

# **LuminArx Capital Management LP**

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**March 29, 2024**

**FORM ADV PART 2A**

## **BROCHURE**

This brochure ("Brochure") provides information about the qualifications and business practices of LuminArx Capital Management LP ("LuminArx" or the "Adviser"). If you have any questions about the contents of this Brochure, please contact us at (212) 680-4579 or [ir@luminarxcap.com](mailto:ir@luminarxcap.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about LuminArx is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any reference to LuminArx as a "registered investment adviser" or as being "registered," does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

No material changes have been made since the last Brochure, filed November 3, 2023.

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## Item 4 - Advisory Business

LuminArx Capital Management LP, a Delaware limited partnership, was formed in January 2023 and is ultimately owned and controlled by Gideon Berger and Min Htoo (the “Principals”). The investment activities of LuminArx are directed by its investment committee, which is led by the Chief Investment Officer, Min Htoo, and is composed of the Principals and certain other professionals. The Principals, LuminArx’s officers, partners, employees, and other persons who provide investment advice on behalf of LuminArx and are subject to LuminArx’s supervision and control are herein referred to as the “Employees.”

The Adviser is a global alternative investment manager focused on special situations investing. The Adviser provides discretionary and non-discretionary advisory services to collective investment vehicles organized as domestic or foreign private investment partnerships, corporations, companies and / or other entities and/or managed accounts (collectively the “Funds”) that predominantly invest and trade in a wide variety of securities, assets and instruments (including, without limitation, equity securities, equity-related instruments, preferred equity and other hybrid securities, debt, debt-related instruments, bank debt, hard assets, currencies, commodities, futures contracts, options and other derivative instruments).

The Funds are managed in accordance with their investment objectives, as described in their respective offering documents and governing agreements (together, the “Governing Documents”). Investors in the Funds (generally referred to herein as “Investors” or “Limited Partners”) participate in the overall investment program for the applicable Fund, but in certain circumstances are excused from a particular investment due to legal, regulatory, or other agreed-upon circumstances pursuant to the Governing Documents. Such arrangements generally do not and will not create a client relationship with any Investor.

Certain Funds are organized as “master-feeder” fund structures with multiple feeder funds, master funds, and intermediate entities. The general partner or managing member of Funds (each and collectively, the “General Partner”) is an affiliate of the Adviser and is also controlled by the Principals. Unless and only to the extent that the context otherwise requires, references to the Adviser, we or us herein are deemed to include references to the General Partner as well.

The Adviser does not participate in any wrap fee programs.

As of February 29, 2024 LuminArx managed approximately \$1,480,096,833 in regulatory assets under management on a discretionary basis and approximately \$720,242,714 in regulatory assets under management on a non-discretionary basis.

## Item 5 - Fees and Compensation

In general, LuminArx receives an asset-based amount (an “Asset-Based Amount”) and is entitled to a performance-based compensation (a “Performance Allocation”) in connection with the provision of advisory services to the Funds. Investors in a Fund also bear certain expenses. Fees and expenses will be charged as set forth in the Governing Documents.

To the extent that LuminArx receives an Asset-Based Amount, the Asset-Based Amount will generally be paid quarterly in arrears. In any partial calendar quarter, the Asset-Based Amount will be appropriately pro-rated for the applicable partial period. The Asset-Based Amount will be calculated prior to the accrual of any Performance Allocation. LuminArx’s fee schedule is omitted because this Brochure is only being delivered to qualified purchasers as defined in the Investment Company Act of 1940, as amended (the “Company Act”).

The General Partner may, in its discretion, elect to reduce, waive or calculate differently the Asset-Based Amount or the Performance Allocation with respect to any Limited Partner. The General Partner may, at any time, cause a Fund to issue limited partner interests (“Interests”) differing in terms of, among other things, Performance Allocation, Asset-Based Amount, withdrawal rights, minimum commitment amounts and minimum additional commitment amounts, portfolios, denomination of currencies, informational rights and other rights, in each case, without providing prior notice to, or receiving consent from, existing Limited Partners, subject to requirements under applicable law.

### *Organizational expenses*

In addition to the Asset-Based Amount and Performance Allocation payable to LuminArx, each Fund will bear its attributable shares of all the fees, costs, charges, expenses, liabilities, obligations and other amounts (including amounts paid to outside legal counsel, accountants and tax advisors) incurred in connection with or incidental to the formation, organization, and establishment of the Fund and certain newly-formed entities to be used in connection with the Fund, the marketing and offering of the Fund to Limited Partners and prospective Limited Partners, including travel expenses and amounts incurred in connection with or incidental to: (i) preparing, printing, mailing or otherwise distributing Governing Documents, prospectuses, presentations, disclosure documents, side letters and similar agreements, comment responses, diligence materials, legal opinions and other documentation (including those deemed by the General Partner to be part of a “template” or “form” document to be used by the Fund), including attorney’s fees, costs and expenses related thereto; (ii) complying with any law or regulation related to the formation, organization, establishment, marketing and offering of the Fund (including any “blue sky” and “world sky” filing fees, costs and expenses); (iii) the engagement of and services provided by placement agents; (iv) other accounting, administrative, and capital raising filings and other out-of-pocket costs and expenses associated with legal, regulatory and compliance matters; and (v) negotiating with investors or prospective investors, or similar fees, costs and expenses.

The General Partner may, in its discretion, elect to amortize organizational expenses over a period of sixty (60) months commencing on the initial closing date of the Fund as described in the Governing Documents.

### *Fund expenses*

Each Fund, and thereby the Fund’s Investors, will bear the costs and expenses directly related to the conduct of its investment program and all of its ordinary administrative and operating expenses and otherwise the conduct of its business. These expenses vary from Fund to Fund. Expense generally borne by the Fund include:

- (i) costs and expenses incurred in the discovery, investigation, development, structuring, evaluation, acquisition, settling, holding, value-creation, negotiation, monitoring, financing, ownership, hedging, and disposition of Investments or prospective Investments (whether or not consummated) of the master funds, including fees, due diligence related expenses, brokerage, custody and hedging costs (including any costs and expenses in connection with an Investment accrued or incurred prior to (x) the General Partner offering such Investment to a Co-Investor (defined below) and (y) a commitment by a Co-Investor to participate in such Investment (which may be in excess of the master funds' ultimate share of such Investment));
- (ii) costs and expenses associated with any entities used directly or indirectly to acquire, hold or dispose of Investments or otherwise facilitate the master funds' investment activities;
- (iii) brokerage commissions (including mark-ups and mark-downs) and clearing and settlement charges;
- (iv) costs, expenses and fees incurred in connection with indebtedness, including interest on debit balances or principal and interest relating to any borrowings or other indebtedness or guarantees, including dollar rolls, reverse purchase agreements, credit facilities (including credit facilities secured by unfunded commitments), margin financing, total return swaps and the issuance of debt securities and the costs of establishing such indebtedness, the costs of monitoring compliance therewith, and the costs of any commitment, trustee, underwriting and legal fees and expenses;
- (v) custodial fees;
- (vi) certain technology costs (including specific expenses and fees of obtaining and maintaining software, news and quotation services, equipment and other systems);
- (vii) costs and expenses related to third-party trade surveillance and monitoring software;
- (viii) costs and fees of appraisers, accountants, attorneys, consultants, the advisory committee and the unaffiliated conflicts committee and any other experts engaged by the General Partner (and by the advisory committee and unaffiliated conflicts committee) in connection with the business of the Fund;
- (ix) other expenses deemed by the General Partner to be related to the master funds' investment program;
- (x) fees payable to investment bankers, placement agents (for portfolio investment purposes), introducers and other persons providing similar services;
- (xi) any placement fees and offering costs;
- (xii) broken deal expenses (including legal and accounting expenses, reverse termination fees, extraordinary expenses such as litigation costs and judgments and other expenses) for unconsummated transactions (which, in the case of an unconsummated co-investment, may be in excess of the Fund's share of such investment had such investment been consummated);
- (xiii) fees related to proxy voting and securities class action processing;

- (xiv) travel expenses (including airfare (not to exceed the cost of first-class commercial rates), ground transportation, meals, entertainment and accommodations);
- (xv) costs and expenses relating to research, market data, software used for processing market data and other data including data that may be considered “big data” or “alternative data” (including software used for collecting, distributing and storing such data) and other information and information service subscriptions utilized with respect to the master funds’ investment program;
- (xvi) any tax-related structuring and legal fees, costs and expenses related to the organization and/or maintenance of any intermediate, special purpose or other similar entity used to acquire, hold or dispose of any one or more Investment(s) or otherwise facilitating the master funds’ investment activities, including local office rent, local regulatory expenses, board meeting expenses, and telephone and email expenses necessary and/or advisable for the maintenance and operation of such entity, and other overhead expenses in connection therewith;
- (xvii) any withholding, transfer or other taxes imposed or assessed on, or collected from, or otherwise borne, directly or indirectly, by the Fund or any of its partners (including any interest or penalties), including certain withholding taxes and entity taxes; any and all taxes (including entity-level taxes), tax preparation and/or tax-related interest, fees and other governmental charges (including any penalties incurred where the General Partner, the Adviser or any of their affiliates lack sufficient information from third parties to file a timely and complete tax return) or where a government authority successfully challenges such filing;
- (xviii) accounting and audit fees and expenses, including preparation of financial statements, reports, tax returns (including Form 1065 and schedules thereto) and other communications or notices relating to the Fund, as well as expenses related to middle- and back-office service providers;
- (xix) data collection and aggregation fees;
- (xx) technology systems for order management, execution management, portfolio management, risk management, deal pipeline, accounting and any other systems to support the Fund’s operations;
- (xxi) fees and expenses related to the administrator (including the administrator and any “shadow” administrator), the registrar, transfer agent and any officers (including anti-money laundering officers) and auditing (including an independent auditor retained by the Fund);
- (xxii) fees and expenses for and/or relating to attorneys, accountants, investment managers, advisors (including operating partners, senior advisors and industry personnel), tax advisors, consultants including those related to the portfolio management and risk management of the master funds, secondees, auditors, valuation agents and other professional advisors and service providers relating to Fund matters (including due diligence visits to a service provider) and costs related to industry conferences;
- (xxiii) bank fees;
- (xxiv) regulatory, legal, and compliance fees and expenses (including expenses relating to the preparation and filing of any reports, registrations, disclosures, filings and notifications of the

Fund, the Adviser or its affiliates to regulatory or governmental authorities relating to the Fund or its activities, business, operations and holdings including Form PF, Section 13 filings, Section 16 filings, reports to be filed with the U.S. Commodity Futures Trading Commission (if any) and reports, disclosures, filings and notifications prepared in accordance with applicable regulations and/or other regulatory filings of the Adviser and its affiliates (excluding any expenses relating to the preparation and filing the SEC's Form ADV)); expenses related to complying with FATCA;

- (xxv) costs and expenses of the ongoing offering and sale or registration of Interests and investor onboarding (including costs relating to negotiation of and compliance with side letters and similar written agreements and offering and related documents);
- (xxvi) costs and expenses incurred in connection with computing the value of the assets and liabilities of the master funds (including any valuation agent fees and appraisal fees);
- (xxvii) fees and expenses relating to proceedings (including evaluation and investigation of, and preparedness for, any possible proceedings), including with respect to contemplated (whether made or not), current and past Investments;
- (xxviii) costs and expenses related to the Fund's indemnification obligations as provided herein (including advancement of any fees, costs or expenses to persons entitled to such indemnification);
- (xxix) costs associated with preparing, printing, and delivering all reports, documents and filings related to the Fund and its investments including reports to existing and prospective Limited Partners (including any secretarial and postage fees);
- (xxx) costs and expenses of holding meetings of the Fund, if any;
- (xxxi) premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the Fund, the Adviser and their respective directors, officers, employees, agents, representatives and affiliates against liability in connection with the activities of the Fund, including errors, omissions, fidelity, general partner liability, directors' and officers' liability and similar coverage for any person acting on behalf of the Fund, the General Partner or the Adviser;
- (xxxii) fees, costs and expenses relating to transfers (to the extent such fees, costs and expenses are not paid for by the transferee or the transferor);
- (xxxiii) expenses relating to defaults by a defaulting partner in the payment of any capital contributions (to the extent not paid by such defaulting partner);
- (xxxiv) costs and expenses relating to reorganization, recapitalization, re-domiciliation, restructuring or amendments to the constituent documents of the Fund and related entities, whether or not consummated;
- (xxxv) costs and expenses associated with the termination, wind up, liquidation and dissolution of the Fund and any related documentation or filings and other administrative expenses; and
- (xxxvi) taxes, costs and expenses incurred in the offering or registration of one or more classes, sub-classes, series, tranches or lot of interests (if created).



The fees and expenses applicable to each Fund are disclosed in the applicable Governing Documents. Such fees and expenses may be material.

### *Certain Expenses*

Any expenses common to a Fund and other accounts managed by the Adviser ("Other Accounts") (including any co-investment vehicles) generally will be borne by such entities in such manner as determined by LuminArx to be fair and equitable. Such consideration may include taking into account net asset values and "buying powers" of the relevant clients, the size of investment to which LuminArx determines an expense may pertain to, and any other considerations and factors deemed appropriate to LuminArx. Although LuminArx will attempt to allocate such expenses on a basis that it considers fair and equitable, it may not be possible to precisely determine what portion of such shared expenses are attributable to each of the Fund and such Other Accounts and there can be no assurance that such expenses will in all cases be allocated proportionately. Accordingly, some portion of services paid for by the Fund may be used in some portion for the benefit of Other Accounts. For example, (i) research expenses that are not specifically related to an investment (but may benefit one or more such investments), (ii) research expenses that are subscription-based, aggregated together or otherwise paid for as a single bill or lump sum payment and (iii) other expenses that are difficult to divide and allocate specific costs or expenses to a single Investment, generally will not be allocated to Co-Investors, and research products or services obtained with soft dollars generated by the Funds that are specific to, and benefit one or more such Investments, will be paid for with soft dollars and not allocated to Co-Investors (and expenses paid for with soft dollars may in certain cases benefit Other Accounts).

From time to time, LuminArx may elect for the Limited Partners, the Fund and Other Accounts to participate in an investment opportunity through an alternative investment vehicle and/or other special purpose vehicle, even in instances where such vehicle is primarily or solely for the benefit of the Other Accounts (as opposed to the Fund or the Limited Partners). Nevertheless, the Fund will bear its share of expenses associated with the organization, operation and liquidation of such alternative investment vehicle or special purpose vehicle.

When incurring expenses in connection with the Funds, LuminArx will have to determine whether certain expense items should be borne by the Funds (rather than by LuminArx), because it is LuminArx's view that such items are closer in substance to the items to be borne by its clients, or not. LuminArx is biased in making such determinations since LuminArx directly benefits from not bearing these expenses.

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

As noted in Item 5 above, the General Partner may be entitled to Performance Allocation from the Funds. The Performance Allocation creates an incentive for LuminArx to make more speculative investments and make different decisions regarding the timing and manner of the realization of such investments than would be made if such Performance Allocation were not in existence, and the variation of performance-based compensation structures among the Funds creates an incentive for LuminArx to direct the best investment ideas to Funds that allocate higher Performance Allocation.

Conflicts of interest may arise from the fact that LuminArx provides investment management services to Other Accounts and may, in the future, have additional lines of business. Numerous potential conflicts exist for LuminArx in providing services to the Fund as well as Other Accounts to which LuminArx provides services now or may do so in the future. The nature and extent of such conflicts depend in part on the specific activities undertaken by LuminArx and, if applicable, on the fee and expense structure of Other Accounts, or the potential benefits or costs to LuminArx (which could be direct, or indirect, such as due to the composition of investors in the Fund relative to the Other Accounts), relative to that of the Fund. Conflicts also include the need to allocate common expenses and investment opportunities (including the disposition of investments) and other resources, and the devotion of time and attention of management, as well as competition for investment and management talent.

Other Accounts have, and in the future additional Other Accounts could have, investment objectives, programs, strategies and investments (either as the focus or as one component of their portfolios) that are similar to or overlap with the Fund or that conflict with those of the Fund by competing with or having interests adverse to the Fund. Such conflicts could affect, among other things, the prices and availability of investments in which the Fund invests. Even if an Other Account has investment objectives, programs or strategies that are similar to those of the Fund (in whole or in part), LuminArx may give advice or take action with respect to the investments held by, and transactions of, such Other Account that may differ from the advice given or the timing or nature of any action taken with respect to the investments held by, and transactions of, the Fund for a variety of reasons, including, without limitation, differences between the investment strategy, financing terms, regulatory treatment, liquidity needs, exculpation and indemnification terms, and tax treatment of such Other Account and the Fund.

The Fund could invest in Investments in which one or more Other Accounts have already invested, will invest alongside the Fund or are expected to invest in the future. There can be no assurance that the Other Accounts will invest on the same terms, or will invest and divest at the same time, as the Fund. The Fund and an Other Account may make separate investments in the same issuer, in which case the terms of the Fund's Investment, including the type of investment purchased, may be different from the terms of such Other Account's investment or the type of investment that the Other Account purchased (e.g., the Fund and an Other Account may invest at different levels of an issuer's capital structure or may be exposed differently to the same investment (for instance, holding it "outright" versus having derivative exposure, levered versus unlevered, etc.)). Conflicts could arise if an Other Account, on the one hand, and the Fund, on the other hand, make separate investments in the same issuer, or with respect to, among other things, the manner and timing of the Fund's exit from the investment compared to such Other Account's exit.

As a result, the Fund and an Other Account with similar and/or overlapping strategies and objectives could have different or substantially different portfolios and investment returns. Conflicts of interest may also arise when LuminArx makes decisions on behalf of the Fund with respect to matters where the interests of LuminArx and/or one or more Other Accounts differs from the interests of the Fund, or where LuminArx makes different decisions on behalf of the Fund with respect to matters where the interests of LuminArx and/or one or more Other Accounts are the same as the interests of the Fund.

Historical investments made by the Fund or one or more Other Accounts could result in additional investment opportunities. LuminArx may determine that an opportunity is not appropriate for the Fund or for an Other Account but may invest in such opportunity for an Other Account or for the Fund, respectively. In addition, in a situation where an Investment is owned by two or more of the Fund and/or Other Accounts (each, an “Account,” and collectively, the “Accounts”), issuers of such Investment may grant some or all of such Accounts certain rights in consideration of the aggregate ownership of the Investment by all of the Accounts. In such a situation, it may not be possible, or LuminArx may determine that it is not practicable or it is not otherwise necessary or desirable, to determine the value of the benefit and therefore the Account benefiting from such aggregate ownership may not compensate the other Accounts for such benefit.

The research and diligence process applied to the sourcing and execution of one or more specific Investments has benefits that can extend to other Investments, while the associated expenses and other resources often arise or are applied at the time of the original investment. LuminArx applies its discretion to make determinations regarding allocation of investment opportunities and the expenses and resources applied to generate investment opportunities based on facts and circumstances it considers relevant (as well as considerations such as practicability of applying the expense or the benefit) at the time such determinations are made.

In addition, in certain circumstances, taking into account the investment program and guidelines of the Fund or one or more Other Accounts, the sourcing of investment opportunity, fiduciary or other obligations to portfolio companies (which can arise, for example, due to board service) and LuminArx’s views regarding whether an investment’s characteristics make it potentially a suitable Investment of the Fund and/or an Other Account, LuminArx could in certain circumstances determine to first offer an investment opportunity to the Fund and/or to an Other Account.

In order to seek to address the potential conflicts with respect to the management of one or more Funds or Other Accounts with different performance-based compensation structures, LuminArx has developed policies that provide that LuminArx will allocate investment opportunities and make purchase and sale decisions among applicable clients in a manner that LuminArx considers, in its sole discretion, to be fair and equitable over time. Please see Item 11 for LuminArx’s policies regarding allocation of investment opportunities.

## Item 7 - Types of Clients

LuminArx provides investment advice solely to its Fund clients. Investment advice is provided directly to the Funds and not individually to the Investors.

The Funds generally include investment partnerships or other investment entities formed under U.S. or non-U.S. laws and operated as exempt investment pools under the Company Act. The Investors participating in the Funds generally include or are expected to include individuals, banks or thrift institutions, other investment entities, university endowments, sovereign wealth funds, family offices, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and from time to time include, directly or indirectly, principals or other employees of LuminArx and its affiliates and members of their families.

Details concerning applicable investor suitability criteria are set forth in the respective Governing Documents and subscription materials.

The minimum capital commitment for an investment in a Fund is set forth in the Fund's Governing Documents, although individual commitments of lesser amounts may be accepted at the discretion of the General Partner.

### *Agreements with Investors*

The Adviser has entered and may in the future enter into side letters or similar written agreements or arrangements that have the effect of establishing rights under, or altering or supplementing the terms of, a Fund's Governing Documents with respect to the Limited Partners who are parties to such side letters, similar written agreements or arrangements (including as it pertains to "anchor investors"). Such rights or terms in any such side letter or other similar agreement include (i) the agreement of LuminArx to extend information rights or reporting to such Limited Partner, including to accommodate special regulatory or other circumstances of such Limited Partner, (ii) waiver or modification of certain confidentiality obligations and/or documentation that might be requested by LuminArx for the benefit of lenders or other persons extending credit to or arranging financing for the Fund, (iii) consent of LuminArx to certain transfers by such Limited Partner or other exercises by LuminArx of its discretionary authority under the applicable Governing Documents for the benefit of such Limited Partner, (iv) restrictions on, or special rights of, such Limited Partner with respect to the activities of LuminArx, (v) withdrawal or cancellation of commitment rights, including due to legal, regulatory or policy matters, including matters related to political contributions, gifts and other such policies, or other liquidity rights, which may materially increase the percentage interest of other Limited Partners in, and their contribution obligations for, future investments and expenses, and reduce the overall size of the Fund, (vi) other rights or terms necessary in light of particular legal, regulatory or public policy characteristics of a Limited Partner, (vii) economic arrangements (including, for example, with respect to the amount of any Asset-Based Amounts or Performance Allocation charged to a Limited Partner or revenue sharing arrangements) and "most favored nation" rights, (viii) matters regarding such Limited Partner's participation in co-investment opportunities (including economic arrangements with respect to co-investment opportunities, such as a right to fee-free and/or carried interest-free co-investment), (ix) capacity rights, (x) right to appoint a representative to an advisory board or similar committees, and (xi) additional obligations and restrictions of the Fund with respect to the structuring of any investment (including with respect to alternative investment vehicles).

LuminArx may be incentivized to allocate investment opportunities to or source investment opportunities for certain investors (including as it pertains to "anchor investors").

It is also expected that LuminArx will from time to time confirm factual matters to certain Limited Partners (including in response to due diligence requests), make statements of intent or expectation to such Limited Partners or acknowledge statements by such Limited Partners that relate to the Fund and/or LuminArx's activities pertaining thereto in one or more respects. LuminArx may also agree to other due diligence-related arrangements with one or more Limited Partners. In addition, LuminArx may from time to time agree to certain matters relating to knowledge transfer and/or secondments with one or more Limited Partners as part of an overall firm relationship. There can be no assurance that any such arrangements will not have an adverse effect on the Fund (including increased costs, taxes or other expenses) or that such arrangements will not create additional conflicts not described herein that will influence LuminArx's activities or the operation of the Fund.

### *Co-Investment Opportunities*

There may be circumstances where a particular investment opportunity exceeds the desired allocation to a Fund and a portion thereof is allocated to one or more third parties, or investors in such Fund or Other Accounts, then-existing or in the process of being launched (each, a "Co-Investor"). Co-Investors include Other Accounts that have a discretionary co-investment program and an "opt-in" co-investment program. LuminArx believes that having the possibility of allocating co-investment opportunities is likely to be beneficial to the master funds as a whole as it allows the master funds to contemplate opportunities that may exceed the desired allocation to the master funds.

Each co-investment opportunity (should any exist) is likely to be different, and allocation of each such opportunity, to the extent offered to investors in the Fund and certain Other Accounts, will be offered in accordance with the Adviser's Co-Investment Allocation Policy. Whether an investment will be offered to third parties, or investors in the Fund and certain Other Accounts will be dependent upon the facts and circumstances specific to that unique situation (e.g., timing, industry, size, geography, asset class, projected holding period, exit strategy and counterparty). As a general matter, LuminArx, in determining the allocation of co-investment opportunities, expects to take into account, among other considerations, whether a Co-Investor adds strategic value, industry expertise or other similar synergies (including with respect to LuminArx), whether a Co-Investor has expressed an interest in evaluating co-investment opportunities, whether LuminArx believes that a Co-Investor has the ability to review the co-investment opportunity and provide capital within the time frame required under the circumstances, whether a Co-Investor has a history of participating in co-investment opportunities with LuminArx, the size of the Co-Investor's interest to be held in the investment, whether the Co-Investor has demonstrated a long-term and/or continuing commitment to the potential success of LuminArx, and such other factors that LuminArx deems relevant under the circumstances.

Assuming that a co-investment is successfully consummated, Co-Investors will typically bear their pro rata, generally based on the amount each Account invests in the relevant Investment, share of fees, costs and expenses related to the discovery, investigation, development, acquisition, consummation, ownership, maintenance, monitoring, hedging and disposition of co-investments consummated by them. Although LuminArx endeavors to allocate such fees, costs and expenses on a fair and equitable basis, such a determination is inherently subjective and may give rise to conflicts of interest. However, if a co-investment is not consummated successfully, fees, costs and expenses that are not borne by Co-Investors (which typically are the entirety of such fees, costs and expenses) will be considered operating expenses of and be borne by the Funds that otherwise would have invested in the opportunity.

Given the Fund's investment program, it may not be possible to determine, when exploring an investment opportunity, whether it would be appropriate for the full amount of such opportunity to be allocated to the Fund or whether to attempt to allocate a portion of it to Co-Investors. Due to, among other reasons, the speculative nature of whether an opportunity may or may not be allocated to Co-Investors, Co-Investors

may not agree to, and Limited Partners should have no expectation that Co-Investors will, pay or otherwise bear fees, costs or expenses related to unconsummated co-investments, such as any expenses related to the discovery, investigation, development or organization of the co-investment, or break-up fees or broken deal expenses, or expenses accrued or incurred prior to such Co-Investors' commitment to participate in such co-investment (even though the Co-Investors otherwise benefit from the expenses so accrued or incurred). Such fees, costs and expenses that are not borne by Co-Investors will be considered operating expenses of and be borne by the Fund.

Further, it is possible that a Co-Investor may experience financial, legal, or regulatory difficulties, may at any time have economic, tax or business interests or goals that are inconsistent with those of the Fund, may take a different view from LuminArx as to the appropriate strategy for an investment or may be in a position to take action contrary to the Fund's investment objectives.

LuminArx may (or may not), in its discretion, charge carried interest, incentive allocation, management fees, transaction fees or other similar fees to Co-Investors and LuminArx may make an investment, or otherwise participate, in any vehicle formed to structure a co-investment to facilitate, among other things, receipt of such carried interest, incentive allocation, management fees, transaction fees or other similar fees.

In the event that one or more Co-Investors or co-invest vehicles invest side by side with the Fund in Investments and any such Co-Investor or a co-invest vehicle defaults on its obligations with respect to such investment, it is possible that any liability accruing as a result of such default will be borne by the Fund in excess of the Fund's pro rata portion based on the amount initially invested or intended to be invest in such Investment.

In order to facilitate the acquisition or financing of an Investment, the master funds have the authority to make (or commit to make) an investment that exceeds the desired amount with a view to disposing all or a portion of such Investment to Co-Investors or other persons prior to or after the closing of the transaction. In addition, subject to the terms of the applicable Governing Documents, the master funds could borrow to fund the portion of an Investment that they intend to sell to any such Co-Investors or other persons. LuminArx will determine the terms and conditions and the price at which any such transaction will be effected, which determination, with respect to price, in LuminArx's discretion, may reflect the original cost basis (with or without any incremental amount such as interest or cost of carry) or be at fair value of such Investment at the date of such sale. In the event of any such sell-down, the master funds will bear the risk that the transaction will not be sold down, or that any or all of the excess portion of such Investment cannot be sold down or can only be sold down on unattractive terms and that, as a consequence, the master funds will hold the entire portion of such Investment or realize lower than expected returns from such Investment.

The Fund has and may in the future co-invest with other accounts, limited partners in parallel Funds, other accounts or their respective affiliates and/ or third parties (or affiliated managers or other persons) with respect to specified investments or categories of investments through partnerships, joint ventures, investment platforms or other similar arrangements ("JV Arrangements"), thereby acquiring jointly controlled or non-controlling interests in certain Investments in conjunction with participation by one or more third parties in such investment. JV Arrangements may be designed to share risk in the underlying investments with third parties or may involve the Fund taking on greater risk with an expected greater return or reducing its risk with a corresponding reduction in the expected rate of return. Such JV Arrangements may involve risks in connection with such third-party involvement, including the possibility that such other participant, third-party partner or co-venturer may have financial difficulties, resulting in a negative impact on such JV Arrangements, may have economic or business interests or goals which are inconsistent with those of the Fund, or may be in a position to take (or block) action in a manner contrary

to the Fund's investment objectives or the increased possibility of default by, diminished liquidity or insolvency of, the third party, due to a sustained or general economic downturn. Furthermore, the Fund could share control over certain investments with Co-Investors, which may make it more difficult for the Fund to implement its investment approach or exit the investment when it otherwise would. The occurrence of any of the foregoing could have a material adverse effect on the Fund and the Limited Partners' investments therein. In addition, the Fund may in certain circumstances be liable for the actions of its third-party partners, co-venturers or Co-Investors (including other accounts). Investments made with joint venture partners will often involve performance-based compensation and other fees payable to such joint venture partners, as determined by LuminArx in its sole discretion. The joint venture partners could provide services similar to those provided by LuminArx to the Fund. Yet, no compensation or fees paid to the joint venture partners would reduce or offset asset-based amounts payable to the Adviser or Performance Allocation allocable to the General Partner. Additional conflicts would arise if a joint venture partner is related to LuminArx in any way, such as a limited partner investor in, lender to, a shareholder of, or a service provider to LuminArx, the Fund, other accounts, or their respective Investments, or any affiliate, personnel, officer or agent of any of the foregoing.

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

The Adviser, through its Funds, will pursue a special situations strategy that seeks to achieve risk-adjusted returns with low correlation to traditional asset classes by investing in a portfolio of assets including assets held directly by the Funds or other pooled investment vehicles, accounts or platforms that invest or trade in a wide variety of securities, assets and instruments (including, without limitation, equity securities, equity-related instruments, preferred equity and other hybrid securities, debt, debt-related instruments, bank debt, hard assets, currencies, commodities, futures contracts, options and other derivative instruments). The Funds will target consistent returns to investors through cycles with a keen focus on capital preservation and downside protection. In addition, the Funds will invest and trade, on margin and otherwise, directly in securities, assets and instruments, including, without limitation, individual stock listings and financial instruments, for hedging purposes or otherwise pursuant to the investment discretion of the Adviser. The Funds will generally target Investments that have anticipated holding periods of no more than five years at the time of their acquisition. As used herein, “Investments” refers to any and all types of securities, financial instruments and any other investments.

The effectiveness of an investment process is highly dependent on its ability to manage time and resources. The Adviser’s process is designed to filter ideas and isolate potential investments with a high signal-to-noise ratio. This filtering process allows the investment team to focus its time on situations where the Adviser can reasonably handicap the range of potential outcomes for the variables in question and where the variables themselves are less noisy and limited in nature.

The investment strategy of the Funds is opportunistic in nature and covers a broad range of asset classes and geographic regions. Funds must rely upon the ability of the Adviser to identify, structure and implement Investments consistent with the Funds’ overall investment objectives and policies at such times as it determines. Other than as described in the Governing Documents, there are no material limitations on the instruments, markets or countries in which the Funds may invest or the specific investment strategies that may be employed on behalf of the Funds. Subject to the foregoing, the Funds may make Investments throughout the capital structure such as mezzanine securities, senior secured debt, bank debt, unsecured debt, convertible bonds and preferred and common stock and across asset classes such as real estate, public equity, structured equity, minority private equity, commodities and credit. It is expected that, in light of the Funds’ investment objective, the Funds will often make equity, credit and/or debt investments that do not involve control or influence over the underlying entity in which the Funds invests (such entity, the “Portfolio Entity”). Additionally, the Funds will be permitted to invest (and may actually invest) in any number of companies operating in a wide range of industries, geographies or activities.

For ease of readability, the risk factors below refer to a singular Fund. Please note that these risk factors may apply to multiple or in some cases, all, Funds advised by the Adviser.

### **Certain Risk Factors**

*No Assurance of Investment Return.* The Adviser cannot provide assurance that it will be able to choose, make and realize any particular investments or otherwise implement any Fund’s investment strategy, or that Investments made by the Fund will generate expected returns. Moreover, the Adviser cannot provide assurance that the Limited Partners will receive a return of their capital or any distribution from the Funds. An investment in the Funds involves a risk of partial or total loss of capital and should only be considered by potential investors with high tolerance for risk. An Investor should only invest in the Funds as a part of an overall investment strategy, and only if the Investor is able to withstand a total loss of its investment.

*Illiquid and Long-Term Investments.* Many of the Fund’s investment positions may, and in fact are



expected to be, illiquid. The Fund may invest in restricted or non-publicly traded securities, securities on non-U.S. exchanges, securities that they are contractually prohibited from disposing of and securities for which no readily available market exists (for example, private securities (including private debt), securities subject to selling restrictions and certain derivative instruments). These investments could prevent LuminArx from liquidating positions promptly and subject the Fund to substantial losses. As a result, such securities may be required to be held despite adverse price movements. Even those markets which LuminArx expects to be liquid can experience periods, possibly extended periods, of illiquidity. Furthermore, the valuation of illiquid investments is complex and uncertain, because there may be limited information available about the issuers of such securities, and there can be no assurance that the valuation of such investments will accurately reflect the value that will be realized upon the eventual disposition of such investment. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and LuminArx may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher transaction costs and related expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets.

*Non-Controlling Investments; Investments with Third Parties.* The Fund may hold a non-controlling interest in certain Investments and, therefore, may have a limited ability to protect its position in such Investments. In such cases, the Fund will typically be significantly reliant on the existing management, board of directors and other owners of such Investments, who may not be affiliated with the Fund and whose interests may conflict with the interests of the Fund. Such Investments will be subject to the risk that the issuer may make business, financial or management decisions with which LuminArx does not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Fund's interests. In addition, LuminArx from time to time engages with the management of companies in which it invests with a view to sharing ideas regarding the business and affairs of such companies. In addition, LuminArx may cause the Fund to share control over certain investments with third-party Co-Investors, which may make it more difficult for LuminArx to implement its investment approaches or exit the investment when it would otherwise cause the Fund to do so. The occurrence of any of the foregoing could have a material adverse effect on the Funds and the Limited Partners' investments therein.

*Decreased Value of Investments.* The market value of investments may be volatile and adversely affected by a number of factors: such as (i) the credit rating of any counterparty of credit default swap agreement or any related party, (ii) the performance of the underlying referenced obligation in connection with the investment, (iii) the application of leverage in the structure of the investment and (iv) various other factors.

*No Active Trading Market for Certain Investments.* Certain investments have no liquidity or the market for such investments may be limited and this may adversely impact their value or the ability of LuminArx to dispose such investments.

*Emerging Market Obligors.* Some of the transactions underlying certain investments are linked to emerging market obligors. Investments linked to emerging market obligors may lead, directly or indirectly, to significant losses due to default of such obligors due to number of factors, including (i) decline in the price of primary commodity exports such as agricultural products or oil; (ii) high interest rates; (iii) devaluation, depreciation or fluctuations in respect of the local currency of such emerging markets; (iv) decline in the economic activity of major trading partners of the jurisdiction of the issuer of the relevant instruments; (v) inflation; (vi) exchange controls; (vii) wage and price controls; (viii) changes in legislation relating to foreign ownership and other restrictive governmental action, (ix) expropriation, nationalisation or confiscation of assets; (x) imposition of moratoria; (xi) climatic or geological occurrences; (xii) social instability; (xiii) financial crises in other emerging-market countries that have the

effect of reducing investor appetite for emerging-market investments in general; (xiv) changes in governmental, economic, tax or other policies and/or in central bank policies; (xv) unfavorable political and diplomatic developments and (xvi) the imposition of trade barriers. Such factors, as well as the volatility in the markets for investments in emerging markets, may adversely affect the liquidity of, the trading market for and the value of such investments.

*“Bad Banks”.* Certain assets purchased by the Fund may be purchased from “bad banks,” structures created to purchase illiquid, non-performing or otherwise distressed assets at a discount from banks. The bad bank then sells the assets over time. The structure of bad bank-driven loan portfolio sales are unlike those one would typically expect in the market. The loan sale documents under which assets would be acquired generally contain several unique features. For example, the bad bank generally provides extremely limited representations and warranties and typically does not provide any representation as to the title/ownership of the assets being sold. Rather, prospective buyers are expected to rely on their own due diligence and certain statutory provisions may apply, allowing the bad bank to sell the assets notwithstanding any restrictions that would otherwise apply at law or equity and notwithstanding any contractual provisions that would restrict such a sale. Complete due diligence materials may not always be available with respect to each asset, and engaging in such due diligence may be expensive and time-consuming. There is no guarantee that the Fund will be able to recover any amounts due on loan portfolios purchased from bad banks, and any recovery the Fund may receive may not be realized until months or years after purchasing the portfolios.

*Material Non-Public Information.* Because of its ongoing responsibilities in connection with investment-related activities for the Fund, other accounts and otherwise, the personnel of LuminArx will acquire confidential information and/or material non-public information or be otherwise restricted (or determine to be restricted) from initiating transactions in certain potential investment opportunities and may enter into confidentiality or “stand-still agreements” with respect to certain potential investment opportunities. In addition, during the course of the research and diligence process for the Fund, other accounts and otherwise, LuminArx may share and receive information from other market participants, which could increase the likelihood that LuminArx will receive material non-public information and be required to restrict trading in certain Investments. In such circumstances, LuminArx may restrict the Fund, or the Fund may be restricted by law, policy or contract, for a period of time, from (i) unwinding a position, (ii) establishing an initial position or taking a greater position, and (iii) pursuing related investment opportunities. If such restrictions or limitations apply to Investments in which the Fund is invested (even if the information was derived in connection with other accounts or otherwise), then such restrictions or limitations could give rise to substantial investment losses, which losses, in the case of an Investment in which the Fund has a short position, are theoretically unlimited.

*Foreign Currency and Exchange Rate Risks.* The Fund’s Portfolio Entities generally will utilize the currency of the jurisdiction where the Portfolio Entity has its principal place of business. Consequently, the return realized on any Investment outside of the U.S. may be adversely affected by movements in currency exchange rates, costs of conversion and exchange control regulations in such jurisdiction, in addition to the performance of the Investment itself.

Moreover, the Fund may incur costs when converting one currency into another. The value of an investment may fall substantially as a result of fluctuations in the currency of the country in which the investment is made as against the value of the U.S. Dollar. LuminArx may in certain circumstances (but is not obliged to) attempt to manage currency exposures using hedging techniques where available and appropriate. The Fund is therefore expected to incur costs related to currency hedging arrangements. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis or that any particular currency exposure will be hedged.

*Investments in Open Market Purchases; Publicly Traded Securities.* The Fund may invest in securities that are publicly traded, including distressed publicly-traded assets, and are, therefore, subject to the risks inherent in investing in public securities. Additionally, the Fund may hold securities as a result of an initial public offering of an existing Portfolio Entity. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members and increased costs associated with each of the aforementioned risks. When investing in public securities, the Fund may be unable to obtain financial covenants or other contractual governance rights. Moreover, the Fund may not have the same access to information in connection with investments in public securities, both before and after making the investment, as compared to privately negotiated investments. Furthermore, the Fund may be limited in its ability to make investments, and to sell existing investments, in public securities if LuminArx has material, non-public information regarding the issuer or as a result of other policies or requirements. In addition, securities acquired of a public company may, depending on the circumstances and securities laws of the relevant jurisdiction, be subject to lock-up periods.

*Equity Securities Generally.* The Fund may engage in trading equity securities. Market prices of equity securities generally, and of certain companies' equity securities more particularly, frequently are subject to greater volatility than prices of fixed-income securities. Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future. In addition, actual and perceived accounting irregularities may cause dramatic price declines in the equity securities of companies reporting such irregularities or which are the subject of rumors of accounting irregularities.

*Small and Medium Capitalization Companies.* The Fund may invest a portion of its assets in the securities of companies with small to medium-sized market capitalizations. While LuminArx believes such securities often provide significant potential for appreciation, the securities of certain companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and even medium-capitalization securities are often more volatile than prices of large-capitalization securities and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

*Preferred Stock.* The Fund may invest in preferred stock. Preferred stock typically has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuers in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

*Convertible Securities.* A convertible security may be subject to call at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for withdrawal, the Fund generally is 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 reduce the

expected return and otherwise have an adverse effect on the Fund's ability to achieve its investment objectives.

*Investments in Unregistered Securities.* The Fund may invest in unregistered securities, including investments in new and early stage companies or companies undergoing operational or financial restructuring, which may involve a high degree of business and financial risk that can result in substantial losses. Because of the possible absence of a liquid trading market for these investments, it may take longer to liquidate, or it may not be possible to liquidate, these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be substantially less than those originally paid by the Fund. Further, companies whose securities are not publicly traded will generally not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

*Debt Securities; Bank Debt.* The Fund may invest in corporate debt obligations and other forms of indebtedness, including commercial paper. Such instruments are subject to the risk of an issuer's ability to meet principal and interest payments on the obligation (credit risk), and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (market risk). With bonds and other fixed income securities, a rise in interest rates typically causes a fall in values, while a fall in interest rates typically causes a rise in values. Debt securities generally involve less market risk than stocks. However, the risk of debt securities can vary significantly depending upon factors such as the issuer and maturity. For example, the issuer of a security or the counterparty to a contract may default or otherwise become unable to honor a financial obligation. The debt securities of some companies may be riskier than the stocks of others. Many of the risks described herein regarding certain equity investments may impact in similar ways investments in the debt of issuers (for instance, a debt investment in an issuer in the energy space may be impacted by the risks associated with equity investments in issuers in that space).

The Fund may invest in bank loans and participations. Risks associated with these obligations include, but are not limited to: inadequate perfection of the security interest granted under the loan documents, the possible invalidation or compromise of a loan transaction as a fraudulent conveyance or preference under relevant creditors' rights laws; the validity and seniority of bank claims and guarantees; environmental liability that may arise with respect to collateral securing the obligations; adverse consequences resulting from participating in such instruments with other institutions with lower credit quality; long and less certain settlement periods; limitations on the ability of LuminArx to directly enforce its rights with respect to participations and illiquidity in the market for the resale of such loans.

*Senior and Secured Debt.* The Fund's Investments may include first lien senior secured debt, and may also include selected second lien senior secured debt, which involves a higher degree of risk of a loss of capital. The factors affecting an issuer's first and second lien leveraged loans, and its overall capital structure, are complex. Some first lien loans may not necessarily have priority over all other unsecured debt of an issuer. For example, some first lien loans may permit other secured obligations (such as overdrafts, swaps or other derivatives made available by members of the syndicate to the company), or involve first liens only on specified assets of an issuer (e.g., excluding real estate). The imposition of prior liens on the Fund's collateral would adversely affect the priority of the liens and claims held by the Fund and could adversely affect the Fund's recovery on its leveraged loans. Any secured debt is secured only to the extent of its lien and only to the extent of underlying assets or incremental proceeds on already secured assets. Moreover, underlying assets are subject to credit, liquidity and interest rate risk. Although the amount and characteristics of the underlying assets selected as collateral may allow the Fund to withstand certain assumed deficiencies in payments occasioned by the borrower's default, if any deficiencies exceed such assumed levels or if underlying assets are sold it is possible that the proceeds of such sale or disposition will not be equal to the amount of principal and interest owing to the Fund with

respect to its investment.

Senior secured credit facilities are generally syndicated to a number of different financial market participants. The documentation governing the facilities typically requires either a majority consent or, in certain cases, unanimous approval for certain actions in respect of the credit, such as waivers, amendments or the exercise of remedies. In addition, voting to accept or reject the terms of a restructuring of a credit pursuant to a Chapter 11 plan of reorganization is done on a class basis. As a result of these voting regimes, the Fund may not have the ability to control any decision in respect of any amendment, waiver, exercise of remedies, restructuring or reorganization of debts owed to the Fund.

Senior secured loans are also subject to other risks, including: (i) the possible invalidation of a debt or lien as a “fraudulent conveyance”; (ii) the recovery as a “preference” of liens perfected or payments made on account of a debt in the 90 days before a bankruptcy filing; (iii) equitable subordination claims by other creditors; (iv) so-called “lender liability” claims by the issuer of the obligations; and (v) environmental liabilities that may arise with respect to collateral securing the obligations. Recent decisions in bankruptcy cases have held that a secondary loan market participant can be denied a recovery from the debtor in a bankruptcy if a prior holder of the loans either received and does not return a preference or fraudulent conveyance or engaged in conduct that would qualify for equitable subordination.

The Fund’s investments may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Fund earlier than expected. As a consequence, the Fund’s ability to achieve its investment objective may be affected.

*Subordinated Debt.* The Fund may, from time to time, invest in debt instruments that are subordinated or otherwise junior in an issuer’s capital structure. Investments in subordinate debt securities may be unsecured and subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured and/or subject the Fund to a “first loss” subordinate holder position relative to other lenders. The ability of the Fund to influence a company’s affairs, especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. For example, under the terms of subordination agreements, senior creditors will typically be able to block the acceleration of the mezzanine debt or other exercises by the Fund of its rights as a creditor. Accordingly, the Fund may not be able to take the steps necessary to protect its investments in a timely manner or at all. Further, the ability of a borrower to make payments on the loan underlying these securities is dependent primarily upon the successful operation of the property rather than upon the existence of independent income or assets of the borrower. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit and any classes of securities junior to those in which the Fund invests, it will not be able to recover all of its investment in the securities purchased. Investments in subordinate securities have a higher risk of loss and credit default than investments in more senior securities and subordinated tranches absorb losses from default before other more senior tranches are put at risk. Mezzanine debt securities are also subject to other creditor risks, including: (i) the possible invalidation of an investment transaction as a “fraudulent conveyance” under relevant creditors’ rights laws; (ii) so-called lender liability claims by the issuer of the obligations; and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. The securities the Fund invests in may be subject to early redemption features, refinancing options, pre-payment options or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Fund earlier than expected, resulting in a lower return to the Fund than projected. In addition, depending on fluctuations of the equity markets and other factors, warrants and other equity securities may become worthless.

*Credit Default Swaps.* The Fund could, from time to time, invest in credit default swaps. A credit default

swap is a contract between two parties that transfers the risk of loss if an issuer fails to pay principal or interest on time or files for bankruptcy. In essence, an investor that owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with either a bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated either: (i) more commonly, by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value; or (ii) less commonly, by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference instrument less the price at which the reference instrument trades subsequent to default.

As described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. The Fund could, from time to time, “purchase” credit default protection even if it does not own the reference instrument if, in the judgment of LuminArx, there is a high likelihood of credit deterioration and may “sell” credit default protection if, in the judgment of LuminArx, there is a low likelihood of credit deterioration. The Fund may purchase or sell credit default protection even if it does not own the referenced instrument.

The credit default swap market in high-yield instruments is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment-grade instruments. Swap transactions dependent upon credit events are priced using many variables, including the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield curve, among other factors. Because market participants, including LuminArx (on behalf of the Fund), may have views regarding the appropriate price of such swaps that diverge from other participants in the marketplace, the Fund may enter into credit default swap transactions, even if the credit outlook is positive, if LuminArx believes that other participants in the marketplace have incorrectly valued the components that determine the value of such swap.

Credit default swaps have been an area of regulatory focus and litigation both inside and outside the United States. Rulemaking efforts and other proceedings have, to a large extent, centered on the potential use of such instruments for speculative purposes, the impact on companies and markets associated with the entry into credit default swaps in relation to which the buyer of protection does not own the underlying reference asset or assets, credit default swaps relating to sovereign debt and also the use of centralized clearing facilities for credit default swaps. Many jurisdictions have enacted permanent or temporary bans of certain credit default swaps. In addition, under the Dodd-Frank Act, for example, swaps, including credit default swaps, are now regulated by the CFTC and the SEC. It is difficult to predict the outcome of these regulatory and legislative efforts and their impact on the use of credit default swaps and the resulting impact on the marketplace if credit default swaps become unavailable as an investing or hedging technique.

*Bankruptcy.* The Fund will, both directly and through Investments, be a borrower, and the Fund could be a creditor through debt Investments held by it. Bankruptcy laws may delay the ability of the Fund to realize on collateral for debt held by it, or may adversely affect the priority of debt through equitable subordination and other rules. In addition, a borrower may be involved in restructurings, insolvency proceedings or reorganizations under the U.S. Bankruptcy Code and the laws and regulations of one or more jurisdictions that may or may not be similar to the U.S. Bankruptcy Code. Non-U.S. laws and regulations may provide inferior protections to creditors than in the U.S. Bankruptcy laws may, in certain jurisdictions, result in a restructuring of debt without the creditor’s consent under the “cramdown” provisions of applicable bankruptcy laws and may result in a discharge of all or part of a debt Investment held by the Fund without payment to the Fund. On the other hand, the Fund as a borrower may be adversely affected by bankruptcy or other similar proceedings initiated against it or a Portfolio Entity; the Fund may not be able to restructure its own debt and instead be forced to sell assets to repay debt, including at inopportune moments, due to laws that afford creditors rights.

*Prepayment Risk.* The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

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

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

*MBS in General.* The investment characteristics of MBS differ from traditional corporate debt securities. Among the major differences between MBS and traditional corporate debt securities are that interest and principal payments are made more frequently, usually monthly, that payments are only made in respect of defined assets and that the principal typically may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time. Additional risks relating to investing in MBS may arise from the complexity of the MBS structure, variety and number of assets and quality of service providers responsible for managing monthly principal and interest payments on behalf of lenders.

*MBS Subordinated Securities.* Investments in subordinated MBS involve greater credit risk of default than the senior classes of the issue or series. Default risks may be further pronounced in the case of MBS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying loans. Certain subordinated securities absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity. Such securities, therefore, possess some of the attributes typically associated with equity investments.

*Residential MBS.* Holders of RMBS bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one- to four-family residential properties. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity. The rate of defaults and losses on residential mortgages will be affected by a number of factors, including general economic conditions and those in the area where the related mortgaged property is located, the borrower’s equity in the mortgaged property and the financial circumstances of the borrower.

The rise in the rate of foreclosures of properties backing residential mortgages in certain states have prompted legislators, regulators and attorneys general at both the federal and state levels to try to prevent certain foreclosures and bring lawsuits against participants in the financing of residential mortgages, including issuers and underwriters of RMBS backed by such mortgages and investors in such RMBS

(which may include the Fund). A program created by the U.S. government in cooperation with the mortgage lending and servicing industry, known as HOPE NOW, encourages servicers and lenders to work with certain troubled borrowers to restructure their mortgages to make the terms more affordable, which will reduce the return on such mortgages to the holders of any RMBS which include such mortgages. Restructuring of residential mortgages may extend the timeframe in which principal is repaid on RMBS and, in certain cases, may reduce the likelihood that principal is repaid in its entirety. Furthermore, lenders may voluntarily restructure residential mortgages without the consent of RMBS holders, which may violate the terms of loan documents between such holders and lenders. Ultimately, if a borrower defaults on a residential mortgage, foreclosure of such residential mortgage may be a lengthy and difficult process and may involve significant expenses. In addition, government policies may inhibit lenders from exercising legal rights in a default, which increases the risk of principal loss. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

At any one time, a portfolio of RMBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, the residential mortgage loans may be more susceptible to geographic risks relating to such area, such as adverse economic conditions, adverse events affecting industries located in such area and natural hazards affecting such area, than would be the case for a pool of mortgage loans having more diverse property locations. In addition, the residential mortgage loans may include so-called “jumbo” mortgage loans, having original principal balances that are higher than is generally the case for residential mortgage loans. As a result, such portfolio of RMBS may experience increased losses.

Each underlying residential mortgage loan in an issue of RMBS may have a balloon payment due on its maturity date. Balloon residential mortgage loans involve a greater risk to a lender than fully-amortizing loans, because the ability of a borrower to pay such amount will normally depend on its ability to obtain refinancing of the related mortgage loan or sell the related mortgaged property at a price sufficient to permit the borrower to make the balloon payment, which will depend on a number of factors prevailing at the time such refinancing or sale is required, including, without limitation, the strength of the residential real estate markets, tax laws, the financial situation and operating history of the underlying property, interest rates and general economic conditions.

Prepayments on the underlying residential mortgage loans in an issue of RMBS will be influenced by the prepayment provisions of the related mortgage notes and may also be affected by a variety of economic, geographic and other factors, including the difference between the interest rates on the underlying residential mortgage loans (giving consideration to the cost of refinancing) and prevailing mortgage rates and the availability of refinancing. In general, if prevailing interest rates fall significantly below the interest rates on the related residential mortgage loans, the rate of prepayment on the underlying residential mortgage loans would be expected to increase. Conversely, if prevailing interest rates rise to a level significantly above the interest rates on the related mortgages, the rate of prepayment would be expected to decrease. Prepayments could reduce the yield received on the related issue of RMBS.

Residential mortgage loans in an issue of RMBS may be subject to various federal and state laws, public policies and principles of equity that protect consumers, which among other things may regulate interest rates and other charges, require certain disclosures, require licensing of originators, prohibit discriminatory lending practices, regulate the use of consumer credit information and regulate debt collection practices. Violation of certain provisions of these laws, public policies and principles may limit the servicer's ability to collect all or part of the principal of or interest on a residential mortgage loan, entitle the borrower to a refund of amounts previously paid by it, or subject the servicer to damages and sanctions. Any such violation could also result in cash flow delays and losses on the related issue of RMBS.



It is not expected that RMBS will be guaranteed or insured by any governmental agency or instrumentality or by any other person. Distributions on RMBS will depend solely upon the amount and timing of payments and other collections on the related underlying mortgage loans.

**CMBS.** The Fund may, from time to time, invest in pools or tranches of CMBS. The collateral underlying CMBS generally consists of commercial mortgages or real property that have a multifamily or commercial use, such as retail space, office buildings, warehouse property and hotels. CMBS have been issued in a variety of issuances, with varying structures including senior and subordinated classes. The commercial mortgages underlying CMBS generally have shorter maturities than residential mortgages, allow a substantial portion of the loan balance to be paid at maturity and are usually non-recourse against the commercial borrower. Investments in CMBS are subject to various risks and uncertainties, including credit, market, interest rate, structural and legal risks. These risks may be magnified by volatility in the credit and commercial real estate markets. The investment characteristics of CMBS differ from traditional debt securities in a number of respects, and are similar to the characteristics of structured credit products in which investors participate through a structured vehicle or other similar conduit arrangement (e.g., CLO).

**CLOs.** The Fund may invest (including “equity” or residual tranches) in Collateralized Loan Obligations (“CLO”) products and other securitizations, which are generally limited recourse obligations of the issuer (“Securitization Vehicles”) payable solely from the underlying assets (“Securitization Assets”) of the issuer or proceeds thereof. Consequently, holders of equity or other securities issued by Securitization Vehicles must rely solely on distributions on the Securitization Assets or proceeds thereof for payment in respect thereof. The Securitization Assets may include, without limitation, broadly syndicated leverage loans, middle-market bank loans, CDO debt tranches, trust preferred securities, insurance surplus notes, asset-backed securities, mortgages, REITs, high-yield bonds, mezzanine debt, second-lien leverage loans, credit default swaps and emerging market debt and corporate bonds, which are subject to liquidity, market value, credit, interest rate, reinvestment and certain other risks. Securitization Assets are typically actively managed by an investment manager, and, as a result, the Securitization Assets will be traded, subject to rating agency and other constraints, by such investment manager. The aggregate return on the CLO equity securities will depend in part upon the ability of each investment manager to actively manage the related portfolio of Securitization Assets.

The Fund’s investment strategy with respect to certain types of investments may be based, in part, upon the premise that certain investments (either held directly or through a CLO) that are otherwise performing may, from time to time, be available for purchase by the Fund at “undervalued” prices. Purchasing interests at what may appear to be “undervalued” or “discounted” levels is no guarantee that these investments will generate attractive risk-adjusted returns to the Fund or will not be subject to further reductions in value. No assurance can be given that investments can be acquired at favorable prices or that the market for such interests will continue to improve since this depends, in part, upon events and factors outside the control of LuminArx.

**High Yield Debt and Non-Investment Grade Securities.** The Fund may invest in fixed-income securities and other debt obligations which are rated below investment grade or are unrated. These high-yield bonds are regarded as being predominantly speculative as to the issuer’s ability to make payments of principal and interest. Issuers of high-yield debt may be highly leveraged or have enterprise risk that renders unavailable to them more traditional methods of financing. Therefore, the risks associated with acquiring the securities of such issuers generally are greater than is the case with issuers of higher quality instruments. For example, during an economic downturn or a sustained period of rising interest rates, issuers of high-yield bonds may be more likely to experience financial stress, especially if such issuers are highly leveraged. During such periods, such issuers may not have sufficient revenues to meet their interest payment obligations. The issuer’s ability to service its debt obligations also may be adversely

affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for the holders of high-yield bonds because such securities may be unsecured and subordinated to creditors of the issuer and even if they are secured, such securities may be under-collateralized and/or subordinate to a more senior class of securities. The market for such securities is thinner, often less liquid, and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical to sell such securities. The limited liquidity of the market may also adversely affect the ability of the relevant calculating party to arrive at a fair value for certain non-investment grade and non-rated securities at certain times and could make it difficult for the Fund to sell or dispose of certain securities.

*Lender Liability Claims.* There may be circumstances where a debt investment of the Fund could be subordinated to claims of other creditors or the Fund could be subject to lender liability claims. If a company that the Fund is invested in were to go bankrupt, even though the Fund may have structured its investment as senior debt, depending on the facts and circumstances, a bankruptcy court might re-characterize such debt holding as an equity investment and subordinate or disallow all of a portion of the Fund's senior debt claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower.

*Direct Lending.* The Fund's investment activities may include loan origination. To the extent the Fund originates loans based partly upon the adequacy of the borrower's collateral, an incorrect valuation of such collateral may result in unforeseen losses. Despite performing due diligence on the collateral, including, where appropriate, by engaging third-party independent valuers to estimate the value of the collateral pledged by the borrower, the inherent uncertainty of valuation of collateral may result in values that differ significantly from the values that can ultimately be obtained for such collateral. In addition, even if collateral is initially valued correctly, changes in market conditions, regulations or other circumstances or changes directly related to such collateral may materially adversely affect the value thereof. The Fund would also be dependent on a borrower's ability to obtain replacement financing or sell the underlying assets to repay its loans, which could depend on market conditions and other factors. Loans are subject to risks of borrower defaults, bankruptcies, fraud, losses and special hazard losses that are not covered by standard hazard insurance. In the event of any default under loans made by the Fund, the Fund bears the risk of loss of principal and non-payment of interest and fees to the extent of any deficiency between the value of the collateral and the principal amount and unpaid interest of the loan. To the extent the Fund suffers such losses with respect to any Investment, the Fund's return may be negatively affected.

Of paramount concern in investing in loans and other debt instruments is the possibility of fraud, material misrepresentation or omission on the part of the borrower or the lack of adequate documentation or any documentation regarding such loans and debt obligations. Such occurrences may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Fund to perfect or effectuate a lien on the collateral securing the loan. The Fund will rely upon the accuracy and completeness of representations made by borrowers and lenders to the extent reasonable, but cannot guarantee such accuracy or completeness or the adequacy or existence of required documentation. Under certain circumstances, payments to the Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

In certain jurisdictions in which the Fund will invest, additional structuring steps may need to be taken to enable entities, such as the Fund, that are not authorized to carry on banking activities in those jurisdictions, to extend (or facilitate the extension of) loans to third parties and/or to achieve the appropriate tax structure. These activities may make it more difficult for the Fund to execute its proposed investment strategy, and may lead to additional costs being incurred, which may reduce the returns that

the Fund is able to generate.

There has been increasing commentary among regulators and intergovernmental institutions on the topic of credit intermediation involving entities and activities outside the regulated banking system. The Fund is an entity outside the regulated banking system and certain of the activities of the Fund, in consequence, may be subject to regulatory developments. As a result, the Fund and LuminArx could be subject to increased levels of oversight and regulation. This could increase Fund costs and limit its operations.

*Secured Loans.* Certain loans held by the Fund will be secured. While secured loans originated or purchased by the Fund will generally be structured to be over-collateralized, the Fund may be exposed to losses resulting from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the borrower and the priority of the lien are each of great importance. The Fund cannot guarantee the adequacy of the protection of the Fund's interest, including the validity or enforceability of the loan and the maintenance of the anticipated priority and the perfection of the applicable security interests. Furthermore, the Fund cannot assure that claims may not be asserted that might interfere with enforcement of the Fund's rights. In the event of a foreclosure, the Fund may assume direct ownership of the underlying asset. The liquidation proceeds upon sale of such asset may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss to the Fund. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss.

*Assignments and Participation.* The Fund may acquire interests in loans either directly (by way of assignment) or indirectly (by way of participation). The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a contracting party under the loan agreement with respect to the loan; however, its rights can be more restricted than those of the assigning institution. Participations in a portion of a loan typically result in a contractual relationship only with the institution participating out the interest and not with the obligor. The Fund would, in such a case, have the right to receive payments of principal and interest to which it is entitled only from the institution selling the participation, and not directly from the obligor, and only upon receipt by such institution of such payments from the obligor. As the owner of a participation, the Fund generally will have no right to enforce compliance by the obligor with the terms of the loan agreement or to vote on amendments to the loan agreement, nor any rights of set-off against the obligor, and the Fund may not directly benefit from collateral supporting the loan in which it has purchased the participation. In addition, in the event of the insolvency of the selling institution under the laws of the United States and the states thereof, the Fund may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the applicable loan. Consequently, the Fund will assume the credit risk of both the obligor and the institution selling the participation to the Fund. As a result, concentrations of participations from any one selling institution subject the Fund to an additional degree of risk with respect to defaults by such selling institution.

*Distressed Investments; Workouts and Restructurings.* The Fund's investment program may include making investments in distressed situations from time to time (e.g., investments in defaulted, out-of-favor or distressed bank loans and debt securities) or may involve investments that become "non-performing" following the Fund's acquisition thereof. Certain of the Fund's Investments will therefore include specific securities of companies or other entities that typically are highly leveraged, with significant burdens on cash flow, and therefore involve a high degree of financial risk. Investments may include: (i) capital infusions to companies facing liquidity issues or significant debt maturities; (ii) capital to finance operations or growth for companies facing a cyclical downturn, non-recurring losses or contractual issues; (iii) capital infusions or debtor-in-possession financings to companies in bankruptcy; (iv) financing for acquisitions of businesses, frequently from distressed sellers or assets that are non-core to the seller; or (v) businesses facing capital structure, cyclical or operational distress. The Fund may also make "rescue"

financings ranging from secured debt to equity infusions including, without limitation, investments in companies that are in need of liquidity or facing debt maturities, or provide growth capital to companies who cannot access the capital markets due to cyclical factors or financial market dislocation. In addition, the Fund may also selectively pursue the acquisition of fulcrum securities/loan-to-own debt purchases as a means to gain control of assets upon a restructuring. The securities of Portfolio Entities described in this paragraph may be considered speculative, and the ability of such companies to pay their debts on schedule could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments within such companies. Investments in companies operating in workout or bankruptcy modes also present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks. 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 LuminArx will correctly evaluate the value of the assets collateralizing the Fund's loans or the prospects for a successful reorganization or similar action.

As noted above, in certain limited cases (e.g., in connection with a workout, restructuring and/or foreclosing proceedings involving one or more debt investments by the Fund), the success of the Fund's investment strategy with respect thereto will depend, in part, on the ability of the Fund to effectuate loan modifications and/or restructure and improve the operations of Portfolio Entities. The activity of identifying and implementing any such restructuring programs and operating improvements at Portfolio Entities entails a high degree of uncertainty. There can be no assurance that the Fund will be able to successfully identify and implement such restructuring programs and improvements.

*Distressed Securities.* Investment in the securities of financially troubled and operationally troubled issuers involves a high degree of credit and market risk. There is a possibility that the Fund may incur substantial or total losses on its Investments. During an economic downturn or recession, securities of financially troubled or operationally troubled issuers are more likely to go into default than securities of other issuers. Securities of financially troubled and operationally troubled issuers are less liquid and more volatile than securities of companies not experiencing financial difficulties. The market prices of such securities are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected. In addition, it is anticipated that many of the Fund's Investments may not be widely traded and that the Fund's investment in such securities may be substantial relative to the market for such securities. As a result, the Fund may experience delays and incur losses and other costs in connection with the sale of its Investments.

*Defaulted Securities.* The Fund may invest in the securities of companies involved in bankruptcy proceedings, reorganizations and financial restructurings, and that are facing significant debt maturities, and may have a more active participation in the affairs of the issuer than is generally assumed by investors. This may subject the Fund to litigation risks or prevent the Fund from disposing of securities. In any reorganization or liquidation proceeding relating to a company in which the Fund invests, the Fund may lose its entire investment, may be required to accept cash or securities with a value less than the Fund's original investment and/or may be required to accept payment over an extended period of time. As more fully discussed below, in a bankruptcy or other proceeding, the Fund as a creditor may be unable to enforce its rights in any collateral or may have its security interest in any collateral challenged, disallowed or subordinated to the claims of other creditors.

*Uncovered Risks.* LuminArx employs various "risk-reduction" techniques designed in an attempt to minimize the risk of loss in portfolio positions. A substantial risk remains, nonetheless, that such techniques will not always be possible to implement and when possible will not always be effective in limiting losses. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but the Fund

will seek to establish other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if the value of a portfolio position should increase. In addition, a hedging transaction may not be entered into if the expense associated with such hedging transaction is perceived as being too costly. The success of the Fund's hedging transactions will be subject to the ability of LuminArx to correctly predict market fluctuations and movements. Therefore, while the Fund may enter into such transactions to seek to reduce risks, unanticipated market movements and fluctuations may result in a poorer overall performance for the Fund than if the Fund had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary.

*Price Risk.* For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of the securities in which the Fund invests may decline or rise substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even more "undervalued" levels at the time of valuation or at the time of sale. Similarly, shorting assets at what may appear to be "overvalued" levels is no guarantee that these assets will not be trading at even more "overvalued" levels at the time of valuation or at the time of sale.

*Financial Fraud.* Instances of fraud and other deceptive practices committed by senior management of certain companies in which the Fund invests may undermine the due diligence efforts of LuminArx with respect to such companies, and if such fraud is discovered, negatively affect the valuation of the Fund's investments. In addition, when discovered, financial fraud may contribute to overall market volatility, which can negatively impact the Fund's investment program.

*Hedging Risks/Derivatives.* The Fund may utilize a wide variety of derivative financial instruments for risk management purposes. The successful utilization of hedging and risk management strategies requires different skills than used in selecting and monitoring investments, and such transactions may entail greater than ordinary investment risks. Additionally, costs related to derivatives and other hedging arrangements (including legal expenses) will be borne by the Fund. There can be no assurance that any derivatives or other hedging transactions will be effective in mitigating risk in all market conditions or against all types of risk, thereby resulting in losses to the Fund. Engaging in derivatives and other hedging transactions may result in a poorer overall performance for the Fund than if it had not engaged in any such transaction. LuminArx may not be able to effectively hedge against, or choose not to hedge or mitigate, certain risks that may adversely affect the Fund's investment portfolio. In addition, the Fund's investment portfolio will always be exposed to certain risks that cannot be fully or effectively hedged, such as credit risk relating both to particular securities and counterparties as well as internal rate and foreign exchange risks. Recently, counterparties to derivative contracts have sought assurances that the special purpose or other vehicle executing the derivative contract have recourse to the Fund and its undrawn commitments, which recourse liability can create significant additional risk to the Fund, the Limited Partners and its other Investments. Derivative contracts entered into by the Fund also often have cross-default and/or cross-acceleration provisions such that a default under the Fund's subscription credit facility would also trigger a notice or payment obligation under the relevant derivative contracts, which could create cascading liabilities and additional burdens on the Fund. The Fund will utilize derivatives and other hedging transactions only as determined by LuminArx in its sole discretion. Co-investors are unlikely to receive the benefit of any derivative or hedging activities engaged in by the Fund, even in cases where such activity is primarily related to the Fund's exposure to a particular Investment in which Co-Investors participate.

*Derivative Instruments.* The Fund uses various derivative instruments, including options, forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be

subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including (i) tracking risk, (ii) liquidity risk and (iii) leverage risk.

*Over-the-Counter (“OTC”) Trading.* Derivative instruments that may be purchased or sold by the Fund may include instruments not traded on an exchange. OTC derivatives, unlike exchanged-traded options, are two-party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between “bid” and “asked” prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. Recent legislation in the United States would require certain instruments currently traded over-the-counter to be traded on an exchange and cleared through a central clearing house.

*Other Derivative Instruments.* The Fund may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Fund and legally permissible. Special risks may apply to instruments that are invested in by the Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by the Fund.

*Short Selling.* The Fund engages in selling securities short. Selling securities short inherently involves leverage because the short sale of a security will involve the sale of a security not owned by the seller. The seller may borrow the security for delivery at the time of the short sale. If the seller borrows the security, the seller must then buy the security at a later date in order to replace the shares borrowed. If the price of the security at such later date is lower than that at the date of the short sale, the seller realizes a profit; if the price of the security has risen, however, the seller realizes a loss. Selling a security short which is borrowed exposes the seller to unlimited risk with respect to the security due to the lack of an upper limit on the price to which a security can rise. In the second half of 2008, a number of jurisdictions, including the United States, adopted temporary bans on short sales and enacted regulations aimed at greater disclosure of short selling. Since then, there have been legislative and regulatory initiatives and proposals in the United States and elsewhere that could lead to permanent bans or restrictions on certain short sale activities, including the restoration of certain restrictions on short selling that were lifted several years ago. Any such prohibitions or restrictions on short selling can have a material adverse impact on the Fund’s investment program.

*When-Issued, Delayed Delivery and Forward Commitment Securities.* Due to fluctuations in the value of securities purchased or sold on a when-issued or delayed-delivery basis, the yields obtained on such securities may be higher or lower than the yields available in the market on the dates when the securities are actually delivered to the buyers. If the Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, the Fund may incur a gain or loss. There is a risk that the securities may not be delivered and that the Fund may incur a loss.

The Fund borrows from broker-dealers that act as its prime brokers. The Fund has sought and in the future may seek additional or alternative standby or permanent financing from one or more banks or other lenders, and it may seek to borrow funds from institutions, foreign or domestic, by means of privately placed notes or debentures. It also enters into other types of financing arrangements, including swaps

and derivative transactions.

***Futures.*** Futures markets are highly volatile and a high degree of leverage is typical of a futures trading account. As a result, a relatively small price movement in a futures contract may result in substantial losses to the investor. Moreover, many commodity exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Such regulations could prevent the Fund from promptly liquidating unfavorable positions and thus subject the Fund to substantial losses.

***Options.*** The Fund may engage in the trading of equity, fixed income, currency and commodity options including options on futures and physical commodities. Such trading involves risks substantially similar to those involved in trading margined securities or commodity futures contracts, in that options are speculative and highly leveraged. Specific market movements of the securities, commodities or futures contracts underlying an option cannot accurately be predicted. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security, commodity or futures contract underlying the option which the writer must purchase or deliver upon exercise of the option.

***Use of Swap Agreements.*** The Fund may use equity, credit, credit default, contingent recovery, interest rate, index, total return, commodity and currency swap agreements as well as enter contracts for difference and swap-type agreements on derivatives and complex instruments. Swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than a year. In a standard swap transaction, two parties agree to exchange the returns earned on specified assets, such as the return on, or increase in value of, a particular dollar amount invested at a particular interest rate, in a particular non-U.S. currency or in a “basket” of securities representing a particular index. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary securities transactions. Interest rate swaps, for example, do not typically involve the delivery of securities, other underlying assets or principal. Accordingly, the market risk of loss with respect to an interest rate swap is often limited to the amount of interest payments that the Fund is contractually obligated to make on a net basis.

***Crowded Trades.*** LuminArx may cause the Fund to acquire long or short positions that become crowded trades. With respect to a given investment, a crowded trade occurs when investors in the aggregate have unusually large exposure (either as a result of a large number of participants or outsized positions), and a similar belief regarding the direction of the trade (i.e., long or short). Investments in crowded trades are subject to the risk that there will be insufficient liquidity and significant volatility if investors seek to unwind their positions at or around the same time. Investments in crowded trades could lead to significant losses by the Fund. There can be no assurance LuminArx will be able to avoid significant losses if a position becomes a crowded trade.

***Credit Investments.*** One of the fundamental risks associated with the Fund’s investments is credit risk, which is the risk that an issuer or borrower will not be able to make principal and interest payments on its outstanding debt obligations when due or otherwise defaults on its obligations to the Fund and/or that the guarantors or other sources of credit support for such persons do not satisfy their obligations. The Fund’s return to Limited Partners would be adversely impacted if an issuer of debt instruments or a borrower under a loan in which the Fund invests becomes unable to make such payments when due. Although the Fund will, at times, make investments that LuminArx believes are secured by specific collateral the value of which may initially exceed the principal amount of such Investments or the Fund’s fair value of such Investments, there can be no assurance that the liquidation of any such collateral would satisfy the borrower’s obligation in the event of non-payment of scheduled interest or principal payments with

respect to such investment, or that such collateral could be readily liquidated. In addition, in the event of bankruptcy of a borrower, the Fund could experience delays or limitations with respect to its ability to enforce rights against and realize the benefits of the collateral securing an investment. Under certain circumstances, collateral securing an investment could be released without the consent of the Fund or the Fund's expected rights to such collateral could, under certain circumstances, be voided or disregarded. The Fund's investments in secured debt may be unperfected for a variety of reasons, including the failure to make required filings by lenders, which could result in the Fund not having priority over other creditors as anticipated. Furthermore, the Fund's right to payment and its security interest, if any, would be subordinated to the payment rights and security interests of any senior lender. Certain of these investments have an interest-only payment schedule, with the principal amount remaining outstanding and at risk until the maturity of the investment. In addition, certain instruments provide for in-kind payments, which have a similar effect of deferring current cash payments. In both cases, an issuer's ability to repay the principal of an investment may be dependent upon a liquidity event or the long-term success of the issuer, the likelihood of which is uncertain. With respect to the Fund's investments in any number of credit products, if the borrower or issuer breaches any of the covenants or restrictions under the indenture governing notes or the credit agreement that governs loans of such issuer or borrower, it could result in a default under the applicable indebtedness as well as the indebtedness held by the Fund. Such default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. This could result in an impairment or loss of the Fund's investment or result in a pre-payment (in whole or in part) of the Fund's investment in the issuer. As it relates to all of the foregoing risks and related considerations, it should also be noted that the Fund could, from time to time, invest in one or more of leveraged loans, high-yield instruments, marketable and non-marketable common and preferred equity instruments and other unsecured instruments, each of which involves a higher degree of risk than senior secured loans.

*Margin Borrowing.* The use of margin borrowing can substantially improve or impair the return on invested capital. Borrowings will usually be effected through the Fund's prime brokers and primary custodians and will typically be secured by the Fund's securities and other assets. During extreme adverse market conditions, losses of as much as 100% of the invested capital of the Fund could be sustained. Under certain circumstances, a prime broker may unilaterally demand an increase in the collateral that secures the Fund's obligations and if the Fund were unable to provide additional collateral, such prime broker could liquidate assets held in the account to satisfy the Fund's obligations to the prime broker. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the Fund's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Fund's return.

To the extent that the Fund makes use of collateral and asset re-use arrangements, it may be required to deliver collateral from time to time to its trading counterparties under the terms of the relevant trading agreements (including, but not limited to, futures clearing agreements, foreign exchange prime broker agreements, ISDA master agreements and credit support documentation and/or securities lending agreements) to effect the above arrangements, by posting initial margin and/or variation margin on a daily mark-to-market basis. The Fund may deliver such collateral by way of title transfer or by way of security interest (and, in certain circumstances, grant a right of re-use of such collateral) to a trading counterparty. The treatment of such collateral varies according to the type of transaction and where it is traded.

*Purchasing Securities of Initial Public Offerings.* The Fund may purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may



make it more difficult for the Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. 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.

*U.S. Government Securities.* The Fund may invest in U.S. government securities. Generally, these securities include U.S. treasury obligations and obligations issued or guaranteed by U.S. government agencies, instrumentalities or sponsored enterprises. U.S. government securities also include treasury receipts and other stripped U.S. government securities, where the interest and principal components of stripped U.S. government securities are traded independently. These securities are subject to market and interest rate risk. The Fund may also invest in zero coupon U.S. treasury securities and in zero coupon securities issued by financial institutions, which represent a proportionate interest in underlying U.S. treasury securities. A zero coupon security pays no interest to its holder during its life, and its value consists of the difference between its face value at maturity and its cost. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

*Municipal Securities.* Various factors may adversely affect the value and yield of municipal securities. These factors include political or legislative changes and uncertainties related to the tax status of municipal securities or the rights of investors in these securities. To the extent that the Fund invests heavily in a particular state's municipal securities, the Fund will be more vulnerable to factors affecting that state. The Fund's investments in revenue securities, where principal and interest payments are made from the revenue of a specific project or facility, and not general tax revenues, may have increased risks. Factors affecting the project or facility, such as local business or economic conditions, could have a significant impact on the project's ability to make payments of principal and interest on these securities.

*Sovereign Debt.* The Fund could, from time to time, invest in financial instruments issued by a government, its agencies, instrumentalities or its central bank ("Sovereign Debt"). Sovereign Debt may include securities that LuminArx believes are likely to be included in restructurings of the external debt obligations of the issuer in question. The ability of an issuer to make payments on Sovereign Debt, the market value of such debt and the inclusion of Sovereign Debt in future restructurings may be affected by a number of other factors, including such issuer's (i) balance of trade and access to international financing and financial aid, (ii) cost of servicing such obligations, which may be affected by changes in international interest rates, (iii) level of international currency reserves and (iv) anticipated and actual tax and other revenue, which may affect the amount of non-U.S. exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

*Privatization.* The Fund may invest in state-owned enterprises or assets that have been or will be transferred from government to private ownership. There can be no assurance that any privatizations will be undertaken or, if undertaken, will be successfully completed or completed on favorable terms. There can also be no assurance that, if a privatization is undertaken on a private placement basis, the Fund will have the opportunity to participate in the investing consortium. Furthermore, if the Fund has the opportunity to participate in a privatization, it is possible the privatization could be re-examined subsequently by local or international regulatory bodies, exposing the Fund to criticism or investigation. Investors should be aware that changes in governments or economic factors could result in a change in a country's policies on privatization. Should these policies change in the future, it is possible that governments may determine to return projects and companies to state ownership. In such a situation, the level of compensation that would be provided to the owners could be substantially less than the amount invested by them.

*Specialty Finance Credit Investments.* The Fund could, from time to time, invest in commercial and consumer credits (either directly or indirectly, including through investments in financial services companies and operating platforms that originate and/or service commercial and consumer credits), including credit cards, personal loans and equipment finance. Pricing and optimizing the value of such investments requires strong analytics and extensive infrastructure. The form of investment in commercial and consumer credits may vary and may require reliance on networks of service providers to provide the resources necessary to originate new receivables, manage portfolios of performing receivables and work out portfolios of stressed or non-performing receivables. Commercial and consumer credits may not be secured and may be subject to increasing regulation.

*Non-Performing Loans.* The Fund could, from time to time, purchase non-performing loans or pools of non-performing loans, and that such loans, in addition to being non-performing, could be in default. The obligor(s) of such loan(s) or relevant guarantor also may be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such loans. By their nature, these investments involve a high degree of risk. Such non-performing loans may require substantial workout negotiations or restructuring that may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of the principal of the loan and/or the deferral of payments. Commercial and industrial loans in workout and/or restructuring modes or under the U.S. Bankruptcy Code and the bankruptcy or insolvency laws of other jurisdictions are subject to additional potential liabilities, which may exceed the value of the Fund's original investment.

For example, borrowers often resist foreclosure by asserting numerous claims, counterclaims and defenses against the holder of real estate loans, including lender liability claims and defenses, in an effort to delay or prevent foreclosure and in certain cases have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Under certain circumstances, the claims of a lender who has inappropriately exercised control of the management and policies of a debtor will be subordinated or disallowed or such lender can be found liable for damages resulting from such actions. In addition, under certain circumstances, payments to the Fund (and the Fund, in turn, to the participating Limited Partners) will be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment. Even if a restructuring were successfully accomplished, a risk exists that upon maturity of the applicable loan, replacement "takeout" financing will not be available. It is possible that LuminArx will find it necessary or desirable to foreclose on collateral securing one or more loans purchased by the Fund.

*Structured Solutions.* From time to time, certain regulated entities, including broker-dealers, depository institutions, bank holding companies and other financial services companies, may wish to reduce their regulatory capital usage by entering into certain regulatory capital relief transactions. The Fund may enter into these transactions, usually in the form of structured solutions investments. These regulatory capital relief transactions include investments either indirectly through derivatives or directly in tranches of portfolios of assets held on the balance sheet of regulated entities, the equity share capital of regulated entities, subordinated loans to regulated entities or subordinated debt, trust preferred securities or other types of instruments issued by regulated entities and which count towards their regulatory capital. These regulatory capital relief transactions may have return characteristics linked to assets and risks different than those described herein. Market conditions dictate the availability of any structured solutions investments. There is no assurance that the Fund's portfolio will include such investments. Additionally, these investments may be less liquid and have longer average lives than certain credit positions.

*Board Membership.* LuminArx may serve and in the future may serve on the board of directors of one or more of the Fund's Portfolio Entities. As a result, or by reason of other activities or responsibilities of LuminArx, the employees or affiliates of LuminArx may acquire confidential or material non-public information, which it will not be free to act upon, or otherwise be restricted from initiating transactions in

certain securities. Due to these restrictions, LuminArx may be precluded from initiating a transaction (including a purchase or sale of securities) for the benefit of the Fund that it otherwise might have determined to be appropriate for the Fund.

Moreover, the ability to realize value from certain Investments may depend upon the ability of LuminArx, as applicable, to influence the management of a portfolio company to take certain actions, including, for example, a recapitalization, restructuring, spin off, sale of the business or change in management. If LuminArx is incorrect in its assessment of the impact such action will have on the value of a portfolio company, or if it is unsuccessful in persuading the portfolio company's management to take the desired action, the Investment may sustain a loss on its investment in the portfolio company, resulting in a reduction of the value of the Fund's Investment.

***Repurchase and Reverse Repurchase Agreements.*** In a reverse repurchase transaction, the Fund "buys" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Fund involves certain risks. For example, if the seller of securities to the Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, the Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Fund's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that the Fund may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer.

***Structured Products.*** The Fund may invest in securities backed by, or representing interests in, certain underlying instruments ("Structured Products"). The cash flow on the underlying instruments may be apportioned among the Structured Products to create securities with different investment characteristics such as varying maturities, payment priorities and interest rate provisions, and the extent of the payments made with respect to the Structured Products is dependent on the extent of the cash flow on the underlying instruments. The Fund may invest in Structured Products that represent derived investment positions based on relationships among different markets or asset classes.

***Asset-Backed Securities.*** The Fund may invest in asset-backed securities, which are securities backed by assets such as mortgages (including residential or commercial mortgages), trade claims, installment sale contracts, credit card receivables, collateralized debt obligations or other assets. Asset-backed securities are "pass-through" securities, meaning that principal and interest payments, net of expenses, made by the borrower on the underlying assets are passed through to the Fund. The value of asset-backed securities, like that of traditional fixed income securities, typically increases when interest rates fall and decreases when interest rates rise. However, asset-backed securities differ from traditional fixed income securities because of their potential for prepayment. The price paid by the Fund for such securities, the yield the Fund expects to receive from such securities and the average life of such securities are based on a number of unpredictable factors, including the anticipated rate of prepayment of the underlying assets, and are therefore subject to the risk that the asset-backed security will lose value. Asset-backed securities are also subject to the general risks associated with investing in physical assets such as real estate; that is, they may lose value if the value of the underlying asset declines.

***Project Finance Investments.*** The Fund may make investments in securities issued to finance the

development of infrastructure in the U.S. and outside of the U.S., including, for example, highways, airports, water and sewerage facilities, and energy distribution and telecommunication networks, schools, universities, hospitals, public housing and prisons. Investments in infrastructure are highly regulated and a failure by LuminArx to comply with all applicable regulations may result in a substantial loss on investment. Some infrastructure projects may be in unstable political environments, which could impact the efficiency of an operation or prevent the continued operation of an asset in extreme circumstances. Although the liquidity of infrastructure investments varies by project, the market for these assets is generally not liquid and LuminArx may not be able to readily liquidate an investment. There are varying levels of liability and liability protection incorporated in infrastructure investments. Governmental liability shields may not transfer to new operators.

*Proxy Contests and Unfriendly Transactions.* The Fund may invest in securities of a company which is the subject of a proxy contest in the expectation that new management will be able to improve the company's performance or effect a sale or liquidation of its assets so that the price of the company's securities will increase. If the incumbent management of the company is not defeated or if new management is unable to improve the company's performance or sell or liquidate the company, the market price of the company's securities will typically fall, which may cause the Fund to suffer a loss.

In addition, where an acquisition or restructuring transaction or proxy fight is opposed by the subject company's management, the transaction often becomes the subject of litigation. Such litigation involves substantial uncertainties and may impose substantial cost and expense on the Fund.

*Special Situation Investments.* The Fund may invest in companies undergoing significant economic and corporate change. Because of the inherently speculative nature of this activity, the results of the Fund's operations may fluctuate from month-to-month and from period-to-period. The returns generated from such an investment program may not adequately compensate investors for the business and financial risk assumed. The Fund's investments may be adversely affected by changes in economic conditions or political events that are beyond its control.

*Investments in Special Purpose Acquisition Companies.* The Fund may invest in "special purpose acquisition companies" ("SPACs"). A SPAC is a development stage company that has no specific business plan or purpose or has indicated its business plan is to engage in a merger or acquisition with an unidentified company or companies, other entity, or person. Because SPACs have broad discretion to select potential business combinations (subject to industry, geographic or other limitations, if any), it is not possible for LuminArx to fully ascertain the merits or risks of investing in a particular SPAC. LuminArx generally intends to select for investment securities of SPACs with strong structures, those headed by management teams with proven track records or SPACs with other elements that suggest the likelihood of a favorable result, but there is no guarantee that the SPAC will achieve positive returns. The Fund is dependent upon the integrity, skill and judgment of the management team of each SPAC in which the Fund invests. There is no guarantee that a SPAC selected by LuminArx or a Third-Party Portfolio Manager for investment by the Fund will be able to effect a business combination with an operating entity, or that any operating entity that is acquired by a SPAC will achieve profitability or continue to operate profitably post-acquisition. SPACs may encounter intense competition from other entities having similar business objectives, such as venture capital funds, leveraged buy-out funds and other private equity entities, as well as operating businesses competing for acquisitions. If the Fund invests in a SPAC that is unable to effect a business combination, the Fund will receive its share of the proceeds held in trust, subject to reduction if third-party claims are made against the SPAC or escrow or if the funds in the trust otherwise decline prior to liquidation. Investment in SPACs is also subject to certain investor risks, including limits on tradability of securities issued by a current or former SPAC. In addition, if the Fund were to acquire warrants in a dual deal structure, the Fund may lose the entire value of such warrants if a business combination cannot be effected by such SPAC.

*Investments in Less Established Companies.* The Fund may invest a portion of its assets in the securities of less established companies. Investments in such early stage companies may involve greater risks than generally are associated with investments in more established companies. To the extent there is any public market for the securities held by the Fund, such securities may be subject to more abrupt and erratic market price movements than those of larger, more established companies. Less established companies tend to have lower capitalizations and fewer resources and, therefore, often are more vulnerable to financial failure. Such companies also may have shorter operating histories on which to judge future performance and in many cases, if operating, will have negative cash flow. Start-up enterprises in the technology and related industries may not have significant or any operating revenues and any such Investment should be considered highly speculative and may result in the loss of the Fund's entire Investment therein. There can be no assurance that any such losses will be offset by gains (if any) realized on the Fund's other Investments.

*Growth Investments.* The Fund may make investments in companies or assets that are in a conceptual or early stage of development, which may have no proven operating history on which to judge future performance, little or no profits or cash flow, uncertain market position and a high degree of regulatory risk. Growth portfolio companies may operate at a loss or with substantial variations in operating results from period to period, and many growth portfolio companies will need substantial additional capital to support additional research and development activities or expansion, to achieve or maintain a competitive position, and/or to expand or develop management resources. Growth portfolio companies may face intense competition, including from companies with greater financial resources, better brand recognition, more extensive development, marketing, manufacturing, and service capabilities, and a larger number of qualified managerial and technical personnel. A growth portfolio company's ability to succeed will be dependent not only upon its 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 growth portfolio company will need to implement appropriate sales and marketing, finance, personnel and other operational strategies in order to continue to grow its business. The Fund will make investments in Portfolio Entities which may rely upon rapidly changing technologies. Therefore, technological obsolescence and other technology risks may adversely impact the performance of these Portfolio Entities. In all such cases, the Fund will be subject to the risks associated with the underlying businesses engaged in by Portfolio Entities and of their customers.

*Investments in Junior Securities.* The Fund may invest in companies that have already received one or more rounds of financing. The securities in which the Fund will invest in these instances may be among the most junior in a Portfolio Entity's capital structure and thus subject the Fund to a greater risk of losing all or part of its invested capital. There will often be no collateral to protect the Fund's investment in such securities once made.

*Investments in Regulated Industries.* The Fund may make investments in Portfolio Entities operating in industries that are subject to greater amounts of regulation than other industries generally. These more highly regulated industries may include energy, healthcare, financial services (including banking and mortgage origination and servicing), insurance, gaming, transportation (e.g., aviation) and also businesses that serve primarily customers that are governmental entities, including in the defense industry. Investments in Portfolio Entities that are subject to greater amounts of governmental regulation pose additional risks relative to investments in other companies generally. Changes in applicable laws or regulations, or in the interpretations of these laws and regulations, could result in increased compliance costs or the need for additional capital expenditures and/or regulatory capital requirements in the case of banks or similarly regulated entities. If a Portfolio Entity fails to comply with these requirements, it could also be subject to civil or criminal liability and the imposition of fines. A Portfolio Entity also could be materially and adversely affected as a result of statutory or regulatory changes or judicial or administrative interpretations of existing laws and regulations that impose more comprehensive or stringent

requirements on such company. Governments have considerable discretion in implementing regulations that could impact a Portfolio Entity's business and governments may be influenced by political considerations and may make decisions that adversely affect a Portfolio Entity's business. Additionally, certain Portfolio Entities may have a unionized work force or employees who are covered by a collective bargaining agreement, which could subject any such Portfolio Entity's activities and labor relations matters to complex laws and regulations relating thereto. Moreover, a Portfolio Entity's operations and profitability could suffer if it experiences labor relations problems. Upon the expiration of any of such Portfolio Entity's collective bargaining agreements, it may be unable to negotiate new collective bargaining agreements on terms favorable to it, and its business operations at one or more of its facilities may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating its collective bargaining agreements. A work stoppage at one or more of any such Portfolio Entity's facilities could have a material adverse effect on its business, results of operations and financial condition. Additionally, any such problems may bring scrutiny and attention to the Fund itself, which could adversely affect the Fund's ability to implement its investment objectives.

*Turnover.* The Fund may invest on the basis of short term market considerations. Their turnover rate is expected to be significant, potentially involving substantial brokerage commissions and fees.

*Dependence on Patents, Trademarks and Other Intellectual Property.* Certain Fund's Investments will depend heavily on intellectual property rights, including patents, both in the U.S. and in other countries. The ability to effectively enforce patent, trademark and other intellectual property laws will affect the value of many of these Investments. Patent disputes are frequent and can preclude commercialization of products, and patent litigation is costly and could subject a Portfolio Entity to significant liabilities to third parties. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of a particular product of a Portfolio Entity or one of its significant customers or counterparties.

In addition, the patent positions in many countries is highly uncertain and involves complex legal, scientific and factual questions. There is no consistent policy regarding the permissible breadth of coverage of claims allowed in product patents.

Furthermore, if a Portfolio Entity or one of its significant customers or counterparties infringes on third-party patents or other proprietary rights, it could be prevented from using certain third-party technologies or forced to acquire licenses in order to obtain access to such technologies. In such a case, the company might not be able to obtain all licenses required for the success of its business, which could have a material adverse effect on its value.

The loss of patent protection or other market exclusivity can open products to competition from generic substitutes that are typically priced significantly lower than the original products, which can have an adverse effect on the value of the product and the company. In particular, generic substitutes have high market shares in the U.S., and, accordingly, the adverse effects of the launch of generic products are particularly significant in the U.S.

*Real Estate Investments Risks Generally.* While it is unlikely the Fund will pursue investments in direct real estate assets, it is possible that the Fund could invest in certain other types of real estate investments, such as real estate loans or in the securities of companies engaged in the real estate industry. As such, some of the Fund's Investments will be subject to the risks inherent in the ownership and operation of real estate and real estate-related businesses and assets. Deterioration of real estate fundamentals generally may negatively impact the performance of the Fund. These risks include, but are not limited to, those associated with the burdens of ownership of real property, general and local economic conditions, changes in environmental and zoning laws, casualty or condemnation losses,

regulatory limitations on rents, decreases in asset values, changes in the appeal of assets to tenants, changes in supply of and demand for competing assets in an area (as a result, for instance, of overbuilding), fluctuations in the average occupancy, operating income and room rates for hotel assets, the financial resources of tenants, changes in availability of debt financing which may render the sale or refinancing of assets difficult or impracticable, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, political events, changes in government regulations (such as rent control), changes in real property tax rates and operating expenses, changes in interest rates and the availability of mortgage funds, which may render the sale or refinancing of assets difficult or impracticable, increased mortgage defaults, increases in borrowing rates, negative developments in the economy or political climate that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, acts of God, terrorist attacks, war and other factors that are beyond the control of LuminArx. herein. In addition, in acquiring an asset or stock, the Fund may agree to lock-out provisions that materially restrict it from selling that asset or stock for a period of time or that impose other restrictions, such as a limitation on the amount of debt that can be placed on that asset or stock. There can be no assurance that there will be a ready market for the resale of real estate investments because such Investments will generally not be liquid. Illiquidity may result from the absence or a disruption of an established market for the Investments, as well as legal or contractual restrictions on their resale by the Fund.

Due to the outbreak of COVID-19, state, federal and non-U.S. laws and regulations have been implemented (and other laws and regulations are being considered) that place restrictions on lenders in the real estate sector and other industries from exercising certain of their rights in the event of borrower defaults or delinquencies, including with respect to foreclosure and eviction rights. For example, certain states have implemented mortgage payment relief packages for homeowners or instituted executive orders suspending the enforcement of residential or commercial evictions and U.S. federal regulators have implemented a moratorium on evictions and foreclosures on homeowners with mortgages backed by the federal government for non-payment of rent. Countries across Europe and Asia have also instituted similar protections, including residential and commercial protections for non-payment of rent, payment holidays and increased notice periods prior to evictions. Such measures may have significant adverse impacts on the value of the Fund's investments and the Fund's ability to sell existing investments or enforce its rights against borrowers, including to foreclose on and dispose of collateral.

*Commercial Mortgage Loans.* The Fund may invest from time to time in commercial mortgage loans (including whole loans and/or pools thereof), which are secured by multifamily or commercial properties and are subject to risks of delinquency and foreclosure, and risks of loss that are greater than similar risks associated with loans made on the security of single-family residential property. Commercial mortgage loans are usually non-recourse in nature. Therefore, if a commercial borrower defaults on the commercial mortgage loan, then the options for financial recovery are limited in nature. To the extent the underlying default rates with respect to the pool or tranche of commercial real estate loans in which the Fund directly or indirectly invests increase, the performance of the Fund investments related thereto may be adversely affected. Default rates and losses on commercial mortgage loans will be affected by a number of factors, including global, regional and local economic conditions in the area where the mortgage properties are located, the borrower's equity in the mortgage property and the financial circumstances of the borrower. A continued decline in specific commercial real estate markets and property valuations may result in higher delinquencies and defaults. In the event of default, the lender will have no right to assets beyond collateral attached to the commercial mortgage loan. In certain instances, a negotiated settlement or an amendment to the terms of the commercial mortgage loan are the only options before an ultimate foreclosure on the commercial property. As described more fully below, foreclosure is costly and often protracted by litigation and bankruptcy restrictions. The ultimate disposition of a foreclosed property may also yield a price insufficient to cover the cost of the foreclosure process and the balance attached to the defaulted commercial mortgage loan. While real estate

fundamentals appear to be improving, such improvement remains precarious. The overall level of commercial mortgage loan defaults remains significant and market values of the underlying commercial real estate remain distressed in many cases. It has also become increasingly difficult for lenders to dispose of foreclosed commercial real estate without incurring substantial investment losses, and ultimately leading to a decline in the value of such investments.

In the event of any default under a mortgage loan held directly by the Fund, it will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on the profitability of the Fund. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

***Residential Real Estate Investments.*** The Fund may invest from time to time in residential development projects and financing opportunities relating to residential real estate assets, which subjects the Fund to particular economic and operating risks. These risks relate to supply of and demand for living space in the local market, wage and job growth in the local market, availability of mortgage financing and homeownership affordability, tenant quality, the physical attributes of the building in relation to competing buildings (e.g., age, condition, design, appearance, amenities and location), and access to transportation, among other factors.

Investments in financing residential assets, such as mortgage loans (including loans that may be in default), involve additional risks. If a residential mortgage loan is in default, foreclosure of the mortgage loan can be a lengthy and expensive process. The ultimate disposition of a foreclosed asset may yield a price insufficient to cover the cost of the foreclosure process and the balance attached to the defaulted mortgage loan. In addition, politicians, regulators, journalists, housing advocates and others have been critical of private investment firms such as LuminArx that have made investments in residential mortgage loans and, in some cases, led protests and social media campaigns. Such opposition could cause the Fund to forego investment opportunities and subject the Fund to new legislation, litigation and changes in regulatory oversight. For example, housing advocates in certain Spanish cities have sought to prohibit foreclosure practices through local ordinances, which would have an adverse effect on holders of residential credit in those areas.

***Insurance Investments.*** Due to regulatory capital changes and heightened shareholder scrutiny, insurers are under pressure to re-focus on core markets and dispose of peripheral or non-core businesses; this global industry paradigm shift also suppresses strategic competition for transactions. The Fund may invest in insurance companies, reinsurance companies and other insurance-based instruments. These types of instruments may incur losses including severe losses as a result of the occurrence of insured events such as natural, man-made, life-related or other catastrophes. Catastrophes can be caused by various events, including, but not limited to, hurricanes, earthquakes, typhoons, hailstorms, floods, tsunamis, tornados, windstorms, extreme temperatures, aviation, marine and other accidents, fires, explosions, terrorism, cyber events, changes in tort awards and epidemics. The incidence and severity of such catastrophes are inherently unpredictable, and the Fund's losses on insurance-based investments due to such events or catastrophes could be material. A single catastrophic event could affect insurance companies across multiple geographic zones and lines of business and the frequency or severity of catastrophic events could exceed expectations, either of which could have a material adverse effect on the performance of such investments. If non-payment becomes widespread, it could have a material adverse impact on such Portfolio Entity and the Fund. Various factors, including distressed financial conditions or the general effects of economic downturns, may increase the risk that



policyholders or intermediaries, such as insurance brokers, may not pay any or all of the full amount owed to the applicable Portfolio Entity, despite an obligation to do so. An applicable Portfolio Entity's performance would be dependent on proper underwriting, which is inherently difficult to forecast and manage. Such Portfolio Entity may be unable to enter into reinsurance contracts, on the one hand, and investments, on the other hand, that are appropriate for each other. If such Portfolio Entity's expectations with respect to its underwriting or investments are incorrect, or if it is unable to adjust its exposure to the risks associated with either, the Portfolio Entity could be forced to attempt to liquidate some of its investments at a significant loss, or to forego certain investments or certain opportunities to effect changes to its overall strategy in its underwriting operations that it otherwise may have been able to pursue.

*Digital Infrastructure Investments.* The Fund may make investments in the digital infrastructure sector (e.g., media broadcasting assets, cellular assets and other similar investments). Investment opportunities in the digital infrastructure sector are driven largely by consumer demand, technological advances and improvements in data collection and storage. Changes in the development and proliferation of new technologies, data transmission and/or consumer demand, as well as changes in the prevailing global economy, may adversely affect the Fund's ability to identify and consummate attractive investments in the digital infrastructure sector.

*Transportation and Shipping Investments.* The Fund may make investments in the transportation or shipping sectors, which may include investments in shipping assets, and other public or private transportation-related investments. The Fund's ability to make attractive transportation-related investments may be subject to a variety of considerations, including general supply/demand trends, overall economic development and growth, general market conditions, socioeconomic changes, and changes relating to governmental spending and related policies. Any adverse or unexpected changes in such conditions could adversely affect the Fund's ability to consummate attractive transportation-related investments and/or the performance of any portfolio investments in the transportation sector.

*Commodity Investments.* The Fund may invest in commodities or invest in Portfolio Entities whose operations are dependent on the price of commodities. In general, the price of commodities (such as oil, natural gas, coal, metals and others) has been, and is likely to continue to be, volatile and subject to wide fluctuations in response to many factors that are beyond the control of LuminArx or the Fund, including: (i) relatively minor changes in the supply of and demand for such commodities; (ii) market uncertainty and the condition of various economic measures (including interest rates, levels of economic activity, the price of securities and the participation by other investors in the financial markets); (iii) political conditions in international commodity-producing regions; (iv) the extent of domestic production and importation in certain relevant markets; (v) the foreign supply; (vi) the price of foreign imports; (vii) the price and availability of alternative fuels; (viii) the level of consumer demand; (ix) the price of steel and the outlook for steel production; (x) weather conditions; (xi) the competitive position of oil, gas or coal as a source of energy as compared with other energy sources; (xii) the industry-wide refining or processing capacity for oil, gas or coal; (xiii) the effect of U.S. and non-U.S. federal, state and local regulation on the production, transportation and sale of commodities; (xiv) with respect to the price of oil, actions of the Organization of Petroleum Exporting Countries and other producers; (xv) the expected consumption of coking coal in steel production; (xvi) the amount and character of excess electric-generating capacity in a market area; (xvii) overall economic conditions; (xviii) terrorist acts; and (xix) a variety of additional factors that are beyond the control LuminArx or the Fund.

*Investments in the Technology Sector.* The Fund may invest in the technology sector. The technology sector is challenged by various factors, including rapidly changing market conditions and/or participants, short product cycles, new competing products, services and/or improvements in existing products, rapid obsolescence of products and government regulation. The Fund's Portfolio Entities will compete in this

volatile environment. There is no assurance that products or services sold by the Portfolio Entities will not be rendered obsolete or adversely affected by competing products and services or that the Portfolio Entities will not be adversely affected by other challenges. Moreover, competition can result in significant downward pressure on pricing. The Portfolio Entities may include internet companies that provide goods or services that compete either directly or indirectly (e.g., through the “sharing” economy) with existing non-internet based providers which, in some cases, are subject to regulations that the internet companies are not. In some instances in the industry, laws or regulations have been adopted in jurisdictions where internet based companies operate that impose regulations on the companies that may pose material challenges to the company’s business model. In the event that the technology sector as a whole declines, returns to Limited Partners will likely decrease.

*Investments in the Financial Services Industry.* Financial services institutions have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, interest rates, inflation, currency values, market conditions, the availability and cost of short-term or long-term funding and capital, the credit capacity or perceived creditworthiness of customers and counterparties, and the level and volatility of trading markets. Such factors can impact customers and counterparties of financial services institutions and may impact the value of financial instruments held by financial services institutions. Fluctuations in interest rates, which affect the value of assets and the cost of funding liabilities, are not predictable or controllable, may vary from country to country and may impact economic activity in various regions.

The profitability of the financial services industry may be adversely affected by a worsening of general economic conditions in domestic and international markets and by monetary, fiscal or other policies that are adopted by various governmental authorities and international bodies. Monetary policies have had, and will continue to have, significant effects on the operations and results of financial services institutions. There can be no assurance that a particular financial services institution will not experience a material adverse effect on its net interest income in a changing interest rate environment. Factors such as the liquidity of the global financial markets, the level and volatility of prices of financial instruments, investor sentiment and the availability and cost of credit may significantly affect the activity levels of customers with respect to size, number and timing of transactions. A market downturn would likely lead to a decline in the volume of transactions that financial services institutions execute for their customers and thus lead to a decline in revenues from fees, commissions and spreads.

The financial services industry is extremely competitive, and it is expected that competitive conditions in the industry will continue to intensify. Merger activity in the financial services industry has resulted in, and is expected to continue to result in, larger institutions with greater financial and other resources that are capable of offering a wider array of financial products and services. The financial services industry has become considerably more concentrated as numerous financial institutions have been acquired by or merged into other institutions. Technological advances and the growth of e-commerce have made it possible for non-financial institutions to offer products and services that have been traditionally offered by financial services institutions. It is expected that cross-industry competition will continue to intensify.

Additionally, rapid, significant and disruptive technological changes may impact the financial services industry, including, for example, developments in payment card tokenization, cryptocurrencies, mobile, social commerce (i.e., ecommerce through social networks), authentication, virtual currencies (including distributed ledger and blockchain technologies), and near-field communication (NFC) and other proximity payment technology, such as contactless payments. As a result, it should be expected that new services and technologies continue to emerge and evolve, and it is difficult to predict the effects of technological changes on a Portfolio Entity’s business.

The financial services industry is highly dependent on communications and information systems and is exposed to many types of operational risks, including the risk of fraud or security breaches by employees or other parties, record keeping errors, errors resulting from faulty or “hacked” computer or telecommunication systems, computer failures or interruptions, and damage to computer and telecommunication systems caused by internal or external events.

*Third-Party Portfolio Managers.* The Fund may, from time to time, invest in assets, platforms and private investment vehicles managed by third-party investment managers with whom the Fund expects to invest (“Third-Party Portfolio Managers”). Accordingly, in such circumstances, the Fund would bear its share of fees and expenses relating to such investments, which may materially increase the overall amount of fees and expenses borne by the Fund and the Limited Partners. Management of assets by Third-Party Portfolio Managers exposes the Fund to risks similar to the risks the Fund is otherwise subject to, in addition to its associated unique risks.

Although LuminArx is expected to seek to, when practicable or desirable, negotiate opt-out rights for the Fund with respect to specific investments in such platforms and investment vehicles, third-party managers will be responsible for operating the funds on a day-to-day basis and structuring, negotiating and purchasing, financing, monitoring and eventually divesting investments. LuminArx may not learn of significant structural events, such as personnel changes or substantial changes to the value of the assets of, or obtain other important information, regarding such investment vehicles until after the fact. In addition, it will be difficult for the Fund or LuminArx to protect the investment from the risk of the management team of any such third-party fund engaging in fraud, misrepresentation or material strategy alteration. Limited Partners themselves will generally have no direct dealings or contractual relationships at the level of the underlying platform or investment vehicle.

Although the Fund generally intends to invest with and engage third-party asset managers that LuminArx deems to be of high quality, there can be no assurance that the existing management teams will continue to operate successfully or that such management teams will continue to be involved in such role throughout the period of the Fund’s investment.

Additionally, LuminArx may not always receive, or may elect not to receive, full information from such third-party manager because certain of this information may be considered proprietary or in the event that such third-party fund is in possession of material non-public information with respect to companies in which LuminArx is considering making a public investment, or otherwise due to LuminArx’s intentionally restrictive trading policy. LuminArx may rely on valuations provided by Third-Party Portfolio Managers without being able to independently verify such valuations.

Subjective decisions made by LuminArx and/or the Third-Party Portfolio Managers may cause the Fund to incur losses or to miss profit opportunities on which it may otherwise have capitalized.

LuminArx relies primarily on information provided by Third-Party Portfolio Managers in assessing a Third-Party Portfolio Manager’s defined investment strategy, and, ultimately, determining whether, and to what extent, it will allocate the Fund’s assets to particular Investments. Although, LuminArx will establish policies and procedures that are designed to monitor Third-Party Portfolio Managers’ compliance with stated strategies and guidelines and to mitigate the likelihood of potential “style drift” situations, there can be no assurance that the Fund will not be impacted by “style drift” of a particular manager.

With respect to Investments composed of investments in operating companies and other portfolio companies, as a minority investor, the Fund will largely be reliant on the applicable Third-Party Portfolio Manager to monitor the activities of such portfolio companies. There can be no assurance that the existing management team, or any successor, will be able to successfully operate a portfolio company in

accordance with the Third-Party Portfolio Manager's or the Fund's plans and expectations. In particular, the Third-Party Portfolio Manager will typically control the timing of any liquidity event with respect to a portfolio company and may have an investment horizon that differs from that of the Fund. Third-Party Portfolio Managers may also be facing conflicts of interest which may impact their decision making.

In addition to receiving management fees, the Third-Party Portfolio Managers are expected to receive compensation based on the performance of their investments. Such compensation arrangements may create an incentive for such Third-Party Portfolio Managers to make investments that are riskier or more speculative than would be the case if such arrangements were not in effect. In addition, because performance-based compensation is generally calculated on a basis which includes unrealized appreciation of assets managed by a Third-Party Portfolio Manager, such performance-based compensation, may be greater than if such compensation were based solely on realized gains. In addition, a particular Third-Party Portfolio Manager may receive incentive compensation in respect of its portfolio for a period during which the Fund's overall portfolio depreciated. Accordingly, payment of performance-based compensation to Third-Party Portfolio Managers is not reflective of the overall performance results experienced by the Limited Partners. For example, it is possible that certain Third-Party Portfolio Managers may receive performance-based compensation, even though the overall performance of all Third-Party Portfolio Managers (and therefore, the performance of the Fund as a whole) is negative. In addition, certain Third-Party Portfolio Managers that generate higher investment returns could receive more performance-based compensation than other Third-Party Portfolio Managers with positive performance.

Third-Party Portfolio Managers may use proprietary investment strategies that are based on considerations and factors that are not typically fully disclosed to LuminArx or the Fund. These strategies may involve risks under some market conditions that are not anticipated by LuminArx or the Fund. The investment niche, arbitrage opportunity or market inefficiency exploited by a Third-Party Portfolio Manager may become less profitable over time as the Third-Party Portfolio Manager and competing asset managers or investors manage a larger group of assets in the same or similar manner (tending to arbitrage away the profit opportunities), or market conditions change. The strategies employed by the Third-Party Portfolio Managers may involve significantly more risk and higher transaction costs than more traditional investment methods.

*Risks in Effecting Operating Improvements.* In some cases, the success of the Fund's investment strategy will depend, in part, on the ability of the Fund to restructure and effect improvements in the operations of a Portfolio Entity. The activity of identifying and implementing restructuring programs and operating improvements at Portfolio Entities entails a high degree of uncertainty. For example, cooperation of employees, consultants and other stakeholders required to make improvements could be difficult to obtain, or those employees, consultants and stakeholders may not be effective at making change. Furthermore, technology that LuminArx expects to aid improvements may not be as effective or easily implemented as anticipated. For these and other reasons, there can be no assurance that the Fund will be able to successfully identify and implement restructuring programs and improvements.

*Portfolio Entity Liabilities.* Liabilities of Portfolio Entities, including those related to activities that occurred prior to the Fund's investment therein, could have an adverse impact on the Fund. For example, the European Commission held a fund liable as a result of a portfolio entity that engaged in anticompetitive cartel activities on the basis that the fund had exercised influence over the portfolio entity. Similarly, various jurisdictions permit certain classes of creditors to make claims (including, by way of example only, environmental, consumer protection and pension and labor law matters and liabilities) against shareholders of a company if the company does not have resources to pay out the claim. The Fund could, as a result, become liable for certain classes of claims against its Portfolio Entities. Finally, it is possible that creditors of portfolio entities owned by other accounts may seek to make certain claims (including,

by way of example only, environmental, consumer protection and pension/labor law matters and liabilities) against the Fund due to its common control relationship with other accounts. The laws of certain jurisdictions provide not only for carve-outs from limited liability protection for a Portfolio Entity that has incurred certain liabilities, but also for recourse to assets of other entities under common control with, or that are part of the same economic group as, such company. For example, if a Portfolio Entity of the Fund or other account is subject to bankruptcy or insolvency proceedings in a jurisdiction and is found to have liabilities under the local consumer protection laws, the laws of that jurisdiction may permit authorities or creditors to file a lien on, or to otherwise have recourse to, assets held by entities under common control or that form part of the same economic group, potentially including Portfolio Entities of the Fund.

*Risks from Operations of Other Portfolio Entities.* The Fund and other accounts have made, and will continue to make, investments in Portfolio Entities that have operations and assets in many jurisdictions around the world. It is possible that the activities of one Portfolio Entity may have adverse consequences on one or more other Portfolio Entities (including the Fund's Portfolio Entities), even in cases where the Portfolio Entities are held by other accounts and have no other connection to each other. For example, a violation of a rule by a Portfolio Entity of an other account could prevent the Fund or one of its Portfolio Entities from obtaining a permit, or have other adverse consequences.

*"Platform" Investments; Additional Capital Requirements.* Certain of the Fund's Portfolio Entities, especially those in a development or "platform" phase, may be expected to require additional financing to satisfy their working capital requirements or acquisition strategies. The amount of such additional financing needed will depend upon the maturity and objectives of the particular Portfolio Entity. Each such round of financing (whether from the Fund or other investors) is typically intended to provide a Portfolio Entity with enough capital to reach the next major corporate milestone. If the funds provided are not sufficient, a Portfolio Entity may have to raise additional capital at a price unfavorable to the existing investors, including the Fund. In addition, the Fund may make additional debt and equity investments or exercise warrants, options, convertible securities or other rights that were acquired in the initial investment in such Portfolio Entity in order to preserve the Fund's proportionate ownership when a subsequent financing is planned, or to protect the Fund's investment when such Portfolio Entity's performance does not meet expectations. There can be no assurance that the Fund or any Portfolio Entity will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source when needed.

*Access to Information from Portfolio Entities.* LuminArx may not always receive full information from Portfolio Entities because certain of this information may be considered proprietary by a Portfolio Entity. A Portfolio Entity's use of proprietary investment strategies that are not fully disclosed to LuminArx may involve risks under some market conditions that are not anticipated by LuminArx. Furthermore, this lack of access to information may make it more difficult for LuminArx to select and evaluate Portfolio Entities.

*Investment Funds in Early Stages of Formation and Related Investments.* The Fund may invest in funds that are in an early stage of formation or operation. Similarly, the Fund may make investments (whether as seed investments or otherwise) in newly-formed Third-Party Portfolio Managers and/or related management entities, which investments may include or be solely comprised of an investment in the funds managed by such investment managers and/or related management entities. In connection with such investments, the Fund may receive an equity interest, income streams, a "revenue share" or other economic benefit in the revenues otherwise payable or allocable to such investment managers and/or related management entities. Additionally, in connection with investments the Fund may make in a fund and its related management entities, LuminArx may negotiate for capacity and other rights and offer Limited Partners and third-party investors the opportunity to make direct investments into such fund. As part of such arrangement, such fund may permit only some of the investors introduced by LuminArx to invest in the fund. In addition, certain Limited Partners or third-party investors may be able to invest in

such fund on beneficial terms (such as on a fee free or reduced fee basis) negotiated in connection with the Fund's investment. LuminArx will not receive any broker, placement agent fees or any other similar compensation in connection with making introductions.

In connection with a seed investment or similar investment with respect to a fund and its affiliated management entities, LuminArx may negotiate terms that are connected to Co-Investors investing in the fund. For instance, funding obligations to invest may be satisfied by virtue of Co-Investors investing capital in a fund. Moreover, LuminArx may make investments connected to a seed investment, where LuminArx believes it is not in the best interests of the Fund to make such investment (e.g., in the case of extending a working capital loan to a management entity of a fund, where the return and risk profile of the loan does not meet the profiles for a Fund investment).

Such investments can pose a number of operational and other issues. For example, in its early stages a fund may have little capital available to cover expenses and, accordingly, may have difficulty attracting qualified personnel. Newly-formed Third-Party Portfolio Managers and/or related management entities and their funds may face competition from other investment funds, which may be more established, have a larger number of qualified management and technical personnel and benefit from a larger capital base. Furthermore, the Fund will likely have little control in connection with its investment in, or in respect of, a fund and its manager or related management entities. Additionally, the Fund is expected to have limited or no liquidity or withdrawal rights with respect to (i) its investment in certain funds and (ii) any equity interest, "revenue share" or other economic benefit in the revenues otherwise payable or allocable to such manager or related management entities.

*Structured Notes.* Structured notes, variable rate mortgage-backed securities and asset-backed securities each have rates of interest that vary based on a designated floating rate formula or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market's perception of anticipated changes in those rates or indices. The movements in specific indices or interest rates may be difficult or impossible to hedge.

*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 depositary 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.

*Call and Put Options.* The Fund 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.

*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. Such companies may also 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 Fund 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 Fund may hold such illiquid investments in its portfolio. See also "—Illiquid and Long-Term Investments" herein. The Fund's 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 Fund is able to have Securities acquired in a PIPE transaction registered or sell such Securities through an exempt transaction, the Fund 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 Fund's investments.

*SPAC PIPE Transactions.* SPACs will often seek third-party equity capital in the form of a PIPE transaction that is funded on a concurrent basis with the consummation of the underlying business

combination that is being pursued by the SPAC. While such SPAC PIPEs are typically entered into at the time a proposed business combination is announced, certain SPACs may seek PIPE commitments at the time of their initial public offering in the form of forward purchase agreements. The Fund may participate in such SPAC PIPE transactions, including pursuant to forward purchase agreements, whereby it may make an irrevocable commitment to subscribe for equity securities of the combined company surviving the business combination between the SPAC and its target at a set price at the time that an agreement for the underlying business combination is signed. Consummation of a SPAC PIPE is typically contingent on and generally occurs concurrently with the successful closing of the underlying business combination which itself may be subject to conditions (such as regulatory approval, shareholder approval, etc.). As a result, the Fund may, in its capacity as an investor in a SPAC PIPE, bear the market or pricing risk of the transaction between the time of executing a subscription agreement to participate in the PIPE and the closing of the underlying business combination being pursued by the SPAC. In addition, during the period of time between the Fund's subscription to a PIPE and the consummation of the underlying business combination being pursued by the SPAC, LuminArx may have to cause the Fund to reserve capital in anticipation of funding its irrevocable commitment. Such time period may be substantial in the case of a forward purchase agreement executed at the time of a SPAC's initial public offering. In such circumstances, any capital being reserved by the Fund will not be available for participation in other investment opportunities. Further, the shares issued at the closing of a SPAC PIPE will generally be restricted for a period of time following the closing until the company that results from the business combination is readmitted for trading on the relevant exchange and the securities are registered under the Securities Act. The Fund may hold such illiquid shares in its portfolio.

*Unlisted Securities.* Unlisted securities may involve higher risks than listed securities because of the absence of any trading market for unlisted securities, which make it typically take longer to liquidate such investments (as compared to publicly traded securities), or it may not be possible to liquidate, positions in unlisted 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.

*Business Development Companies.* Investments in closed-end funds that elect to be treated as business development companies ("BDCs") may be subject to a high degree of risk. BDCs typically invest in small and medium-sized private and certain public companies that may not have access to public equity markets for capital raising. As a result, a BDC's portfolio typically will include a substantial amount of securities purchased in private placements, and its portfolio may carry risks similar to those of a private equity or venture capital fund. Securities that are not publicly registered may be difficult to value and may be difficult to sell at a price representative of their intrinsic value. Small and medium-sized companies also may have fewer lines of business so that changes in any one line of business may have a greater impact on the value of their stock than is the case of a larger company. Some BDCs invest substantially, or even exclusively, in one sector or industry group and therefore carry risk of that particular sector or industry group. To the extent a BDC focuses its investments in a specific sector, the BDC will be susceptible to adverse conditions and economic or regulatory occurrences affecting the specific sector or industry group, which tends to increase volatility and result in higher risk. Investments in BDCs are subject to various risks, including management's ability to meet the BDC's investment objective, and to manage the BDC's portfolio when the underlying securities are redeemed or sold, during periods of market turmoil and as investors' perceptions regarding a BDC or its underlying investments change. BDC shares are not redeemable at the option of the BDC shareholder and, as with shares of other closed-end funds, they may trade in the secondary market at a discount to their net asset value. BDCs generally qualify as "regulated investment companies" under the U.S. federal tax laws and, provided they distribute all of their income in the time and manner as required by the tax law and satisfy certain diversification and source of income requirements, generally will not pay U.S. federal income taxes.

Certain BDCs in which the Fund may invest may employ the use of leverage in their portfolios through



borrowings or the issuance of preferred stock. While leverage often serves to increase the yield of a BDC, this leverage also subjects the BDC to increased risks, including the likelihood of increased volatility and the possibility that the BDC's common share income will fall if the dividend rate on any preferred shares or the interest rate on any borrowings rises.

The Fund may be limited by provisions of the Investment Company Act that generally limit the amount the Fund can invest in any one BDC to 3% of the BDC's total outstanding stock. As a result, the Fund may be required to hold a smaller position in a BDC than it would absent this restriction. The Fund will indirectly bear its proportionate share of any management and other operating expenses, and of any performance based or incentive fees, charged by the BDCs in which it invests, in addition to the expenses paid by the Fund.

*Closed-End Funds.* Investments in closed-end funds are non-redeemable and are subject to the same risks as other publicly traded equity securities. There may be no public market for units of closed-end funds, which often trade at a discount from their net asset values.

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

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

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

financial risk.

*Failure to Enter into Offsetting Trade.* To the extent the Fund invests in a futures contract or long option, unless an offsetting trade is made, the Fund would be required to take physical delivery of the commodity underlying the future or option. To the extent LuminArx fails to enter into such offsetting trade prior to the expiration of the contract, the Fund may suffer a loss since neither the Fund nor LuminArx 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 Fund 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 actual events differ. An OTC option may be closed out only with the counterparty, although either party may engage in an offsetting transaction that puts that party in the same economic position as if it had closed out the option with the counterparty; however, the exposure to counterparty risk may differ. OTC options generally involve greater credit and counterparty risk than exchange-traded options.

*Distressed Obligations.* The obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems (including companies involved in bankruptcy or other reorganization and liquidation proceedings) are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Fund's investments in any security. Obligations in which the Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in

companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing the Fund's 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 Fund invests, the Fund may lose its entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Fund's investments may not compensate the Limited Partners 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 Fund of the security in respect to which such distribution was made.

*Exchange-Traded Funds.* Exchange-Traded Funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying Securities they are designed to track. ETFs are also subject to certain additional risks, including the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Fund's expenses (e.g., Asset-Based Amounts and Partnership Expenses), Limited Partners may also indirectly bear similar expenses of an ETF.

*Mutual Fund Investments.* Investments in open-end as well as closed-end mutual funds generally involve the payment of duplicative fees through the indirect payment of a portion of the expenses, including advisory fees, of such mutual funds. Investments in mutual funds will be valued at the net asset values provided by those funds (which may in certain circumstances be unaudited valuations). Such investments may cause the expense of investing in the Fund to be greater than an investment in other investment vehicles.

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

*Alternative Data.* LuminArx may use alternative data in its investment process. Alternative data includes datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases (this data is sometimes referred to as "big data" or "alternative data"). LuminArx applies this alternative data to better anticipate micro- and macro-economic trends and

otherwise to develop or improve trading or investment themes.

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

Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data in this manner, and its use or misuse under current or future laws and regulations could create liability for LuminArx and the Fund in numerous jurisdictions. LuminArx cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any adverse inquiries or formal actions could cause reputational, financial, or other harm to LuminArx or to the Fund. Conversely, any future limitations on the use of alternative data could have a material adverse impact on the performance of the Fund.

*Cybersecurity.* As part of its business, LuminArx processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Fund and personally identifiable information of the Limited Partners. Similarly, service providers of LuminArx or the Fund, especially the Administrator, may process, store and transmit such information. LuminArx 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 LuminArx may be susceptible to compromise, leading to a breach of LuminArx's network. LuminArx's systems or facilities may be susceptible to employee error or malfeasance, government surveillance or other security threats. On-line services provided by LuminArx to the Limited Partners may also be susceptible to compromise. Breach of LuminArx's information systems may cause information relating to the transactions of the Fund and personally identifiable information of the Limited Partners to be lost or improperly accessed, used or disclosed.

The service providers of the Fund and/or LuminArx are also subject to electronic information security threats. 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 Fund and personally identifiable information of the Limited Partners may be lost or improperly accessed, used or disclosed.

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

## **Item 9 - Disciplinary Information**

LuminArx and its management persons have not been subject to any material legal or disciplinary events required to be disclosed in this Brochure.

## **Item 10 - Other Financial Industry Activities and Affiliations**

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

LuminArx and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities. LuminArx is exempt from registration with the CFTC as a commodity pool operator pursuant to CFTC Rule 4.13(a)(3), which is available to operators of pools that trade a de minimis amount of commodity interests.

LuminArx and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

The General Partner is an affiliate of LuminArx, and other affiliated entities may serve as the general partners of Funds formed in the future. While the General Partner or such other affiliated entities are not separately registered as an investment adviser with the SEC, all of their investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and the rules thereunder.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Adviser has adopted a Code of Ethics that is based on the principle that LuminArx and each of its employees will act with competence, dignity, integrity, and in an ethical manner toward clients and have a fiduciary duty towards them. The Code of Ethics addresses specific topics including but not limited to:

- Standards of business and personal conduct
- Personal trading policy
- Conflicts of Interest Disclosure
- Gifts and Entertainment Policy
- Political Contributions
- Confidentiality

The Code of Ethics generally allows employee-directed personal accounts to acquire new positions in individual securities in up to 10 transactions per quarter but generally may not sell any such positions within 90 days of each acquisition; provided that, in each case, any such acquisitions or sales are pre-cleared. In addition, Employees are required to provide quarterly copies of personal broker statements for review.

All persons associated with the Adviser are expected to adhere strictly to the Code of Ethics and are also required to report any violations of the Code of Ethics. LuminArx will distribute the Code of Ethics and any amendments to all Employees and require Employees to acknowledge their receipt and understanding of the policies and procedures included in the Code of Ethics upon their commencement of employment, annually, and upon any change to the Code of Ethics.

Additionally, LuminArx maintains and enforces written policies and procedures reasonably designed to prevent the misuse or dissemination of material, nonpublic information. LuminArx maintains a restricted list of securities about which a determination has been made that it is prudent to restrict trading activity.

Investors or prospective Investors may obtain a copy of LuminArx's Code of Ethics by contacting us at the telephone number on the cover page of this Brochure.

### *Allocation*

The Adviser recognizes its obligation to treat the multiple clients it advises in a manner it believes to be fair and equitable. Consistent with such overriding principle, the Adviser has adopted policies and procedures regarding the aggregation and allocation of investment opportunities. To the extent that a particular investment opportunity is allocable to multiple clients, the Adviser's policy is to allocate that investment opportunity between such clients on a pro rata basis relative to the target sizing for each client as determined by the Adviser or such other method (which in the case of committed funds, may take into account their "buying power") as the Adviser deems to be fair and equitable in its discretion.

Situations for which exceptions to the general pro rata rule set forth above may be appropriate, include: (a) a client already having sufficient exposure to the investments, issuer or market in question, and its ability (or investors therein) to be excluded or excused from certain investments; (b) the different liquidity positions and requirements of the participating clients; (c) tax considerations; (d) regulatory considerations; (e) the relative capitalization and cash availability (including due to incurrence of leverage) of the participating clients; (f) the relative risk and value-at-risk profiles of the participating clients; (g) portfolio concentration considerations; (h) formal or informal diversification requirements or investment limitations; (i) borrowing base considerations; (j) different historical and anticipated

subscription and redemption patterns; (k) minimum investment criteria; (l) differences in availability/cost of funding; (m) investment time horizon; (n) fund lifecycle considerations (e.g., whether certain funds or accounts are in a ramp up period, harvest or liquidation period and the proximity to the end of a client account's term); (o) the need to resize risk in a client's portfolio; (p) rounding considerations and/or the avoidance of odd-lots or cases when a pro rata allocation would result in a de-minimis allocation to the Fund or an Other Account; (q) the management of any actual or potential conflicts of interest; and/or (r) portfolio management considerations. The foregoing list is not intended to be exclusive, and investments may be allocated on a non-pro rata basis on the basis of other considerations that the Adviser may determine from time to time.

### *Cross Trades and Principal Transactions*

LuminArx and its Employees do not purchase or sell any securities for their own accounts to or from the Funds, except with the prior approval of compliance. On occasion, subject to applicable Fund investment guidelines and restrictions, LuminArx may affect "cross" transactions, through unaffiliated broker-dealers or by "journal entry," between accounts in which one Fund will purchase an investment held by another Fund. If the Adviser decides to engage in a cross trade, the Adviser will determine that the trade is in the best interests of each Fund involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Funds. To the extent that cross trades may be viewed as principal transactions due to the ownership interest in a Fund by LuminArx or its personnel, LuminArx will comply with the requirements of Section 206(3) of the Advisers Act.

LuminArx will not, directly or indirectly, while acting as principal for its own account, knowingly sell any Investment to, or purchase any Investment from, an account (including, without limitation, a Fund) without disclosing to such account in writing prior to the completion of such transaction, the capacity in which LuminArx is acting and obtaining the specific consent of such account. LuminArx may satisfy this requirement by providing notice to, and receiving the consent of, the independent advisory board, the unaffiliated conflicts committee and/or the independent directors of such account, as applicable.



## Item 12 - Brokerage Practices

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

In making its decisions regarding the selection of broker-dealers to execute transactions for the Funds, LuminArx will consider a variety of factors including but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of the order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer or counterparty; and (iv) the competitiveness of commission rates in comparison with other broker-dealers, among others. Although LuminArx generally seeks competitive commission rates, it will not necessarily pay the lowest commission. Transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions than would be the case for more routine services.

It is common industry practice for investment advisers to receive brokerage and research services, pursuant to Section 28(e) of the Securities Exchange Act of 1934, as amended (the “1934 Act”), from broker-dealers that execute portfolio transactions for clients and from third parties with which such broker-dealers have arrangements. Consistent with this practice, LuminArx’s policy provides that when several brokers can satisfy the Adviser’s obligation to obtain “best execution”, the Adviser may place orders with brokers that provide the Adviser with brokerage and research services and products, either directly or through third parties with which these broker-dealers have arrangements, subject to applicable legal requirements, and even if this causes clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers. This practice benefits LuminArx because it does not have to produce or pay for these services or products itself and it may create an incentive to select a broker-dealer based on LuminArx’s interest in receiving such services or products. Some of the services received relating to the investment decision process is in the form of research reports on specific industries, or business trends and other relevant economic and statistical data, as well as access to attend conferences and/or meetings with corporate executives. Research and brokerage services obtained (or obtained with “soft dollars”) from the use of commissions arising from a certain client portfolio transaction may be used by the Adviser in its investment activities on behalf of other clients. Accordingly, a client may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided. Any products or services received by the Adviser from brokers are intended to qualify under the “safe harbor” provisions afforded it pursuant to Section 28(e) of the 1934 Act.

From time to time, it may be appropriate for LuminArx to aggregate client orders for the purchase or sale of securities through the same broker-dealer, although the Adviser is not required to aggregate client orders. In aggregating client orders for securities, each client that participates in an aggregated order with the same broker-dealer will participate at the average share price or by any other method deemed fair and equitable by LuminArx. Transaction costs will be shared pro rata based on each client’s participation in the transaction.

LuminArx does not consider Investor referrals in selecting broker-dealers, or permit clients to direct brokerage to any particular broker-dealer.

## *Trade Errors*

Trade Errors, which may result in losses or gains, may occur. A “Trade Error” means the execution of a transaction for the Fund on terms other than as intended, including: (i) the purchase or sale of a security other than the security identified in an order (or other trade instruction); (ii) the placement of an order (either a purchase or a sale) of securities (or other trade instruction) creating exposure in excess of the desired amount; (iii) the sale of a security when a purchase was instructed; (iv) the purchase of a security when a sale was instructed; (v) keystroke errors that occur when entering trades into an electronic trading system; (vi) typographical, drafting, or similar errors made when placing or confirming orders (which such errors do not constitute an error pursuant to clause (ii)); and (vii) the purchase or sale of a security for the wrong client and the discovery of this post-settlement of such trade.

Trades implemented as a result of faulty data, systems, coding, modeling or analysis, trades that are properly executed but result in losses, errors committed by other persons (including brokers and custodians), or which are otherwise caused by human error other than those specifically described in the trade error policy contained in the Adviser’s compliance manual, are not considered Trade Errors. Errors that do not result in transactions in an investor’s account (such as transactions that result in loss of an investment opportunity) will not be viewed as Trade Errors. Trade Errors may result in losses or gains. The Adviser will endeavor to detect Trade Errors prior to settlement and correct them in an expeditious manner.

Pursuant to the exculpation and indemnification provided by the Fund to indemnified parties identified in the Governing Documents (“Indemnified Parties”), Indemnified Parties will generally not be liable to any Limited Partner or the Fund for any Indemnified Losses suffered or sustained by an Indemnified Party arising out of, related to or in connection with the Fund, any Investment made, proposed to be made, or held by the Fund or their respective affiliates, the offering of interests or the applicable Governing Documents, in each such case, unless such loss, cost or expense is a direct result of the action or inaction of: (i) such Indemnified Party, which action or inaction is finally determined in a non-appealable (or not timely appealed) judgment by a court of competent jurisdiction to constitute actual fraud, gross negligence, willful misconduct, violation of U.S. federal scienter-based or state scienter-based securities laws or material breach of the applicable Governing Documents by such Indemnified Party; or (ii) any broker or agent of the Fund; provided that such broker or agent was selected, engaged or retained by such Indemnified Party directly or on behalf of the Fund or investment absent actual fraud, gross negligence or willful misconduct. The Fund will generally be required to indemnify such Indemnified Parties against any such Indemnified Losses, unless determined to be a direct result of an act or omission by such Indemnified Party that is finally determined by a court of competent jurisdiction in a non-appealable (or not timely appealed) judgment to constitute actual fraud, gross negligence, willful misconduct, violation of U.S. federal scienter-based or state scienter-based securities laws or material breach of the applicable Governing Documents.

## **Item 13 - Review of Accounts**

LuminArx reviews the investments in the Funds on a regular, ongoing basis. LuminArx's investment personnel hold investment meetings, as necessary, to discuss investment ideas, investment strategies, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities.

Investors in the Funds generally receive the following reports: (i) annual audited financial statements prepared by an independent, certified public accounting firm; (ii) periodic unaudited capital account statements; and (iii) annual tax information necessary for completion of Investors' tax returns.

## **Item 14 - Client Referrals and Other Compensation**

LuminArx does not currently compensate any person, including placement agents, for client referrals.

LuminArx may in the future compensate placement agents who introduce new Investors that commit capital to the Fund. Depending on the specific arrangement, the Adviser may pay a placement fee calculated as a percentage of the investment amount of the referred Investor.

## Item 15 - Custody

With the exception of any investments in “privately offered securities”, per Rule 206(4)-2 under the Advisers Act (the “Custody Rule”), all Fund assets will be held in custody by unaffiliated broker/dealers or banks acting in the capacity as “qualified custodians.” Notwithstanding the foregoing, the General Partner’s role as general partner to the Funds enables LuminArx’s personnel to access Fund assets, and LuminArx has developed procedures that ensure the safeguarding and protection of the assets.

The Funds are subject to an annual audit and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles, are intended to be issued with an unqualified opinion, and distributed to Investors within 120 days of each Fund’s fiscal year ends in accordance with the Custody Rule.

## **Item 16 - Investment Discretion**

LuminArx has discretionary authority to manage the investments on behalf of certain Funds pursuant to the terms of the Governing Documents. Investment advice is provided directly to the Funds and not individually to the Investors in the Funds. Any investment guidelines or restrictions for the Funds are generally established in their Governing Documents.

## Item 17 - Voting Client Securities

In compliance with Rule 206(4)-6 under the Advisers Act, LuminArx has adopted proxy voting policies and procedures. In voting proxy proposals, amendments, consents or resolutions relating to investments held by a client (each, a “Proxy”), LuminArx is guided by general fiduciary principles and votes in the manner it believes is consistent with efforts to achieve a client’s stated investment objectives.

Among the factors LuminArx may consider in determining how to vote a Proxy are how a particular Proxy vote would affect: (i) fulfillment of an investment thesis concerning a particular strategy (e.g., consummation of a merger or other corporate event); (ii) a client’s portfolio positions in other parts of the issuer’s capital structure; (iii) other contractual rights held by a client in connection with the investments at issue; (iv) a client’s and/or the LuminArx’s relationship with the issuer; (v) tax and/or regulatory issues relating to the investments or issuer at issue; and (vi) other facts and circumstances the Adviser identifies depending on the particularities of the situation at hand.

LuminArx also retains the discretion to take no action with respect to a proposed vote if it determines that doing so is in the best interest of a Fund (for example, where LuminArx determines that the cost of voting exceeds the expected benefit to the Fund). Limited Partners and the Funds may not direct the vote in a particular solicitation.

Conflicts of interest may arise between the interests of clients on the one hand and LuminArx on the other hand or between one client and another client. If LuminArx determines that a conflict of interest is material, LuminArx may use one or more methods to resolve the conflict, including disclosing the conflict to the independent advisory board of the relevant clients, among other potential measures.

A copy of LuminArx’s written proxy voting policies and procedures, as well as a record of how LuminArx has voted in the past, will be maintained and available to Investors upon written request made to the address set forth on cover page of this Brochure.

## **Item 18 - Financial Information**

LuminArx is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy petition at any time during the past 10 years.