

## **Part 2A of Form ADV**

### **Firm Brochure**

#### **Net Return Asset Management, LLC**

**March 27, 2024**

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This Brochure provides information about the qualifications and business practices of Net Return Asset Management, LLC (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer, Robyn Chan by telephone at (212) 813-9229. This information has not been approved or verified by the SEC or by any state securities authority.

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

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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**Item 2. Material Changes**

There have been no material changes since the last annual updating amendment of the Brochure on March 29, 2023.

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#### **Item 4. Advisory Business**

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations as an investment adviser in 2006. Steven Yanis and Neil Crespi are the managing members of the Adviser (the "Managing Members") and have been since inception. The Managing Members each own an equal interest in the Adviser.

The Adviser provides investment supervisory services on a discretionary basis to privately offered investment vehicles exempt from registration as investment companies under the Investment Company Act of 1940, as amended (the "1940 Act"), which are offered to sophisticated investors and institutional investors ("Investors"). Currently, the Adviser serves as the investment manager for two pooled investment vehicles, a Delaware limited partnership exempt from registration under Section 3(c)(7) of the 1940 Act (the "Partnership") and a Cayman Islands exempted company exempt from registration under Section 3(c)(1) of the 1940 Act (the "Cayman Fund" and together with the Partnership, the "Funds of Funds" or individually, a "Fund of Funds"). The Funds of Funds primarily invest in other pooled investment vehicles ("Underlying Funds").

The Adviser also serves as the manager to a pooled investment vehicle (the "Feeder Fund"), which invests substantially all of its assets in the Hedge Fund (as defined below). The Funds of Funds and the Feeder Fund are collectively referred to in this Brochure as the "Funds". With respect to the Feeder Fund, the term "Underlying Fund" shall mean the Hedge Fund and the term "Fund Manager" shall mean Maplelane.

The Adviser, in its capacity as managing member, provides non-advisory services to another privately offered investment vehicle, a Delaware limited liability company exempt from registration under Section 3(c)(7) of the 1940 Act, that invests primarily in equity securities and equity derivatives (the "Hedge Fund"). The Hedge Fund is not a client of the Adviser. The Adviser has engaged a third-party, Maplelane Capital, LLC, a Delaware limited liability company ("Maplelane"), to be the investment adviser to the Hedge Fund. The managing members of Maplelane are Leon Shaulov and Robert Crespi. Maplelane is solely responsible for managing the Hedge Fund's investment portfolio. The Adviser does not exercise any investment discretion with respect to the Hedge Fund; provided, however, that the Adviser has the ability to terminate Maplelane as investment manager of the Hedge Fund. The Funds of Funds have investments in the Hedge Fund.

The Adviser provides advice to the Funds based on the investment objectives and strategies set forth in the offering memorandum for each Fund. The Adviser does not tailor advisory services to the individual needs of Investors, and Investors may not impose investment restrictions on the Funds including investing in certain securities and other financial instruments or certain types of securities and other financial instruments.

As of January 31, 2024, the Adviser had approximately \$587,613,965 in regulatory assets under management on a discretionary basis and \$0 on a non-discretionary basis.

#### **Item 5. Fees and Compensation**

##### **Asset-Based Compensation**

Each Fund of Funds pays the Adviser a quarterly fixed fee based upon the value of the net assets of such Fund of Funds in an amount equal to 0.25% (i.e., approximately 1.0% per annum) (the "Fixed Fee"). With respect to the Feeder Fund, the Hedge Fund pays the Adviser and Maplelane, in the aggregate, a quarterly fixed fee based upon the value of the net assets of the Feeder Fund's investment in the Hedge Fund, in an amount equal to 0.5% (i.e., 2.0% per annum) (the "Feeder Fund Fixed Fee" and together with the Fixed Fee, the "Fixed Fees").

The Fixed Fees will be paid in advance as of the first business day of each calendar quarter and will be calculated based on the net assets as of the first day of the quarter.

For any period less than a full quarter, the Fixed Fees will be prorated. While it is highly unlikely that an Investor will withdraw or redeem mid-quarter, any prepaid but unearned Fixed Fees will be refunded to an Investor that withdraws or redeems mid-quarter. The Adviser generally determines the amount of the relevant refund on a pro rata basis, based upon the portion of the relevant period during which it provided services. The Adviser or its affiliate may waive or reduce the Fixed Fees to be paid for certain investors in the Funds.

### **Performance-Based Compensation**

The Adviser or its affiliate also receives performance-based compensation, which is based on a share of capital gains on or capital appreciation of the assets of a Fund (the "Incentive Fee/Allocation").

The Incentive Fee/Allocation for each Fund of Funds is an amount equal to 10% of each Investor's share of net profits and is subject to a "loss carryforward" provision. The Adviser (or its affiliate) may, in its sole discretion, waive or reduce the Incentive Fee/Allocation.

After calculating the Management Fees and the Incentive Fee/Allocation and confirming such amounts with the Adviser, the Fund's administrator deducts the Management Fee or Incentive Fee/Allocation from the Investors.

In addition to the Fixed Fees and, if applicable, the Incentive Fee/Allocation, Investor accounts will also be subject to other expenses including legal, auditing and other professional expenses, research expenses, investment expenses such as commissions, interest on margin accounts and other indebtedness, custodial fees, the expenses related to various filings (or portions thereof) made in connection with managing the Fund's portfolio (including Section 13 filings, Section 16 filings and Form PF), Fund-related insurance costs (including D&O and E&O insurance covering the Adviser, Maplelane and their affiliates and outside directorship liability), administrator fees and expenses, fees payable to any Fund Managers, bank service fees, directors' fees (and all reasonable travel, hotel and other related expenses incurred by directors in providing services to the Cayman Fund) and any other fees and expenses related to the purchase, sale or transmittal of Fund assets.

In addition to the Funds' direct expenses, the Funds, and ultimately the Investors, will indirectly bear their pro rata share of the expenses of the Underlying Funds. These indirect expenses include the Underlying Funds' investment expenses (such as custodial fees and brokerage commissions) and may include overhead expenses (such as rent, personnel expenses, equipment, supplies, management and consulting fees and similar expenses).

Further, the third-party managers of the Underlying Funds, including Maplelane (collectively, the "Fund Managers") may charge each Fund of Funds (i) a fixed base fee (typically 1%-2% of net assets on an annual basis) and (ii) an incentive fee or allocation based upon a percentage of any profits of the investment entity (typically 20%-30% of profits), although some Underlying Fund managers may charge significantly more.

Assets of each Fund of Funds may also be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the Funds of Funds, and ultimately the Investors, will bear their pro rata share of the investment management fee and other fees of such Underlying Fund, which are in addition to the Fixed Fee paid to the Adviser.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple funds. The Adviser (or its affiliate) receives performance-based compensation (i.e., the Incentive Fee/Allocation) from the Funds.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to providing management services to multiple funds. The Adviser reviews investment decisions for the purpose of ensuring that all funds with substantially similar investment objectives are treated equitably. The performance of similarly managed Fund portfolios is regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed Fund portfolios participate in investment opportunities in a fair and equitable manner. Finally, the Adviser's procedures require the objective allocation for limited opportunities to ensure fair and equitable allocation among Fund portfolios. These areas are monitored by the portfolio manager, Steven Yanis (the "Portfolio Manager").

#### **Item 7. Types of Clients**

The Adviser's clients consist of privately offered investment vehicles.

Any initial and additional subscription minimums are disclosed in the offering memorandum for the applicable client.

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

The Adviser primarily invests Fund assets in Underlying Funds and focuses on the Fund Managers in terms of research rather than individual securities. The Adviser employs a fundamental and quantitative approach to manager evaluation and selection. The Adviser endeavors to analyze a Fund Manager's strategy, philosophy and decision-making process, proprietary models, research and portfolio management systems, the quality of its investment professionals, and its organizational structure. The Adviser primarily considers the long-term prospects of the Fund Manager's management team and investment funds when selecting funds with which to invest.

The Adviser's investment objective for the Funds of Funds is to achieve superior, risk-adjusted returns over the long-term. To achieve this objective, the Adviser invests the assets of the Funds with a select number of Fund Managers who invest or trade in securities and other financial instruments. Each Fund Manager will invest according to its individual philosophy and strategy. With regards to the Funds of Funds, the Adviser will attempt to structure a diversified portfolio which reduces risk, preserves capital and maximizes return by selecting a group of Fund Managers with complementary expertise, strategy and return volatility.

In its selection process, the Adviser may select Fund Managers with investment programs employing non-traditional investment strategies and/or more traditional approaches. Under the more traditional approaches, equity and/or fixed-income instruments are purchased simply to produce profits (capital gains, dividends and interest). In contrast, non-traditional investment approaches utilize a wider variety of techniques and investment instruments (as further described below). Non-traditional investment techniques may provide the Fund Manager with greater flexibility to affect both hedging and aggressive strategies. Prospective Investors should note that these aggressive strategies might have little or no hedging components. By implementing a variety of non-traditional investment strategies, the Adviser hopes to produce positive returns in a wider variety of market environments.

The Adviser anticipates that strategies and financial instruments utilized by the Fund Managers may include: (i) purchasing equity securities or interests including those of a highly speculative nature, distressed securities or securities which may be restricted as to the transferability or disposition thereof, in any currency, (ii) purchasing bonds, notes, mortgage-backed and asset-backed securities and other fixed income instruments or debentures including high-yield or distressed debt, debt participations or trade claims in any currency, (iii) selling investments short (for hedging or speculative purposes), (iv) purchasing or writing options of any and all types including options on equity securities, stock market indices, debt securities, futures contracts, commodities and foreign currencies, (v) trading in commodity futures contracts, commodity option contracts and other commodity interests, (vi) investing in cash equivalent investments, (vii) engaging in short-term trading strategies, risk arbitrage, convertible arbitrage or other arbitrage strategies, (viii) borrowing money from brokerage firms and banks on a demand basis to buy and sell short investments in excess of capital, (ix) employing leverage to both enhance returns and hedge

positions, (x) making privately negotiated equity and equity related investments in private companies and (xi) investing in swap agreements (of any and all types including commodity swaps, interest rate swaps, asset swaps and currency swaps), forward contracts, currencies, foreign exchange contracts, warrants, partnership interests and any other financial instruments of any and all types which exist now or may be hereafter created.

Mr. Yanis has the ultimate responsibility for investment decisions made by the Adviser on behalf of the Funds of Funds.

The investment objective for the Feeder Fund, through its investment in the Hedge Fund, is to seek attractive returns by utilizing a fundamental approach to equity investing across all market sectors. The principals of Maplelane, the investment adviser of the Hedge Fund, have the ultimate responsibility for investment decisions made on behalf of the Hedge Fund. The Adviser does not participate in any investment decisions made on behalf of the Hedge Fund. Certain of the risks outlined below are applicable to the Feeder Fund as a result of its investment in the Hedge Fund.

There can be no assurances that the Adviser or the Fund Managers will be able to achieve their investment objectives.

### **Risk of Loss**

**Multiple Fund Managers.** The Adviser invests Fund assets with Fund Managers who make their trading decisions independently. It is theoretically possible that the Adviser may make a substantial investment on behalf of the Funds of Funds in only a few Underlying Funds, moreover, one or more of such Fund Managers may, at any time, take positions that may be opposite of positions taken by other Fund Managers. It is also possible that the Fund Managers retained by the Adviser may on occasion be competing with each other for similar positions at the same time. Also, a particular Fund Manager may take positions for its other clients that may be opposite to positions taken for the Funds.

**Lack of Diversification.** Although, with respect to the Funds of Funds, the Adviser will seek to obtain diversification by investing with a number of different Fund Managers with different strategies or styles, it is possible that several Fund Managers may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the Funds of Funds' investments to more rapid change in value than would be the case if the Funds of Funds' assets were more widely diversified.

**Illiquidity.** Inasmuch as there are substantial restrictions on withdrawals/redemptions (such as delayed withdrawals/redemptions) and Investor interests are not tradable, an investment in a Fund portfolio may be a relatively illiquid investment. In light of the foregoing, investments by Investors should be considered only by persons financially able to maintain their investment for a substantial period of time and who can afford a loss of a substantial part of their investment.

**Performance-Based Compensation Arrangements with Fund Managers.** On behalf of the Funds, the Adviser will typically enter into arrangements with Fund Managers which provide that Fund Managers be compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the account during specific measuring periods. In certain infrequent cases, Fund Managers may be paid a fee based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods, although the Adviser anticipates that most, if not all, Fund Managers who charge such fees will take into account prior losses. Such performance fee arrangements may create an incentive for such Fund Managers to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. As stated in Item 5, Fund Managers may charge (i) a fixed base fee (typically 1%-2% of net assets on an annual basis) and (ii) an incentive fee or allocation based upon a percentage of any profits of the investment entity (typically 20%-30% of profits), although some Fund Managers may charge significantly more. The Funds of Funds may be required to pay an incentive fee or allocation to the Fund Managers who make a profit for the Funds of

Funds in a particular fiscal year even though the Funds of Funds may in the aggregate incur a net loss for such fiscal year.

**Activities of Fund Managers.** Although the Adviser will seek to select only Fund Managers which will invest the Funds' assets with the highest level of integrity, the Adviser will have no control over the day-to-day operations of any of the selected Fund Managers. As a result, there can be no assurance that the conduct of every Fund Manager engaged by the Adviser on behalf of the Funds will conform to these standards.

**Limits on Information.** The Adviser selects Fund Managers based upon the factors described in the offering documents of each Fund. The Adviser will request detailed information from each Fund Manager regarding the Fund Manager's historical performance and investment strategy. However, the Adviser may not always be provided with detailed information regarding all the investments made by the Fund Managers because certain of this information may be considered proprietary information by Fund Managers. To the extent the Funds invest in Underlying Funds and other "pass-through" entities which are treated as partnerships for federal income taxation purposes, the Funds must rely on such vehicles to deliver to them certain tax information that is necessary to complete the Funds' own tax returns. If this information is not delivered to the Funds in a timely fashion, the Funds will be delayed in providing tax information to the Investors.

**Lack of Operating History of Fund Managers.** The Fund Managers retained by the Adviser on behalf of each Fund of Funds may be new Fund Managers with a limited performance history (although such Fund Managers typically will have significant prior experience in the securities industry). Therefore, such investments may involve greater risks than investment with more established Fund Managers.

**Dependence on Fund Managers.** The Funds are highly dependent upon the expertise and abilities of the Fund Managers who will have investment discretion over the Funds' assets and, therefore, the death, incapacity or retirement of any Fund Manager or its principals may adversely affect investment results.

**Effects of Health Crises and Other Catastrophic Events.** Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on clients' investments and the Adviser's operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

These method(s), strategies and investments involve risk of loss to the Funds and Investors. The Funds and Investors must be prepared to bear the loss of their entire investment.

### **Potential Risks Associated With the Underlying Funds**

**Lack of Liquidity of Underlying Funds.** Assets of the Underlying Funds may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

**Market Risks.** The profitability of a significant portion of a Funds' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other



investments. There can be no assurance that the Adviser and the Fund Managers will be able to predict accurately these price movements. Although the Fund Managers may attempt to mitigate market risk through the use of long and short positions or other methods, there may be a significant degree of market risk.

**Non-U.S. Securities.** Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies, and utilization of currency forward contracts and options on currencies involve certain considerations comprising both risks and opportunities not typically associated with investing in securities of United States issuers. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than are generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

**Currency Risks.** Investments in securities or other instruments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Fund Managers may try to hedge these risks by investing in foreign currencies, foreign currency futures contracts and options thereon, forward foreign currency exchange contracts or similar instruments, or any combination thereof, but there can be no assurance that such strategies will be implemented, or if implemented, will be effective.

**Short Sales.** The Fund Managers may engage in “short selling” of securities. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on an investment fund. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There is the risk that the securities borrowed by the Fund Managers in connection with a short sale must be returned to the securities lender on short notice. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a “short squeeze” can occur, and the Fund Managers may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

**Debt Securities.** The Fund Managers may invest in unrated or low-grade debt securities which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Fund Managers may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer’s assets. The Fund Managers may invest in debt securities which are not protected by financial covenants or limitations on additional indebtedness.

**High Yield Securities.** The Fund Managers may invest in “high-yield” bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions.

**Small to Medium Cap Stocks.** At any given time, the Fund Managers may have significant investments in smaller-to-medium sized companies with market capitalizations of less than \$1 billion. These securities often involve greater risks than the securities of larger, better-known companies. For example, prices of such securities are often more volatile than prices of large-capitalization securities. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger capitalization stocks.

**Special Situations.** The Fund Managers may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received.

**Emerging Markets.** The Fund Managers may invest in emerging market securities. Investing in emerging market securities involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (a) less liquidity of securities markets; (b) currency exchange rate fluctuations; (c) potentially higher rates of inflation (including hyper-inflation); (d) a higher degree of governmental involvement in and control over the economies; (e) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (f) less extensive regulatory oversight of securities markets; (g) longer settlement periods for securities transactions; (h) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (i) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in emerging market countries.

**Options.** The Fund Managers may purchase or write options on securities. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

**Portfolio Turnover.** The Fund Managers may employ an investment strategy that involves actively trading the applicable Underlying Fund's portfolio, and as a result, turnover and brokerage commission expenses of such Underlying Fund may exceed those of other investment entities of comparable size.

**Leverage.** The Fund Managers and the Adviser may employ leverage. The concept of leverage involves the use of debt to finance purchases of securities and manifests itself in different ways. The Fund Managers and the Adviser have the ability to borrow funds "on margin" from brokers for the purchase of equity securities. These are transactions that involve an initial cash requirement representing a given percentage of the underlying security's value with respect to transactions in U.S. markets and varying (typically lower) percentages with respect to transactions in non-U.S. markets. The Funds face risks due to leverage in the event that its equity instruments decline in value. In this event, the Fund could be subject to a "margin call" or "collateral call," pursuant to which the Fund must either deposit additional funds with the lender, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value.

To the extent that options, futures, options on futures, swaps, swaptions and other "synthetic" or derivative financial instruments are used, it should be noted that they inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that generally only a very small portion (and in some cases none) of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

In an unsettled credit environment, the Fund Managers and the Adviser may find it difficult or impossible to obtain leverage. Since leveraging its assets may be a significant part of the investment strategy of the Fund Managers and a minor part of the investment strategy of the Funds, in such event the Fund Managers and the Fund could find it difficult to fully implement their strategies. In addition, any leverage obtained, if

terminated on short notice by the lender, could result in the Fund Managers and the Adviser being forced to unwind positions quickly and at prices below what the Fund Managers and the Adviser deem to be fair value for such positions.

**Commodity and Futures Contracts.** The Fund Managers may invest in commodity and futures contracts. Commodity futures markets (including financial futures) are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage is typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid.

**Custody and Prime Brokerage Risk.** There are risks involved in dealing with the custodians or prime brokers who settle a Fund Manager's trades. Although the Adviser expects the Fund Managers to monitor their respective prime brokers, there is no guarantee that such prime brokers, or any other custodian that a Fund Manager may use from time to time, will not become bankrupt or insolvent.

## **Item 9. Disciplinary Information**

Twenty-seven years ago, Neil Crespi and Monness, Crespi, Hardt & Co., Inc. (the "Broker Dealer"), a FINRA-registered broker-dealer of which Neil Crespi is the President and Chief Executive Officer, entered into a settlement with the SEC under which, without admitting or denying the findings by the SEC, Neil Crespi and the Broker Dealer consented to the entry of an Order Instituting Public Proceedings and Findings, Cease and Desist Order and Order Imposing Sanctions (the "Order"). The Order included findings that the Broker Dealer had obtained undisclosed mark-ups and mark-downs in connection with over-the-counter transactions executed from February 1989 through July 1991 for an investment adviser and fund manager to several mutual funds and had thereby violated certain provisions of the Securities and Exchange Act of 1934 (and rules promulgated thereunder), the Securities Act of 1933 and the 1940 Act. Under the Order, Neil Crespi the Broker Dealer agreed: to cease and desist from committing or causing any violation (or future violation) of the enumerated sections and rules; to accept a censure; and to pay civil penalties in the amounts of \$500,000 and \$100,000, respectively. The Broker Dealer agreed to pay disgorgement of \$1,521,906.53 and to retain an outside consultant to review and, if appropriate, recommend changes to the Broker Dealer's then current policies, practices and procedures.

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

Net Return Advisors, LLC, an affiliate of the Adviser, serves as the general partner to the Partnership. The managing members of such general partner are Neil Crespi and Steven Yanis.

As described above, one of the Adviser's Managing Members, Neil Crespi, is the President and Chief Executive Officer of the Broker Dealer. Therefore, Neil Crespi, who owns 50% of the membership interests of the Adviser, owns 66.6% shares of the Broker Dealer and is also a supervised person of the Adviser, receives compensation in connection with the sale of securities or other investment products (e.g. brokerage commissions). While the Funds do not utilize broker-dealers in making investments in the Underlying Funds, certain of the Underlying Funds and the Hedge Fund do use the Broker Dealer to execute a portion (which may be a significant portion) of their trades. Therefore, the relationship between Neil Crespi and the Broker Dealer may conflict with interests of the Funds. However, neither Mr. Yanis nor any other supervised person of the Adviser owns an interest in the Broker Dealer or is an employee, officer or registered representative of the Broker Dealer.

The Broker Dealer acts as a placement agent with respect to the offer and sale of interests in the Funds. As a result of the compensation received by the Broker Dealer and Neil Crespi in connection with investments made by Investors in the Funds (e.g., the fees paid to the Adviser on such investments), the Broker Dealer has a conflict of interest in offering interest in the Funds. However, to mitigate the conflict, Investors are provided with disclosure regarding the Broker Dealer's role as a placement agent and its affiliation with the Adviser prior to such Investors making an investment in the Funds.

The Adviser currently invests Fund assets with multiple Underlying Funds that execute trades through the Broker Dealer (including the Hedge Fund) and is likely to continue to do so. Due to the compensation the Broker Dealer receives in connection with serving as a broker-dealer to certain Underlying Funds (including the Hedge Fund) that the Funds invest in, the Adviser and Neil Crespi have a conflict of interest because the Adviser and Neil Crespi have an incentive to invest Fund assets in Underlying Funds (including the Hedge Fund) that utilize the Broker Dealer and therefore generate compensation for the Broker Dealer, rather than making an investment decision solely based on a Fund's needs. For example, the Adviser may be faced with a potential conflict with regards to investing Fund assets with an Underlying Fund that is a valuable customer of the Broker Dealer or from whom the Broker Dealer is seeking to obtain new business, and similarly may be faced with a potential conflict regarding its decision to withdraw Fund assets from an Underlying Fund that is a customer or potential customer of the Broker Dealer. To minimize this conflict, the Adviser has adopted policies to ensure that Steven Yanis (and not Neil Crespi) will be responsible for making any ultimate investment decisions, including whether or not to invest Fund assets in the Underlying Funds that are customers of the Broker Dealer at the time of investment.

Furthermore, the Adviser's office space is leased by the Broker Dealer and therefore the termination of the Adviser's current office space arrangement would be very disruptive to the Adviser's business. As a result, the Adviser may have an incentive to recommend that each Fund of Funds invest in Underlying Funds that utilize the Broker Dealer. To mitigate this conflict, the Adviser pays the Broker Dealer annual rent at what is intended to be the current market rate for the use of the office space, furniture, equipment and support.

As discussed above, the Hedge Fund is an Underlying Fund in which the Funds have a significant investment (with the Feeder Fund investing substantially all of its assets in the Hedge Fund). While Maplelane is responsible for selecting the broker dealers it utilizes to execute transactions on behalf of the Hedge Fund, Maplelane does execute trades with the Broker Dealer and, therefore, the Broker Dealer earns commissions and other transaction-related charges in connection with execution of transactions for the Hedge Fund. Such remuneration will be indirectly paid by the Funds with respect to their investments in the Hedge Fund. These arrangements may present a conflict of interest because they provide an economic incentive for the Adviser (and, in particular, Neil Crespi) to maintain and increase the investment of Fund assets in the Hedge Fund and for the Hedge Fund to use the Broker Dealer, in lieu of other brokers, to effect its securities transactions in order to generate more commissions and other transaction-related charges for the Broker Dealer. It should be noted, however, that Steven Yanis is also a controlling managing member of the Adviser and has no interest in the Broker Dealer. To minimize this conflict, Steven Yanis (and not Neil Crespi) is ultimately responsible for making any investment decisions regarding investments by the Funds in the Hedge Fund or Underlying Funds.

In addition, the Adviser serves as the managing member of the Hedge Fund, and in such capacity, the Adviser receives a portion of a fixed fee of approximately 2% per annum from the Hedge Fund based upon a portion of its net assets (the "Additional Fixed Fee"), which is paid in the same manner as the Fixed Fees are paid (i.e., quarterly in advance). The Funds are significant investors in the Hedge Fund, with the Funds of Funds having provided a significant part of the initial funding for the Hedge Fund, and therefore the Adviser may have a conflict of interest with respect to making additional investments in the Hedge Fund or withdrawing the investments of the Funds from the Hedge Fund. It may not be the opportune time for the Funds to make an investment when the Hedge Fund requires investments or for the Hedge Fund to sustain withdrawals by the Funds. To address these conflicts, the Adviser intends to make investment decisions with respect to the Funds (i.e., the allocation of assets to or withdrawals of assets from the Hedge Fund by the Funds) based solely on what it perceives to be the best interest of each Fund. Similarly, because the Adviser receives the Additional Fixed Fee from the Hedge Fund, the Adviser has an incentive to recommend an investment in the Hedge Fund to the Funds based on its own financial interests, rather than solely the interests of the Fund. However, to minimize this conflict, although there is no requirement to do so, the Adviser waives the Additional Fixed Fee with respect to the Funds of Funds' investments in the Hedge Fund. This conflict and the waiver of the Additional Fixed Fee have also been addressed by disclosure in the Funds' offering memoranda. In addition, the Adviser will monitor the performance of the Hedge Fund as compared to unaffiliated Underlying Funds to seek to ensure that a continued investment in the Hedge Fund is in the best interest of the Funds of Funds.

It should also be noted that the Portfolio Manager, Mr. Yanis, was a consultant to a private investment fund which invests primarily in Asian equities (the “Asian Fund”) and in such capacity received fees from the Asian Fund. Accordingly, the Adviser is faced with a conflict of interest regarding investing with the Asian Fund or withdrawing assets from the Asian Fund (both which it has done). This conflict is mitigated by the fact that the Portfolio Manager is no longer a consultant of the Asian Fund and no longer receives any compensation from the Asian Fund and therefore has no financial interest in maintaining assets with the Asian Fund.

The Funds have and may in the future enter into agreements, or “side letters,” with certain prospective or existing Investors whereby such Investors may be subject to terms and conditions that are more advantageous than those set forth in the offering memorandum for the Funds. For example, such terms and conditions may provide for preferential terms that may relate to, without limitation, lock up/commitment periods, notice periods, Fixed Fees/incentive Fees/Allocation and information rights. The modifications are solely at the discretion of the Adviser and may, among other things, be based on the size of the Investor's investment in the Funds or affiliated investment entity, an agreement by an Investor to maintain such investment in the Funds for a significant period of time, or other similar commitment by an Investor.

In addition, the Adviser may have conflicts when negotiating side letters between the Funds and the Hedge Fund. In its capacity as the managing member of the Hedge Fund, the Adviser is responsible for negotiating and executing side letters on behalf of the Hedge Fund. Furthermore, the Adviser and its supervised persons, Steven Yanis and Neil Crespi, either directly or indirectly will also be responsible for negotiating side letters on behalf of the Funds. To the extent the Hedge Fund and a Fund enter into a side letter, the Adviser and its supervised persons intend to negotiate the terms of any such agreement in the best interest of the Fund and the Hedge Fund and will not enter into any side letter agreement that contains terms that in the aggregate will have a material adverse effect on the Fund or the Hedge Fund.

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

The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its related persons to put the interests of the Funds before their own interests and to act honestly and fairly in all respects in their dealings with the Funds. All of the Adviser's personnel are also required to comply with applicable federal securities laws. The Funds or prospective Funds (and Investors) may obtain a copy of the Code by contacting the Chief Compliance Officer, by telephone at (212) 813-9229. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser, its related persons or Fund Managers have invested or seek to invest on behalf of the Funds. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Fund. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to a Fund or using such information for a Fund's benefit. In such circumstances, the Adviser will have no responsibility or liability to a Fund for not disclosing such information to a Fund (or the fact that the Adviser possesses such information), or not using such information for a Fund's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

The Adviser or its related persons may invest in the same securities (e.g., an Underlying Fund) that the Adviser or a related person recommends to the Funds. Such practices present a conflict where, because of the information an Adviser has, the Adviser or its related person are in a position to trade in a manner that could adversely affect the Funds (e.g., make their own investments before or after a Fund makes an investment). In addition to affecting the Adviser's or its related person's objectivity, these practices by the

Adviser or its related persons may also harm the Funds by adversely affecting the availability of the investment to the Funds (i.e., the Underlying Fund may reach its subscription limit). To minimize such conflicts, the Adviser requires its access persons to preclear all transactions in reportable securities in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of the Funds. All of the Adviser's access persons are required to disclose their securities transactions on a quarterly basis and holdings on an annual basis. All of the Adviser's related persons are also required to provide broker confirmations of or account statements containing each transaction in personal accounts in which they engage and a certification of such transactions. Trading in employee accounts will be annually reviewed by the Chief Compliance Officer and compared with transactions for the Fund portfolios and the accounts of the Underlying Funds (if available).

## **Item 12. Brokerage Practices**

Currently, the Adviser invests primarily all of the assets of the Funds in Underlying Funds, cash and cash equivalents. Due to the nature of its business, the Adviser does not typically utilize broker-dealers to execute transactions. However, it is expected that the Fund Managers (and to the extent applicable, the Adviser) will utilize broker dealers and will allocate brokerage business generally on the basis of best available execution and in consideration of such brokers' provision of brokerage, research and related services.

The Fund Managers are authorized to determine the broker or dealer to be used for each securities transaction for their clients. In selecting brokers or dealers to execute transactions, the Fund Managers need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost, mark-up or other cost (collectively, "Commissions"). It may not be the Fund Managers' practice to negotiate "execution only" Commission rates; thus, the Fund Managers may be deemed to be paying for research, brokerage and other services provided by the broker which are included in the Commission rate. Certain Fund Managers' brokerage practices may be outside the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended.

As discussed above in Item 10, certain of the Underlying Funds (including the Hedge Fund) execute transactions with the Broker Dealer.

## **Item 13. Review of Accounts**

Each Fund portfolio is reviewed by the Portfolio Manager on a periodic basis to determine whether positions in the Underlying Funds and other investments should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each Fund portfolio.

The Adviser reviews and aggregates the NAV reported monthly from the Underlying Funds and compares such NAV calculation to the NAV report prepared by the Funds' administrator. The Investors receive reports from the Funds pursuant to the terms of each of the Fund's offering memorandum.

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

As discussed above, the Adviser pays a fee to one or more solicitors or placement agents to refer Investors to the Funds. When applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended, (the "Advisers Act") and related SEC staff interpretations.

## **Item 15. Custody**

The Adviser and its affiliate are deemed to have custody of the Funds' assets and intend to comply with Rule 206(4)-2 under the Advisers Act by meeting the conditions of the "Pooled Vehicle Annual Audit

Exception". Such Rule requires that each Fund be subject to an annual financial statement audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements will be prepared in accordance with generally accepted accounting principles in the U.S. and will be distributed to each Investor in each Fund within 180 days of the applicable Fund's fiscal year end.

#### **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to the Funds. Prior to assuming full discretion in managing a Fund's assets, the Adviser sets forth the scope of the Adviser's discretion in writing.

Unless otherwise instructed or directed by a discretionary fund, the Adviser has the authority to determine (i) the securities to be purchased and sold for each Fund of Funds portfolio (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines), and (ii) the amount of securities to be purchased or sold for each Fund of Funds portfolio. Because of the differences in Fund investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among the Funds in invested positions and securities held. The Portfolio Manager, may consider the following factors, among others, in allocating securities among the Funds: (i) Fund investment objectives and strategies; (ii) Fund risk profiles; (iii) tax status and restrictions placed on a Fund's portfolio by the Fund or by applicable law; (iv) size of the Fund portfolio; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. The Adviser has the discretion to assign differing allocations of securities based (amongst other parameters) on total assets of each Fund portfolio eligible to invest in the particular investment type (e.g., interests in Underlying Funds). Notwithstanding the foregoing, the Adviser will, in all cases, allocate such interests in a fair and equitable manner.

If the Underlying Funds participate in initial public offerings ("IPOs"), profits and losses from IPOs will be allocated among Investors based on each Investor's eligibility to participate in IPOs, Investor-specific restrictions and any applicable rules regarding participation in IPOs, including FINRA Rules 5130 and 5131.

Securities acquired by the Adviser for the Funds through a limited offering will be allocated pursuant to the procedures set forth in the Adviser's allocation policy. The policy provides that the Portfolio Manager will determine the proposed allocation of limited offering securities after considering the factors described above with respect to general allocations of securities and determining those Funds of Funds portfolios eligible to hold such securities. Eligibility will be based on the legal status of the Funds of Funds and the Funds of Funds' investment objectives and strategies.

The Adviser does not exercise any investment discretion with respect to the Hedge Fund; provided, however, that the Adviser has the ability to terminate Maplelane as investment manager of the Hedge Fund.

If it appears that a trade error (including possible errors when purchasing interests in Underlying Funds) has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that the Funds are treated fairly. To the extent that an error occurs, the Adviser will only be responsible for losses due to trading errors caused by the willful misconduct or the gross negligence of the Adviser, or as otherwise required by law. The Adviser is not responsible for the errors of other persons, including third-party brokers and custodians. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy.

**Item 17. Voting Client Securities**

It is not anticipated that the Funds will hold interests that require proxy voting. To the extent the Adviser has been delegated proxy voting authority on behalf of the Funds, the Adviser complies with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of the Funds.

If a material conflict of interest between the Adviser and a Fund exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Fund or take some other appropriate action.

The Funds may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a Fund's proxies by contacting the Chief Compliance Officer by telephone at (212) 813-9229.

**Item 18. Financial Information**

There are no financial conditions that are reasonably likely to impair the Adviser's ability to meet contractual commitments to clients.

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