to review and limitation by governmental regulatory commissions, and the timing of rate changes will adversely affect such companies' earnings and dividends when costs are rising.

#### *Alternative Energy Sector*

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

The alternative energy industry may be significantly affected by the competition from new and existing market entrants, obsolescence of technology, short product cycles, production spending, varying prices and profits, commodity price volatility, changes in exchange rates, imposition of import controls, depletion of resources, seasonal weather conditions, technological developments and general economic conditions, market sentiment, fluctuations in energy prices and supply and demand of alternative energy fuels, fluctuations in the price of oil and gas, energy conservation efforts, the success of exploration projects, changes in taxation and tax incentives and other government regulations and local, national and international political events. Additionally, adverse weather conditions may cause fluctuations in renewable energy generation and adversely affect the cash flows associated with these assets.

Further, the alternative energy industry may be adversely affected by legislation. For example, if the government reduces environmental regulations or their enforcement, companies that produce products designed to provide a clean environment, and in which the Funds may invest, are less likely to be profitable. Shares of companies involved in the alternative energy industry may be more volatile than shares of companies operating in more established industries. Certain valuation methods currently used to value companies involved in the alternative energy industries have not been in widespread use for a significant period of time. As a result, the use of these valuation methods may serve to further increase the volatility of

certain alternative and transitional energy company share prices. If government subsidies and incentives for alternative energy sources are reduced or eliminated, the demand for alternative energy may decline and cause corresponding declines in the revenues and profits of companies engaged in the alternative energy industry. In addition, changes in U.S., European and other governments' policies towards alternative energy technology also may have an adverse effect on the Funds' performance. Furthermore, the Funds may invest in the shares of companies with a limited operating history, some of which may never have operated profitably.

#### *Financials Sector*

The Funds may invest in the securities of companies in the financials sector, which involves investments in financial instruments issued by financial institutions, such as investment and commercial banks, insurance companies, savings and loan associations, mortgage originators and other companies engaged in the financial services industry (collectively, "**financial institutions**"). In addition, financial institutions will act as counterparties to the Funds in connection with the Funds' investment activities, and will provide, as applicable, prime brokerage, custodial and ISDA services to the Funds. The Funds each may also gain exposure to these entities through derivative transactions. In the course of conducting their business operations, financial institutions are exposed to a variety of risks that are inherent to the financial services industry, including, but not limited to, fluctuations in interest rates, exchange rates, equity and commodity prices and credit spreads caused by global and local market and economic conditions; credit-related losses that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honor its contractual obligations; the potential inability to repay short-term borrowings with new borrowings or assets that can be quickly converted into cash while meeting other obligations; operational failures or unfavorable external events; potential changes to the established rules and policies of various U.S. and non-U.S. legislative bodies and regulatory and exchange authorities, such as federal and state securities, bank regulators and industry participants; risks associated with litigation, investigations and/or proceedings by private claimants and governmental and self-regulatory agencies arising in connection with a financial institution's activities; and its continuing ability to compete effectively in the market. While financial institutions seek to manage these and other risks through risk management policies and procedures, there can be no assurance that such any financial institution's risk management practices will be effective.

#### *Investment and Trading Out of Sector*

The Funds will trade in regions other than the energy, industrials, infrastructure, utilities, and consumer sectors, including for hedging purposes and/or on an opportunistic basis. Although out-of-sector positions are not expected to represent core positions, the profit or loss from those positions could have a material impact on the Funds' performance.

#### *Regulated Industries*

The Funds may invest in companies that operate in regulated industries. The operations of such companies are subject to compliance with applicable regulations, and such companies may be subject to increased regulations resulting from both new requirements and re-regulation of previously de-regulated markets. Prices may be artificially controlled, and regulatory burdens may increase costs of operations. New or increased regulations could adversely and materially affect the performance of the companies in which the Fund invests. Additionally, such companies may be highly dependent on government contracts and quasi-governmental entity contracts (e.g., GSEs), which could further increase the risks of investing in such companies.

*Micro-, Small- and Medium-Capitalization Companies*

Investments in securities of micro- and small-capitalization companies involve higher risks in some respects than do investments in securities of larger “blue-chip” companies. For example, prices of securities of micro- and small-capitalization and even medium-capitalization companies are often more volatile than prices of securities of large-capitalization companies and may not be based on standard pricing models that are applicable to securities of large-capitalization companies. Furthermore, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) may be higher than for larger, “blue-chip” companies. Finally, due to thin trading in the securities of some micro- and small-capitalization companies, an investment in those companies may be illiquid.

*American Depositary Receipts and Global Depositary Receipts*

American Depositary Receipts (“**ADRs**”) are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by non-U.S. issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts (“**GDRs**”) are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a non-U.S. company’s publicly traded securities that are traded on non-U.S. stock exchanges or non-U.S. over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depository receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale of disposition proceeds, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

*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, natural disasters, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, technology changes, regulatory developments, political events, 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 Investment Manager 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.

*Convertible Securities*

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

*Debt Securities*

Although the Funds trade primarily in equities, the Funds also may invest in debt or other fixed income securities, including non-investment grade securities, sovereign debt and/or similar obligations and instruments. 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. The market values of debt instruments may also be more volatile than the values of other investments and, during periods of economic uncertainty and change, the market price of these investments may decrease significantly. Debt instruments may also be less liquid than equities, particularly during periods of market dislocation. The lack of a liquid secondary market may have an adverse effect on the market price and the Funds' ability to sell particular securities. In addition, the debt instruments in which the Funds may invest may be adversely affected by changes in interest rates and the frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur with respect to such debt instruments, and if the debt instrument in which the Funds are invested are junior to the obligations of a company to senior creditors, the Funds' ability to influence such company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of such senior creditors.

*Derivative Instruments*

Certain swaps, options, warrants 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 may 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*

Regulatory restraints, such as requirements related to, among others, recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter instruments and mandatory trading on electronic facilities, and other transaction-level obligations may restrict the instruments that the Funds may trade and may cause the Funds to forego using certain trading counterparties, which may negatively impact the Funds. 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 Investment Manager and/or the Funds, and increase the amount of time that the Investment Manager 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.

*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.

*Warrants*

Warrants are generally exercisable for a certain period of time at a certain purchase price that is based on the valuation of a certain security as of a certain date. In the event that the price per share of such security does not exceed the exercise price of a warrant during the period when such warrant is exercisable, the warrants may not have any value. Additionally, until the Funds acquire such security upon exercise of all or a portion of the warrant, such warrant will generally not provide the Funds with any rights of a holder of such security. Furthermore, upon exercise of such warrant, the Funds will generally be entitled to exercise the rights of a holder of such security only as to matters for which the date to exercise such rights occurs on or after the exercise date.

*Credit Default Swaps*

Credit default swaps can be used to implement the Investment Manager'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 Investment Manager'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 the Funds 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 Investment Manager 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 trades. The Funds' 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 Investment Manager 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.

#### *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 Investment Manager fails to enter into such offsetting trade prior to the expiration of the contract, the Funds may suffer a loss since none of the Funds or the Investment Manager has the operational capacity to accept physical delivery of commodities.

#### *Exotic Options*

Exotic options are typically, but not always, traded over-the-counter. OTC contracts may not trade in a liquid market and pricing may be opaque. The illiquidity of these markets can be exacerbated in times of market stress. 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 customized, there is lower visibility with respect to the pricing and valuation of these instruments. Exotic options may be subject to high levels of price volatility. For example, in the case of barrier options, as the price of the asset underlying the option trades closer to a barrier level, the delta of the option (i.e., the ratio of the change in the price of the underlying asset to the corresponding change in the price of the option) and the gamma of the option (i.e., the rate of change of the delta with respect to the underlying asset's price) may become very high. Exotic options may be subject to higher levels of model risk than commonly traded options because standard models are not able to adequately capture or predict the risks associated with the exotic options. Exotic options may be "path dependent". This means that their terminal value (at exercise or expiration) depends upon the value of



the underlying asset, not only at the time of exercise or expiration, but also at prior points in time. In this sense, the option's terminal value depends upon the "path" taken by the underlying asset over the life of the option. For example, a barrier option's value at expiration depends upon both the value of the underlying asset at expiration and whether the past value of the underlying asset ever satisfied a barrier condition. In contrast, a vanilla option (e.g., a call option) is not path dependent. Its value at exercise or expiration depends on the value of the underlying asset only at that point in time. The additional features incorporated by exotic options require additional judgments regarding the likelihood of certain conditions being satisfied, any one of which can result in loss if made incorrectly. An OTC option may be closed out only with the counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

#### *Distressed Obligations*

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

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

*Equity Securities Generally*

The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Funds each may suffer losses if they invest in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Funds has 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.

*Illiquid Securities*

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

*Initial Public Offerings*

Investments in initial public offerings (or shortly thereafter) typically involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Funds' limited partnership interests.

*PIPE Transactions*

Private investments in public companies whose stocks are quoted on stock exchanges or which trade in the over-the-counter securities market, a type of investment commonly referred to as a "PIPE" transaction, may be entered into with smaller capitalization public companies, which will entail business and financial risks comparable to those of investments in the publicly-issued securities of smaller capitalization companies, which may be less likely to be able to weather business or cyclical downturns than larger companies and are more likely to be substantially hurt by the loss of a few key personnel. In addition, PIPE transactions will generally result in the Funds acquiring either restricted stock or an instrument convertible into restricted stock. As with investments in other types of restricted securities, such an

investment may be illiquid. The Funds' ability to dispose of securities acquired in PIPE transactions may depend on the registration of such securities for resale. Any number of factors may prevent or delay a proposed registration. Alternatively, it may be possible for securities acquired in a PIPE transaction to be resold in transactions exempt from registration in accordance with Rule 144 under the Securities Act, or otherwise under the U.S. federal securities laws. There can be no guarantee that there will be an active or liquid market for the stock of any small capitalization company due to the possible small number of stockholders. As a result, even if the Funds are able to have securities acquired in a PIPE transaction registered or sell such securities through an exempt transaction, the Funds may not be able to sell all the securities on short notice, and the sale of the securities could lower the market price of the securities. There is no guarantee that an active trading market for the securities will exist at the time of disposition of the securities, and the lack of such a market could hurt the market value of the Funds' investments.

#### *Preferred Stock*

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

#### *Private Equity Investments*

##### *Risk of Early Stage Companies*

Investments in the private equity of companies at an early stage of development involves a high degree of business and financial risk. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses.

##### *Risks of Growth Equity Investing*

While growth equity investments offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial or total losses. Among these risks are the general risks associated with investing in companies at an early or growth-stage of development or with little or no operating history, companies with substantial variations in operating results from period to period, companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position and companies dependent on new or developing technology. The ability of a growth equity portfolio company to succeed will be dependent not only upon the company's ability to

develop the right products for the right market, but to constantly evolve its business to be sure that its products keep pace with changing technologies and markets. Such a company will need to implement appropriate sales and marketing, finance, personnel and other operational strategies in order to continue to grow its business. Furthermore, companies in which the Funds may invest that are at an early or growth-stage of development may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. The Funds will make investments in companies which may rely upon rapidly changing technologies. Therefore, technological obsolescence and other technology risks may adversely impact the performance of these investments. In all such cases, the Funds will be subject to the risks associated with the underlying businesses engaged in by such companies and of their customers.

#### *Control Issues*

Although the Investment Manager may seek protective provisions, including, possibly, board representation, in connection with certain of its private equity investments, to the extent the Funds take minority positions in companies in which they invest, the Investment Manager may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect its position in such companies. In such instances, the success of the Funds' investments will depend in part on the performance and abilities of such companies' controlling shareholders. Because the Funds will not control such companies, the Funds' ability to exit from such investments may be limited. Additionally, the Funds are likely to have a reduced ability to influence management of such companies, and the Investment Manager may also have disagreements with controlling shareholders over the strategy and operations of such companies.

#### *Intellectual Property Risks*

Many private companies rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect proprietary rights, including source code. There can be no assurance that the Funds or a company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop technologies substantially equivalent or superior to a company's technologies. Unauthorized access or theft of source code and other proprietary information may make a portfolio company or its products and services more vulnerable to malicious attack. While piracy adversely affects company revenue, the impact on revenue from outside the U.S. is significant, particularly in countries where laws are less protective of intellectual property rights. The absence of harmonized patent laws makes it more difficult to ensure consistent respect for patent rights. Reductions in the legal protection for software intellectual property rights could adversely affect such companies.

#### *Highly Leveraged Companies*

Investments in private equity of highly leveraged companies involve a high degree of risk. The use of leverage may increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In the event any such company cannot generate adequate cash flow to meet debt service, the Funds may suffer a partial or total loss of capital invested in the company, which, depending on the size

of the Funds' investments, could adversely affect the return on the capital of the Funds.

*Reliance on Company Management*

Many private companies rely on the services of a limited number of key individuals to manage the business and operations of the company, the loss of any one of whom could significantly adversely affect the company's performance. While the Investment Manager may seek to monitor and review the performance of a private investment company's management team, management of each company will have day-to-day responsibility of managing such portfolio company.

*Restricted Securities*

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

*Special Purpose Acquisition Companies*

A special purpose acquisition company (a "SPAC") is a publicly traded company formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more undervalued operating businesses. Following the acquisition of a target company, a SPAC typically would exercise control over the management of such target company in an effort to increase the value of such target company. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company's value increased. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in "blank check" companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, most SPACs are illiquid and have a concentrated shareholder base that tends to be comprised of hedge funds (at least at inception). The Funds may invest in a SPAC that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be limited basis for the Funds to evaluate the possible merits

or risks of such SPAC's investment in any particular target business. To the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies. For these and additional reasons, investments in SPACs are speculative and involve a high degree of risk.

#### *Undervalued Securities*

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

#### *Unlisted Securities*

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

#### *When-Issued and Forward Commitment Securities*

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

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

#### *Non-U.S. Exchanges*

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

#### *Non-U.S. Investments*

Investing in the securities of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange

between currencies and costs associated with currency conversion; and certain government policies that may restrict the Funds' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Funds each may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Funds' rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Funds under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

#### *Global Political Risks*

Some of the companies in which the Funds may invest may be particularly exposed to the risk of political change and governmental action. With respect to some foreign countries, there is the possibility of expropriation or confiscatory taxation, limitations on the removal of funds or other assets of the Funds, political or social instability, war or insurrection, terrorist attacks, or diplomatic developments that could affect the value and marketability of the Funds' investments in those countries. Investing in emerging markets poses greater risks and a greater potential for returns than investing in developed countries. Securities of companies in these emerging markets are generally more volatile and may be much more volatile than securities issued by companies located in developed countries.

#### *Investment Factors Unique to China*

Certain of the Funds' investments may be in companies organized in, operating in, or traded on the stock exchange(s) of the People's Republic of China ("PRC"). The economy of China has been transitioning from a planned economy to a market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry by imposing industrial policies. It also exercises significant control over China's growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

#### *Investment Factors Unique to India*

Certain of the Funds' investments may be in companies organized in, operating in, or traded on the stock exchange(s) of India. The government of India exercises significant influence over many aspects of the Indian economy, and the number of public sector enterprises in India is substantial. Accordingly, government actions in India in the future could have a significant effect on its economy, which could affect private sector companies, market conditions, and prices and yields of Indian securities. Trading in India may require additional licensing and/or tax structuring (including potentially subsidiaries of the Funds), the cost of which will be borne by the Funds.

#### *Investment in Emerging Markets*

Investing in the securities of companies (and, from time to time, governments) in emerging markets, specifically, involves additional risks and special considerations not typically

associated with investing in more established economies or markets. Such risks may include, in addition to the risks listed above in connection with non-U.S. investments generally, some if not all of which are heightened in the case of investments in emerging markets: higher dependence on exports and the corresponding importance of international trade; greater risk of substantial inflation; greater controls on foreign investment and preferential treatment for particular domestic industries or companies or other protectionist acts; increased likelihood of governmental involvement in and control over the economy; governmental decisions to cease support of economic reform programs or to impose centrally planned economies; longer settlement periods for transactions and less reliable clearance and custody arrangements; and less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors. In addition, both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many emerging markets countries, and the tax systems of some emerging market economies have been marked by rapid change, which has sometimes occurred without warning and has been applied with retroactive effect, and in some cases, there is widespread non-compliance with tax laws, insufficient personnel to deal with the problem and inconsistent enforcement of the laws by inexperienced tax inspectors. All of such risk factors could potentially affect the Funds' ability to conduct effective due diligence in connection with its investments and to monitor investments or otherwise impact returns on any such investment.

#### *Dependence on Developing Countries*

The level of commodity prices can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made many developing countries, particularly China, disproportionately large users of commodities and has increased the extent to which commodity prices are dependent on the markets of those developing countries. Political, economic and other developments that affect these developing countries may affect the level of certain commodities and, thus, the value of the Funds' investments. Because certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers, political, economic and supply-related events in those countries could have a disproportionate impact on the prices of commodity futures contracts and other types of financial instruments in which the Funds will invest. Events affecting the prices of commodities tend to affect prices worldwide, regardless of the location of the event.

#### *FCPA and Anti-Corruption Considerations*

In some countries, there is a greater acceptance than in the United States of government involvement in commercial activities and of corruption. Under the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA"), it is unlawful for U.S. persons and, in certain circumstances, foreign persons to pay or offer bribes, directly or indirectly, to a foreign official in order to obtain, retain, or direct business. In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, with the enactment in 2013 of the Bribery Act, the United Kingdom has recently significantly expanded the reach of its anti-bribery laws. The Investment Manager will undertake various due diligence measures and applies certain procedures (together with the Administrator, where applicable) designed to determine whether entering into a relationship with an investor or prospective counterparty or investment would give rise to corruption-related risks and to prevent such risks. As a result of such measures, the Investment Manager may determine that the Investment Manager or the Funds should forgo certain relationships and associated opportunities that the Investment Manager believes may present such risks. In addition, the possibility exists that the Investment Manager's or the Funds' ongoing relationships may be



affected by activity that has potential implications under anti-corruption and anti-bribery laws, which could necessitate discontinuing an existing relationship or activity, or the imposition of other legally required or advisable measures. In spite of the Investment Manager's efforts to comply with the FCPA, the Bribery Act and other applicable laws, individuals purporting to act on behalf of the Investment Manager or affiliates of portfolio companies, particularly in cases where the Funds do not control such portfolio company, could engage in activities that could have legal implications under such laws, including allegations of violations of such laws, whether before or after the Funds make an investment. Any allegation or determination that the Funds or the Investment Manager have liability arising from a violation of the FCPA or other applicable anti-corruption laws or anti-bribery laws could subject the Funds or the Investment Manager to, among other things, civil and criminal proceedings and penalties, fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect the Investment Manager's business prospects and/or financial position, as well as the Funds' ability to achieve its investment objective and/or conduct its operations.

*CFIUS and National Security/Investment Clearance Considerations*

Investments by Funds may involve the acquisition of an investment in a business connected with or related to national security or critical infrastructure, which may be subject to review and approval by the U.S. Committee on Foreign Investment in the United States ("CFIUS") and/or non-U.S. national security/investment clearance regulators depending on the beneficial ownership and control of Interests in the Fund. In the event that CFIUS or another regulator reviews one or more of the Funds' proposed or existing investments, there can be no assurances that the Funds will be able to maintain, or proceed with, such investments on terms acceptable to the Funds. CFIUS or another regulator may seek to impose limitations on or prohibit one or more of the Funds' investments. Such limitations or restrictions may prevent the Funds' from maintaining or pursuing investments, which could adversely affect the Funds' performance with respect to such investment (if consummated) and thus the Funds' performance as a whole.

**THE PRECEDING DISCLOSURE REGARDING RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OR EXPLANATION OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE FUNDS. SUBSTANTIAL ADDITIONAL RISKS MAY BE PRESENT IN CONNECTION WITH AN INVESTMENT IN THE FUNDS. AN INVESTMENT IN THE FUNDS COULD RESULT IN A COMPLETE AND TOTAL LOSS.**

**Item 9: Disciplinary Information**

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There are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

**Item 10: Other Financial Industry Activities and Affiliations**

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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**

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***Code of Ethics***

Forest Avenue 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);
- Employees should not take inappropriate advantage of their position at the Firm;
- Employees must not misrepresent the Firm or their role within the Firm; and
- Employees must comply with all applicable federal securities laws.

Employees (together with such employee’s immediate family members) are not permitted to maintain personal brokerage accounts for the purpose of trading single named securities except for the purpose of holding or liquidating any such holdings after the commencement of the Master Fund’s trading activity or employment, whichever came later. Employees (together with such employee’s immediate family members) are permitted to liquidate positions held at the time of commencement of the Master Fund’s trading activity or employment, whichever came later, subject to the CCO’s pre-approval in each instance.

Employees are prohibited from participating in Initial Public Offerings. Employees are also prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm’s “Restricted List”.

Employees are permitted to trade “Broad-based” Exchange Traded Funds (“**ETFs**”) and Exchange Traded Notes (“**ETNs**”) without pre-approval from the CCO. However, (1) if an Employee is unsure whether or not an ETF or ETN is considered “Broad-based”, the Employee must reach out to the CCO for review and pre-approval of the ETF or ETN transaction and (2) acquired ETFs and ETNs are subject to minimum holding periods.

Employees must obtain pre-approval from the CCO before: (i) engaging in any outside business activities; or (ii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises.

**Item 12: Brokerage Practices**

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Forest Avenue is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available

commission cost. It is not our practice to negotiate “execution only” commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm’s authority is limited by its own internal policies and procedures and each Fund’s investment guidelines.

### ***Best Execution***

In selecting an appropriate broker-dealer to affect a client trade, we seek to obtain “**Best Execution**,” meaning generally the execution of a securities transaction for a client in such a manner that a client’s total costs or proceeds in the transaction are most favourable under the circumstances. Accordingly, in seeking Best Execution, we take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers’ full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

### ***Soft Dollars***

The Firm may use “**Soft Dollars**”. In such cases, Soft Dollar credits, generated by the Master Fund’s trading activities, would be used to purchase brokerage and research services or products that would otherwise have been Fund expenses. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Exchange Act.

Neither Forest Avenue nor any related person receives client referrals from any broker-dealer. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds.

The provision by a broker of research and other services and property to us creates an incentive for us to select such broker since we would not have to pay for such research and other services and property as opposed to solely seeking the most favourable execution for a client. Any research, services or property provided by a broker may benefit any client and such benefits may not be proportionate to commission dollars related to the provision of such research, services or property.

### **Item 13: Review of Accounts**

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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. A review of a particular Client's portfolio or account may be triggered by any unusual activity or special circumstances.

We generally provide audited financial statements with respect to the previous fiscal year to all Investors within 120 days of fiscal year end.

**Item 14: Client Referrals and Other Compensation**

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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 who is not a supervised person for client referrals.

**Item 15: Custody**

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We are deemed to have custody of Client funds and securities because we 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. Account statements related to the Clients are sent by qualified custodians to Forest Avenue.

We comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., 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 Fund's audited financials to Investors within 120 days of each such Fund's fiscal year end.

**Item 16: Investment Discretion**

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We have full discretionary investment authority with respect to the Funds, 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. Our investment decisions and advice with respect to the Funds are subject to the Funds' investment objectives and guidelines, as set forth in the Funds' respective Offering Documents.

**Item 17: Voting Client Securities**

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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 general policy is to vote all proxy proposals, amendments, consents or resolutions (singularly a "**Proxy**", and collectively, "**Proxies**") in a prudent and diligent manner that serves the applicable Client's best interests and is in line with the Client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- (a) the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- (b) the anticipated associated costs and benefits;

- (c) the continued or increased availability of portfolio information; and
- (d) industry and business practices.

In limited circumstances, we may refrain from voting proxies where we believe that voting would be inappropriate, taking into consideration the cost of voting the proxies and the anticipated benefit to its Clients. Generally, Clients may not direct our vote in a particular solicitation.

Conflicts of interest may arise between Forest Avenue's and its Clients' interests. If Forest Avenue determines that it may have, or is perceived to have, a conflict of interest when voting proxies, Forest Avenue may retain the services of a proxy advisory firm to assist with its voting decision. Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request, to be reviewed on the premises.

#### **Item 18: Financial Information**

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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 Clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.