

**SEVEN EIGHT CAPITAL, LP**

**PART 2A OF FORM ADV: FIRM BROCHURE**

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**This brochure provides information about the qualifications and business practices of Seven Eight Capital, LP (“Seven Eight Capital” or the “Firm”). If you have any questions about the contents of this brochure, please contact us via telephone at (646) 513-4350 or [cco@seveneightcapital.com](mailto:cco@seveneightcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Any reference to Seven Eight Capital as a registered investment adviser does not imply a certain level of skill or training.**

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

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***Item 2: Material Changes***

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This Brochure contains important information about Seven Eight Capital and is intended to provide potential and existing clients with an overview of the Firm and its services. Seven Eight Capital may, at any time, update this Brochure and either send or offer to send a copy to existing clients (either by electronic means or in hard copy form).

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes. Since our last Brochure updated on May 22, 2022, the Firm has become the advisor for Seven Eight Capital Master Fund, LP and its Feeder Funds Seven Eight Capital Fund, LP and Seven Eight Capital Offshore Fund, LP. Seven Eight Capital ceased to provide discretionary sub-advisory services to private funds that are advised by Schonfeld Strategic Advisors LLC. Seven Eight Capital Partners LP was a feeder for a special class within Schonfeld Strategic Advisors family of funds for the purposes of investing directly in Seven Eight Capital strategies. This fund has been liquidated and capital of employees has been invested directly into the Seven Eight Capital Master Fund structure.

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**Item 4: Advisory Business**

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**Item 4.A.**

Seven Eight Capital, LP (“**Seven Eight Capital**” or the “**Firm**”) is a Delaware limited partnership formed in February 2016 with its principal place of business located in New York, NY. As the result of an internal restructuring, Seven Eight Capital succeeded to the business of Seven Eight Capital, LLC, which was formed in November 2012 and has been registered with the SEC since April 2014. There was no change in the ultimate ownership or control of the Firm as a result of such restructuring. Seven Eight Capital is owned by its general partner, Seven Eight Capital, LLC, and its limited partners, Stephen Cash and Adrian Sisser. Seven Eight Capital, LLC is owned by Mr. Cash and Mr. Sisser, who also have overall responsibility for the day-to-day supervision and management of the Firm’s business. They are co-Chief Executive Officers (together, the “**Principals**”).

**Item 4.B.**

Seven Eight Capital serves as the adviser to privately offered investment funds (the “**Funds**”), which invests in a portfolio consisting primarily of equity and equity-linked investments.

Seven Eight Capital provides its services to the Funds pursuant to the investment management agreement (“**IMA**”) between Seven Eight Capital and the Funds. In the future, Seven Eight Capital may provide advisory services to managed accounts or other pooled investment vehicles. Seven Eight Capital’s investment objective is to maximize capital appreciation by trading in certain equity securities, equity related products such as equity swaps, and other products such as futures in accordance with the agreed-upon terms of investment guidelines within the Funds’ IMAs. In seeking to achieve the investment objective, the Firm employs a quantitative research process focused on statistical arbitrage and other related systematic trading strategies primarily focused on liquid securities.

Seven Eight Capital does not limit its advisory services to only certain types of investments.

**Item 4.C.**

The Firm’s investment management and advisory services to the Funds are provided pursuant to the agreed-upon terms of the Funds’ IMAs and within the relevant fund governing documents. Feeder Funds are clients in which investors subscribe directly. The Firm adheres to the investment strategy set forth in the offering documents for the Feeder Funds. We do not modify our recommendations to our clients according to the particular interests of the underlying investors in the Feeder Funds, nor do we allow these investors to place restrictions on the trading we conduct for our clients.

**Item 4.D.**

Seven Eight Capital does not participate in a wrap fee program.

**Item 4.E.**

As of December 31, 2023, Seven Eight Capital managed approximately \$1,348,867,183 in regulatory assets under management on a discretionary basis. Seven Eight Capital does not manage any advisory client assets on a non-discretionary basis.

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

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### **Item 5.A.**

Fees payable to Seven Eight Capital are set out in the applicable governing documents and in some cases include a performance-based fee (the “Performance Fee”) and in all cases an asset-based management fee (the “Management Fee”) and, together with the Performance Fee, the “Advisory Fees”.

#### **Management Fee**

Investors in the Feeder Funds pay us management fees based on the net asset value of each investor’s capital at a rate of a Management Fee Percentage (as defined below). Management fees are calculated by the administrator and are paid quarterly in advance from the client’s account under our instruction. The “Management Fee Percentage” equals (i) for the first twelve (12) months after the launch of the master fund, 0.625% (two and one-half percent (2.5%) on an annualized basis); and (ii) thereafter, 0.5% (two percent (2.0%) on an annualized basis). Capital contributions made on dates other than the first day of a calendar quarter will be assessed a pro rata Management Fee at the time such capital contributions are made. All or part of the Management Fee may be waived, reduced, rebated, discounted or, with the consent of the applicable client(s), calculated differently by the Firm from time to time in its discretion.

#### **Performance Fee**

Currently, we are entitled to receive performance-based compensation from our clients (“Incentive Allocations”) of an Incentive Percentage (as defined below) of the net profits attributable to each investor’s investment in the Feeder Funds subject to a “high water mark” limitation. This means that we only receive an Incentive Allocation when net profits for the performance period have recovered losses from prior years, as described in the offering materials of the Feeder Funds. Incentive Allocations are paid to us and are calculated by the administrator and deducted from the client’s account under our instruction.

The “Incentive Percentage” is determined as (i) Fifteen percent (15%) of the aggregate net capital appreciation return from 0% to 10% (times the Annualization Factor (as defined below)); (ii) Twenty-five percent (25%) of the aggregate net capital appreciation return from 10% to 20% (times the Annualization Factor); and (iii) Forty-five percent (45%) on any remaining aggregate net capital appreciation return thereafter. The “Annualization Factor” means the percentage of the fiscal year in which a particular subscription is invested in the Fund (i.e. the number of days between January 1st (or another date of subscription) and December 31st (or another date of withdrawal); divided by 365).

The Firm, in its discretion, may waive, reduce, with the consent of the applicable client(s), calculate differently the Incentive Allocation and/or use a different Loss Recovery Account calculation.

### **Item 5.B.**

Fees and expenses are automatically deducted from the Funds monthly. Some expenses may be advanced by Seven Eight Capital and reimbursed by the respective client or Feeder Fund.

### **Item 5.C.**

The master fund will bear, or reimburse Seven Eight Capital for advancing, their own expenses and those of the feeder funds, to the maximum extent permitted by applicable law, including, without limitation, the following:

- (i) Expenses related to the research, execution and monitoring of actual and prospective investments (whether

or not consummated) and the consummation of investments, including, without limitation, the following: third-party investment sourcing fees; consulting fees; expert fees; fees and expenses of and related to obtaining research, analytics and market data (including, without limitation, third-party data sources and any information technology hardware, software and data subscriptions (such as Bloomberg and FactSet) or other technology incorporated into the cost of obtaining such research and market data); due diligence expenses including, without limitation, consulting and appraisal fees; reasonable investment- and research-related travel expenses (consistent with Seven Eight Capital's travel policy); any outsourced trading provider fees; brokerage and prime brokerage fees, commissions and expenses (including the costs of negotiating, documenting and/or amending agreements with prime brokers, ISDAs and other agreements with trading and financing counterparties); expenses relating to borrowing securities to be sold short; clearing and settlement charges; custodial fees and expenses; bank service fees; interest expenses and other borrowing costs; fees and expenses of proxy research and voting services; the pro rata portion of any broken deal expenses; fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys, accountants and service providers who, in each case, provide services to the Funds or provide services to Seven Eight Capital with respect to the operation of the Funds, the general partner or the Principals (on matters that would not have arisen but for their respective advisory relationships with the Funds); and expenses relating to engagement with a company irrespective of the outcome of such engagement, such as shareholder and management communication, soliciting proxies, hiring proxy advisory consultants, hosting shareholder forums and proposing or nominating directors or executives, including sourcing, recruiting, standby and indemnification and other expenses, regardless of whether the nomination is successful; (ii) organizational fees and expenses and fees and expenses incurred in connection with the offering and sale of the Interests, including, without limitation, the following: the preparation and amendment of the private placement memorandum, the limited partnership agreement, the master partnership agreement, the exempted limited partnership agreement of the offshore feeder, the investment management agreement and the Funds' subscription agreements; and fees and expenses of Seven Eight Capital incurred in connection with "world sky" matters and private placement regimes, including the European Alternative Investment Fund Managers Directive, and Form D and blue sky and similar fees and expenses; (iii) operational expenses, including, without limitation, the following: fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations, facilitate accounting functions, facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations) in connection with the activities of the Funds, and facilitate and manage the order execution of securities or otherwise manage the Funds (such as portfolio management systems and order management systems); fees and expenses of third-party risk management products, models and services; third-party administrative fees and expenses, including fees and expenses of the administrator and any middle and/or back office service provider; fees and expenses of third-party professionals, including, without limitation, consultants, valuation service providers, attorneys, accountants and tax preparers; third-party audit and tax preparation expenses; insurance expenses, including, without limitation, premiums for cybersecurity insurance and liability insurance (including directors and officers liability insurance and errors and omission insurance) covering the Funds, the general partner, Seven Eight Capital and the principals, officers, employees, managers, partners, members, affiliates or agents of any of the foregoing, and the governance committee members (in each case, even if such insurance covers conduct for which indemnity would not be available from the Funds); fees and expenses associated with governance committee meetings and meetings of the limited partners as a whole, including, without limitation, expenses related to the organization and conduct of such meetings (including, without limitation, reasonable travel, lodging and meal expenses), and governance committee member fees; costs of preparing and distributing reports and notices to limited partners (including the development, implementation and maintenance of an investor electronic delivery site and/or system); entity-level taxes; fees and expenses related to compliance with applicable law and regulations in connection with the activities of the Funds, including, without limitation, any governmental, regulatory, licensing, filing, reporting or registration expenses, fees or taxes (including, without limitation, fees and expenses incurred in

connection with the preparation and filing of Form PF, Section 13 filings, Section 16 filings and other similar regulatory filings for the Funds or Seven Eight Capital, the general partner or the Principals on matters that would not have arisen but for their respective advisory relationships with the Funds, and any filings or reporting with respect to compliance with FATCA, AEOI (each as defined below) or similar laws enacted in other jurisdictions, as well as any foreign tax regime registrations, tax filings and associated annual fees and expenses); and any fees and expenses related to compliance with anti-money laundering laws and regulations applicable to the Funds (including AML officer fees and expenses); and (iv) extraordinary expenses, including, without limitation, the following: the costs of any litigation or investigation involving the activities of the Funds (including attorney's fees and investigative fees and expenses); the cost of settlements and indemnification expenses (including advances thereof) (for clarity, Seven Eight Capital and the general partner are authorized to commit the Funds to potential indemnity obligations towards certain counterparties entering into agreements with the Funds for the provisions of services and otherwise); fees and expenses incurred in connection with any tax audit by any U.S. federal, state or local authority, including, without limitation, any related administrative settlement and judicial review; and fees and expenses incurred in connection with the reorganization, restructuring, termination, winding-up or dissolution of any of the Funds.

For the complete list of all fees and expenses, please refer to the private placement memorandum of the funds. For more information on brokerage transactions and costs, please see Item 12: "Brokerage Practices."

#### **Item 5.D.**

The management fee is paid in advance on the first day of each calendar quarter. The management fee is determined based on the final NAV of the quarter-end. In this case, the fees will be trued up at the end of the quarter so if assets drop (due to performance or withdrawal) fees would be refunded to the client, subsequently if assets rise Seven Eight Capital would collect the balance owed. Any other fees and expense are paid in arrears.

#### **Item 5.E.**

Seven Eight Capital and its supervised persons are not compensated for the sale of securities or other investment products.

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

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Seven Eight Capital receives performance-based compensation in the form of an incentive allocation from our clients as discussed in item 5, "Fees and Compensation". The existence of the performance-based compensation may create an incentive for the Firm to make riskier or more speculative investments on behalf of our clients. Our Firm's and our partners' proprietary investment in the Feeder Funds aids in aligning our interests with the interests of our clients. Although performance Fee is calculated based on net aggregate capital appreciation, the firm currently invests mainly in liquid listed securities. The portfolio valuation is conducted by the third party administrator (Morgan Stanley Fund Services) independently, and Seven Eight Capital has adopted written policies and procedures that are designed to ensure the accuracy of valuations. Performance-based fees are only charged consistent with SEC rules and regulations, including Rule 205-3 under the Investment Advisers Act of 1940. Current and prospective clients and investors are invited to discuss with us our valuation policies and procedures.

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

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Our Firm provides investment advice to its clients, each of which is a pooled investment vehicle. The types of investors that indirectly invest in our clients (through the Feeder Funds) include individuals, institutions, other investment entities and pension plans. Investors must meet certain standards of net worth and knowledgeability regarding the Firm's investment program.

We do not provide investment advice to any person other than our clients. This brochure is not intended to be an offer to invest in our clients or the Feeder Funds or to open a managed account with us.

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

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**Item 8.A.**

Seven Eight Capital's strategy focuses on trading a wide number of liquid equity securities that trade on established U.S. and foreign markets. (In certain non-US markets, exposure to these liquid equity securities is obtained via swap or similar derivative contract.) The Firm's investment strategies are market-neutral and based on a set of methods known as 'statistical arbitrage'. The process consists of investing in a broad portfolio of liquid securities for a short duration. Opportunities for short-term profits are determined by computer modeling that looks at historic price patterns to find discrepancies between a security's current price and its expected price in the future.

The specific models and techniques used by the firm are proprietary and contain a mixture of 'trend' and 'mean-reversion' signals. 'Trend' signals indicate that the models believe prices will continue their current short-term trend, while 'mean-reversion' models predict that prices will revert to prior values. At least some of the firm's signals are based on predictions relative to a market risk model that seeks to explain the returns of individual securities by comparing them to peers and various other market factors.

The Firm chooses the securities and quantities that it trades to abide by portfolio guidelines agreed to with the client and outlined in the relevant IMA. These guidelines limit the types and quantities of exposures that the firm may take, including limits on the exposure of a single stock or industry. These restrictions may diminish the overall return of the Funds.

**Item 8.B and Item 8.C.**

Investing with Seven Eight Capital involves a high degree of risk for the client and is suitable only for persons having substantial financial resources who understand the nature, the consequences, and the risks associated with the investment strategy. There can be no assurance that Seven Eight Capital's investment program will be profitable or that any particular client will not incur losses in its account. Investing in securities involves risk of loss that clients should be prepared to bear.

**Investment and Trading Risks.** All securities investments risk the loss of capital. The Firm believes that the Funds investment program and the Firm's research techniques will moderate this risk through a careful selection of securities and other financial instruments. However, no guarantee or representation is made that



the investment program will be successful or that the Funds will not incur losses. The investment program may utilize investment techniques including, but not limited to, the use of leverage and short sales, which in practice can, in certain circumstances, increase the adverse impact to which the Funds may be subject.

In certain transactions, the Funds may not be “hedged” against market fluctuations or, in reorganization or liquidation situations, may not accurately value the assets of the subject company or the degree of legal and regulatory risk associated with investments in the securities of companies in such situations. This can result in losses, even if the proposed transaction is consummated.

The Firm will attempt to assess the foregoing risk factors, and others, in determining the extent of the position it will take in the relevant securities and the price it is willing to pay for such securities. However, such risks cannot be eliminated.

**Investment Analysis.** When assessing investment opportunities, the Firm relies on resources that may have limited or incomplete information. In particular, the Firm relies on publicly available information and data filed with various government regulators or made directly available to the Firm by the issuers of securities or through sources other than the issuers. Although the Firm expects that it will evaluate information and data as it deems appropriate and will seek independent corroboration when reasonably available, the Firm will not evaluate all publicly available information and data and is not in a position to confirm the completeness, genuineness or accuracy of the information and data that it evaluates.

As a result, there can be no assurance that the due diligence exercise carried out by the Firm will reveal or highlight all relevant facts that may be necessary or helpful in evaluating investment opportunities. Any failure to have identified the relevant facts may result in an inappropriate investment decision, which may have a material adverse effect on the value of any investment in the Partnership.

**Concentration of Investments.** Subject to any limitations adopted by the Firm from time to time, the Funds are not restricted in the amount of its capital that it may commit to any issuer, security, industry sector or geographic region, and at times the Funds may hold a relatively large concentration in a limited number of issuers, securities, industry sectors and/or geographic regions. Losses incurred in connection with those investments could have a material adverse effect on the Funds’ overall financial condition. This is because the value of the Funds’ investment portfolio will be more susceptible to any single occurrence affecting one or more of those issuers, securities, industry sectors or geographic regions than would be the case with a more diversified investment portfolio.

**Equity Securities and Long/Short Equity Strategies.** The Funds will invest in equity and equity-related securities. Equity securities fluctuate in value in response to many factors, including the activities, results of operations and financial condition of individual companies, the business market in which individual companies compete, industry market conditions, interest rates and general economic environments. In addition, events such as political instability, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect the Funds’ positions.

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

**Quantitative Strategies.** The Firm engages in process-driven systematic trading based on a quantitative analysis of financial markets. Investment decisions are generated based on quantitative signals. These signals are designed to address perceived inefficiencies through an examination of the underlying fundamentals and of the dynamics that drive securities prices in the market. In constructing these signals, it is difficult to model all aspects of the market, and as a result, the signals cannot adequately address or model all possible outcomes. Furthermore, they are based on assumptions that are derived from an understanding of the market in its past and current forms. Because the market is made up of many different and diverse participants, potentially with diverging goals, the underlying dynamics between these participants can shift suddenly, and without warning. It is difficult to predict how and when such changes may occur, but when they do occur there is a chance that the Firm's models and the signals thereby derived from them may lose validity. Because the Firm's models make heavy use of data, it could take time for the Firm to discern such a change. This is an inherent risk to quantitative strategies, as they require historical data to validate market assumptions.

Investment decisions that are driven by quantitative systematic signals inherently face prediction risk. They consider a number of factors in formulating systematic decisions. These are represented by mathematical formulae which are then applied to data in order to generate a prediction. These predictions are inherently risky and are subject to a high level of statistical error. They are typically based on an understanding that was developed from events that occur with a reasonably high regularity. A limitation of such techniques is that it is not possible to anticipate the effect of events that only occur sporadically, such as natural disasters. The modeling process makes heavy use of historical data as a guide toward fashioning signals and as a result may suffer inaccuracies that could lead to losses.

**Increased Use in the Markets of Algorithmic Trading Methods.** In recent years, there has been a substantial increase in financial instrument trading systems, methods, and strategies employing algorithmic and other quantitative or black box trading methods. There also has been an increase in the overall volume of trading and liquidity of the financial instrument markets. While the effect of any increase in the proportion of funds traded pursuant to algorithmic or other quantitative trading approaches in recent years cannot be determined, any such increase could alter trading patterns or affect execution of trades to the detriment of the Firm.

**Backtesting/Simulation.** The Firm develops models and sets return expectations based on simulation and backtesting. Backtesting and simulation have the following limitations: (i) they are designed with the benefit of hindsight, with limited ability to account for unanticipated events; (ii) they do not represent actual trading, only approximations thereof; and (iii) the interpretation of results is subjective to the researcher. While the Firm strives to create an accurate modeling environment for research purposes, there can be no assurance that future performance will match simulated results.

**Reliance on Technology.** The Funds will employ a quantitative investment strategy, which will rely heavily on technology. This includes a reliance on computer programs, computer hardware, and telecommunications systems, herein referred to as "Technology." Any malfunctions may impair performances. The Firm relies on Technology to facilitate research, forecast security prices, construct portfolios, generate orders, allocate trades, and perform risk management operations, back office, financials, accounting, and other data processing. All of the aforementioned make use of computerized automation, which is facilitated by proprietary and third party software. The Firm makes efforts to secure and back up these processes and their underlying data, but can make no absolute guarantees as to their safety. The Firm implements policies that utilize internal testing, real-time monitoring, and internal safeguards, but despite these efforts, such software can be affected by errors, omissions, imperfections, and malfunctions. Such issues present an inherent risk associated with investing in a quantitative investment strategy, and can lead to execution of unanticipated trades, failure to properly gather and organize all available data, failure to take hedging or risk reducing actions, and other effects which can have a material negative impact on the Funds' performance.

Furthermore, the Firm depends on the proper and timely function of complex computer and communications systems maintained and operated by or for the exchanges on which the Firm executes transactions, the Firm's clearing brokers and other data providers. Failures or inadequate or slow performance of any of these systems could adversely affect the Firm's ability to timely complete transactions, including the Firm's ability to close out positions, and result in lost profit opportunities and significant losses on transactions. This could have a material adverse effect on the Funds' revenue, and could materially reduce, or even eliminate, the Funds' capital. For example, unavailability of price quotations from third parties may make it difficult or impossible for the Firm to use some of its proprietary software that it relies upon to pursue its investment activity. Unavailability of records from one of the Firm's clearing or brokerage firms can make it difficult or impossible for the Firm to accurately determine which transactions have been executed, or the details, including price and time, of any transaction executed. This unavailability of information also may make it difficult or impossible for the Firm to reconcile its records of transactions with those of another party or to accomplish settlement of executed transactions.

**Reliance on Mathematical Models.** The Firm relies heavily on mathematical models to make investment decisions for discovering opportunities as well as managing risk. These models are based on observations of historical market and other data and may not be adequate to manage future risk. All computer models are also subject to errors that might occur in both modelling and implementation. While the Firm makes every effort to avoid these errors, they could lead to significant losses.

**Data.** In designing trading strategies, the Firm collects a significant amount of data from third party and other external sources. As a matter of practicality, it is not possible to use all of this data, so the Firm exercises discretion on which data it uses. The vast majority of the data is collected via automated processes. As such, it is not possible to guarantee that all of the data is always available at the time of an investment decision. If certain data sources are not available, the Firm may construct forecasts based on the data that is available at the time. Also, in its sole discretion, the Firm may decide that certain data sources are too expensive to acquire and may discontinue their use. There are inherent limitations on the accuracy of the data, and inaccuracies can arise at any point in the process of gathering, filtering, cleaning, or analyzing any particular source of data. The Firm can provide no guarantee that any specific type of data will be utilized, no guarantee that data is accurate, and no guarantee that it is free of errors.

**Obsolescence.** The Firm creates models that rely on assumptions and observations made in the financial markets. The assumptions underlying these models need to be realistic and remain relevant in order for the signals to generate profitable investment decisions. The financial markets can change very suddenly, due to a variety of factors. When this happens, it can take time for enough data to be available in order for the Firm to assess that there is a new market paradigm. During this time, signals that are based on the old paradigm could lead to losses.

**Small to Medium Capitalization Companies.** The Funds will invest its assets in the stocks of companies with small- to medium-sized market capitalizations. While the Firm believes these investments often provide significant potential for appreciation, these stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. Smaller companies often times lack the management experience, financial resources, product diversification, and competitive strength of larger companies. 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.

**Fixed Income Securities.** The Funds will trade in bonds and may trade in other fixed income securities of U.S. and non-U.S. issuers, including, without limitation, bonds, notes and debentures issued by corporations, or debt securities issued or guaranteed by a sovereign government or one of its agencies or instrumentalities. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities

will change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk).

The Funds may trade in fixed-income securities which are not protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for foreign debt involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult.

**Leverage.** The Firm intends to use leverage as part of the Funds' investment program (whether directly incurred by the Funds, or provided by prime brokers that, for example, hold and rehypothecate the Funds' assets or provide portfolio swaps) and the amount of leverage which the Funds may have outstanding at any time may be substantial in relation to its capital. Leverage may be obtained by borrowing funds to make trades or by purchasing or entering into derivative instruments that are inherently leveraged, such as swaps, options, futures and forward contracts.

If the interest expense on borrowings were to exceed the net return on the positions acquired with borrowed funds, the Funds' use of leverage would result in a lower rate of return than if the Funds were not leveraged. If the amount of borrowings which the Funds may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the Funds' portfolio will have a disproportionately large effect in relation to its capital and the possibilities for profit and the risk of loss will therefore be increased. Any gains made with the additional monies borrowed will generally cause the value of the Funds' assets to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies fails to cover their cost to the Funds, the value of the Funds' assets will generally decline faster than would otherwise be the case. The amount of any borrowing may also be limited by regulations imposed by the Federal Reserve Board or by the availability and cost of credit, as well as due to overall market conditions. If, due to market fluctuations or other reasons, the value of the Funds' assets should fall below required regulatory or counterparty imposed levels, the Funds will be required to reduce its debt by selling securities in its long portfolio. The Funds may also be unable to carry-out its investment program if it is not able to obtain leverage on reasonable terms.

In the case of derivative instruments, because many derivatives are "leveraged," such instruments provide significantly more market exposure than the money paid or deposited when the transaction is entered into and, thus, a relatively small adverse market movement in the underlying asset can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested.

In addition, in transactions involving derivative instruments, counterparties and lenders will likely require the Funds to post collateral to support its obligations. Should the securities and other assets pledged as collateral decline in value, or should brokers increase their maintenance margin requirements (i.e., reduce the percentage of a position that can be financed), the Funds could be subject to a "margin call" pursuant to which it must either deposit additional funds with the broker or suffer mandatory liquidation of the pledged assets to compensate for the decline in value. In the event of a precipitous drop in the value of pledged securities, the Funds might not be able to liquidate assets quickly enough to pay off the margin debt or provide additional collateral and may suffer mandatory liquidation of positions in a declining market at relatively low prices, thereby incurring substantial losses. Furthermore, secured counterparties and lenders will generally have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by the Funds. This could increase exposure to the risk of a counterparty default since, under such circumstances, the Funds may

be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral.

The Firm may engage in the trading of options on futures for the account of the Funds, typically for hedging purposes. If the Firm, on behalf of the Funds, buys an option (either to sell or buy a futures contract or commodity), the Funds will be required to pay a “premium” representing the market value of the option. Unless the price of the futures contract or commodity underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Funds may lose the entire amount of the premium.

**Exchange Traded Funds (“ETFs”).** The Funds will trade in ETFs. ETFs are generally structured to invest in all or a representative sample of the securities that generally replicate the price and yield performance of an underlying market index or sector such as a broad stock market, industry sector, domestic or international equity or fixed income, or U.S. or foreign government bond. ETF shares are traded on stock exchanges and markets at open market prices that generally track the net asset value per share of the ETF. Direct issuances and redemption of ETF shares at the ETF’s net asset value per share only occur in large blocks (or creation units) transacted between the ETF and authorized institutional purchasers on an in-kind basis. An exchange traded sector fund may be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic and/or political instability in other nations and/or other factors. Although index-based ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indices, ETFs may not be able to replicate exactly the performance of the indices because of their expenses and other factors. ETF shares may trade at either a discount or premium to their underlying net asset value. The purchase or sale of ETF shares on the secondary market involves the payment of brokerage commissions, and the purchase and redemption of creation units involves other transaction costs and brokerage commissions. Investors in ETFs also directly bear the ETF’s costs associated with its payment of investment management fees and fees for administrative, custodial or other services and thus the Limited Partners will indirectly incur an additional layer of fees and expenses.

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

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

**Short Sales.** A short sale involves the sale of a security that the Funds does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Funds must borrow the security and the Funds is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the Funds. When the Funds makes a short sale in the United States, it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales



are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss to the Funds. The Firm will engage in short sales on behalf of the Funds as a hedge against potential market declines and/or based on its fundamental analysis of the subject issuers.

**Hedging Transactions.** The Funds may utilize financial instruments, both for investment purposes and for risk management purposes in order (i) to protect against possible changes in the market value of the Funds' portfolio resulting from fluctuations in the securities markets and changes in interest rates, (ii) to protect the Funds' unrealized gains in the value of the Funds' portfolio, (iii) to facilitate the sale of any such investments, (iv) to enhance or preserve returns, spreads or gains on any investment in the Funds' portfolio, (v) to hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets, (vi) to protect against any increase in the price of any securities the Funds anticipates purchasing at a later date, or (vii) for any other reason that the Firm deems appropriate.

The success of the Funds' hedging strategy will depend, in part, upon the Firm's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to the Firm's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions in an effort to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in such hedging transactions. For a variety of reasons, the Firm may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. The Firm may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings.

**Call Options.** There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

**Put Options.** There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

**Foreign Investments.** The Funds will trade non-U.S. securities and other instruments denominated in non-U.S. currencies and/or traded outside of the U.S., as well as securities and other instruments of companies having substantial profits and/or revenues generated in non-U.S. currencies. Such transactions require consideration of certain risks not typically associated with trading in U.S. securities or other instruments. Such risks include unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the U.S. or foreign governments, confiscatory taxation and economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the U.S., and certain 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.

Transaction costs of investing in non-U.S. securities markets are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers outside the United States than there is in the United States. The Funds might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which, in some markets, could at times fail to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the Funds' performance.

**Derivatives Generally.** Derivative instruments, or "derivatives," include options, futures, swaps, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, financial assets, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, financial asset, currency or index at a fraction of the cost of investing in the underlying asset. The Funds may seek to acquire derivatives for these or other reasons, however, there is no assurance that derivatives that the Funds wishes to acquire will be available at any particular times upon satisfactory terms or at all.

The value of a derivative is frequently difficult to determine and depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are "leveraged," and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement in the underlying asset can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. Over-the-counter ("OTC") derivatives generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The OTC market for derivatives is relatively illiquid. In the case of OTC derivatives contracts, the Funds is subject to the credit risk of the counterparty.

The Funds 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 trading objective of the Funds and legally permissible. Special risks may apply to instruments that are invested in by the Funds in the future that cannot be determined at this time or until such instruments are developed or invested in by the Funds.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") enables the Commodity Futures Trading Commission ("CFTC") and the SEC to enact new regulations on certain OTC derivatives. Pursuant to CFTC regulations, certain OTC derivatives contracts (including certain interest rate swaps and certain credit default index swaps) are required to be traded on regulated trading platforms (i.e., swap execution and facilities) and cleared through registered clearing organizations subject to regulation by the CFTC. Such contracts are traded more like futures and options contracts, and parties to such transactions trade standardized contracts and face clearing organizations as contractual counterparties, rather than facing

the credit risk of counterparties under individually negotiated bilateral OTC agreements. In the future, additional categories of OTC derivative contracts may be subject to mandatory clearing. The SEC recently adopted rules establishing margin, capital and collateral segregation requirements for security-based swap dealers. These rules became effective on October 6, 2021, which was the registration deadline for security-based swap dealers.

CFTC-registered swap dealers, SEC-registered security-based swap dealers and major swap (including major security-based swap) participants (entities who are not swap dealers, but whose level of activity makes them subject to rules governing dealers) are subject to regulatory oversight and requirements with respect to OTC derivatives, which include mandatory margin requirements, business conduct requirements, such as know-your-customer rules, increased risk disclosure and rules requiring trades to be documented within certain time frames. Derivative contracts, whether cleared or traded OTC, must be reported to registered swap data repositories. Despite these changes, parties to OTC derivative trades will continue to bear counterparty credit risk.

The effect that the foregoing regulatory changes will continue to have on the price of derivative contracts, liquidity and administrative costs, and the effects resulting from increased transparency, among other things, still remains unclear. In addition, the CFTC and SEC are both expected to conduct further rulemakings and potentially revisit previous finalized rules with respect to the Dodd-Frank Act. Depending upon any such changes, there may be significant differences in the future with respect to the risks associated with derivatives trading. The impact of any such changes is currently unknown, and none of the Firm, the General Partner, the Partnership or the Funds undertakes to update the Limited Partners upon such changes or upon finalization of any CFTC or SEC regulations promulgated under the Dodd-Frank Act.

**Discontinuation of LIBOR.** Many financial instruments use or have used a floating interest rate based on the London Interbank Offered Rate, or “LIBOR,” which is the offered rate for short-term Eurodollar deposits between major international banks. On March 5, 2021, the U.K. Financial Conduct Authority announced that certain LIBOR settings (all seven Euro and Swiss franc LIBOR tenors, overnight, one-week, two-month and 12-month sterling LIBOR, spot next, one-week, two-month and 12-month yen LIBOR, and one-week and two-month U.S. dollar LIBOR) will permanently cease immediately after December 31, 2021. Publication of the overnight, 1, 3, 6 and 12-month U.S. dollar LIBOR settings will permanently cease immediately after June 30, 2023. However, the U.S. federal banking agencies have issued guidance strongly encouraging banking organizations to cease using U.S. dollar LIBOR as a reference rate in new contracts as soon as practicable and in any event for contracts effective as of January 1, 2022. Transition away from LIBOR as a benchmark reference for interest rates may affect the cost of capital and may require amending or restructuring debt instruments and related hedging arrangements for the Funds and its portfolio companies, and may impact the value of floating rate instruments based on LIBOR that are held or may be held by the Funds in the future, which may result in additional costs or adversely affect the Funds’ liquidity, results of operations and financial condition. Additionally, the automated systems used to administer loans in which the Funds may invest likely have been developed based on LIBOR, and there may be operational costs or difficulties and/or required updates and modifications as and when LIBOR is phased out. Industry participants continue to consider alternatives to LIBOR, and it is unclear what the prevailing reference rate will be or if more than one reference rate might be used following LIBOR’s scheduled discontinuation. As an alternative to LIBOR, the U.S. Federal Reserve has announced that it is considering replacing U.S.-dollar LIBOR with the Secured Overnight Financing Rate (“SOFR”), a new index calculated by short-term repurchase agreements, backed by U.S. Treasury Instruments, which is not credit sensitive. It remains unclear whether alternative reference rates such as SOFR will attain market acceptance as the sole replacements for LIBOR, and currently there is no definitive successor rate. As such, it is not possible to predict all potential effects of these changes on U.S. and global credit markets.

**Risk of Default or Bankruptcy of Third Parties.** The Funds may engage in transactions in securities and



financial instruments that involve counterparties. Under certain conditions, the Funds could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. See “CERTAIN RISK FACTORS—Counterparty Risk” for additional details. In addition, the Funds could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Funds does business, or to which securities have been entrusted for custodial purposes. For example, if one of the Funds’ prime brokers or custodians were to become insolvent or file for bankruptcy, the Funds could suffer significant losses with respect to any securities held by such firm.

Additionally, under CFTC regulations, “futures commission merchants” (“FCMs”), such as the Funds’ prime brokers, are required to maintain customers’ assets in a segregated account. If the Funds’ FCM fails to do so, under certain circumstances, such as the inability of another customer of the FCM or the FCM itself to satisfy substantial deficiencies in the other customer’s account, the Funds may be subject to a risk of loss of its assets on deposit with such prime broker. In the case of any bankruptcy or customer loss, the Funds might recover, even with respect to property specifically traceable to the Funds, only a pro rata share of all property available for distribution to all of the FCM’s customers.

**Counterparty Risk.** Some of the markets in which the Funds effects its transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds (and thereby the Partnership) to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds has concentrated its transactions with a single or small group of counterparties. The Firm is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of the Firm to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds.

The Funds’ investment strategy requires use of transactions that expose the Funds to the credit of its counterparties, and vice versa. For example, the Funds will seek to borrow securities intending to sell them short and may enter into long and short derivative positions. All of these transactions, and transactions similar to them, are governed by documents, industry standards, market customs and practices, the parties’ prior course of dealing and by the covenant of good faith and fair dealing. At times, and especially in times of market stress, these credit exposures may come under stress, normal business conduct may be interrupted and normal legal protections may prove inadequate or may fail to provide timely relief. Should it become necessary to remove or reduce exposure to a particular counterparty, there can be no guarantee that a satisfactory alternative will be available, or even if one is available, that the Funds will be able to avail itself of that alternative. As a consequence, it is possible that any unwinding of the credit exposure may prove costly and thereby damage the Funds.

**Currency Risks.** The Funds may invest in securities and other instruments denominated or quoted in currencies other than the U.S. Dollar, as well as securities and other instruments of companies having substantial profits and/or revenues generated in non-U.S. currencies. In connection therewith, the Firm may hedge against the resulting currency exposure wherever economically prudent. However, changes in currency exchange rates and/or erosion of non-U.S. currencies will affect the value of the Funds’ portfolio and the unrealized appreciation or depreciation of investments. Additionally, such hedging transactions may include a credit component pursuant to which the Funds may be required to grant to its hedging counterparty a security interest in certain of its assets. Accordingly, in such a case, if the Funds defaults with respect to a currency hedging transaction, then the hedging counterparty could lay claim to an interest in such assets.

Further, the Funds may incur costs in connection with conversions between various currencies. Foreign currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Funds at one rate, while offering a lesser rate of exchange should the Funds desire immediately to resell that currency to the dealer. The Funds will conduct its currency exchange transactions on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market. The Funds may also take speculative positions in currencies, which will be subject to the same risks discussed above.

**Purchasing Securities of Initial Public Offerings.** The Funds may purchase securities of companies during their 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 companies and limited operating histories. 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 Funds to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies engaged 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.

**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 Funds invests may decline or rise substantially. In particular, purchasing assets at prices that may appear to be “undervalued” is no guarantee that such 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 prices that may appear to be “overvalued” is no guarantee that such assets will not be trading at even more “overvalued” levels at the time of valuation or at the time of sale.

**Swaps.** The Funds may trade swaps. Swap agreements and options on swap agreements (“swaptions”) can be individually negotiated and structured to include exposure to a variety of different types of investments, asset classes or market factors. Whether the Funds’ use of swap agreements or swaptions will be successful will depend, in part, on the Firm’s ability to select appropriate transactions for the Funds. Depending on their structure, swap agreements may increase or decrease the holder’s exposure to, for example, equity securities, long-term or short-term interest rates, non-U.S. currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Funds’ portfolio. Moreover, the Funds bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Funds will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Funds to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Funds’ ability to terminate swap transactions or to realize amounts to be received under such transactions.

**Foreign Exchange Contracts.** Pursuant to rules promulgated under the Dodd-Frank Act, many foreign exchange contracts will be deemed “swaps” under the U.S. Commodity Exchange Act, as amended, and therefore will be subject to comprehensive regulation by the CFTC. CFTC rules will govern certain terms of such contracts, such as minimum margin requirements, among others, and dealers of such products will be subject to business conduct and reporting obligations. Foreign currency options (unless traded on a securities exchange), non-deliverable foreign exchange forwards, currency swaps and cross-currency swaps will be included in such regulation. The U.S. Treasury Department (the “Treasury”) has exercised its authority to exempt foreign exchange forwards and swaps from most CFTC regulation, although such transactions remain subject to certain CFTC reporting and business conduct requirements. As a result, foreign exchange forwards and swaps are not guaranteed by an exchange or clearing house and consequently, there are no requirements

with respect to financial responsibility or segregation of customer funds or positions, which could expose the Funds to unanticipated losses.

**Options on Futures.** Trading options on futures involves a high degree of risk. The risks of trading options on futures are similar to the risks of trading securities options, but often involve even greater leverage and risks. In addition, if the purchaser of an option on a futures contract exercises the option, the holder will, in effect, be buying or selling the underlying futures contract, and will then be subject to the same risks as are attendant to futures trading.

**Forward Trading.** The Firm may engage in forward trading on behalf of the Funds, typically for hedging purposes. Forward contracts (including certain forward exchange contracts) and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Such forward trading is largely unregulated and currently daily price movements are not limited and speculative position limits are not applicable. The principals who deal in such forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration, which could result in substantial losses to the Funds.

**Commodity Trading.** The prices of commodities and all derivative instruments, including futures and options prices, are highly volatile. Price movements of commodities, futures and options contracts are influenced by, among other things, changing supply and demand relationships, U.S. and non-U.S. governmental programs and policies, national and international political and economic events, interest rates and governmental monetary and exchange control programs and policies. Moreover, commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limit. Commodity futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Firm from promptly liquidating unfavorable positions and subject it to substantial losses. In addition, the Dodd–Frank Act significantly expands the CFTC’s authority to impose broader aggregate position limits.

**Interest Rate Risk.** Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. This risk will be greater for long-term securities than for short-term securities. The Funds may attempt to minimize the exposure of the portfolios to interest rate changes through the use of interest rate swaps, interest rate futures and/or interest rate options. However, there can be no guarantee that the Funds will be successful in fully mitigating the impact of interest rate changes.

**Purchase of Distressed Securities.** The Funds may purchase securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy, reorganization or other liquidation proceedings. Although such investments may produce significant returns to the Funds, they involve a high degree of risk over a potentially lengthy period of time, and may provide less liquidity than many other investments. Investment in these types of securities requires sophisticated analysis and there can be no assurance that the Funds will accurately predict various factors that could affect the prospects of a successful restructuring. Many of these investments ordinarily remain stagnant until the applicable company reorganizes and/or emerges from bankruptcy proceedings, and, as a result, may have to be held for an extended period of time.

**Special Situations.** The Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or result

in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of its entire investment in such companies.

**Event and Risk Arbitrage.** While it is not anticipated to be a material part of the investment program, the Funds may take certain event and risk arbitrage positions. An event and risk arbitrage position is generally taken after a merger, tender offer, exchange offer or other transaction is announced, at which point the security has generally risen to a significant premium over the market price that prevailed prior to the announcement. The difference between the price paid by the Funds for securities of a company involved in an announced deal and the anticipated value to be received for such securities upon consummation of the proposed transaction will often be small. If the proposed transaction appears likely not to be consummated or, in fact, is not consummated or is delayed, the market price of the securities will usually decline sharply, usually to a level comparable to or below that which existed prior to the announcement and generally by more than the Funds' anticipated profit. Further, the Funds may invest and trade in securities of companies which, although they are not the subject of an announced proposed merger or acquisition, are viewed as potential candidates for such a transaction. Either of these scenarios (non-consummation of an announced deal or non-consummation of an anticipated unannounced deal) can cause the Funds to suffer a significant loss with respect to any long positions that it has established in the relevant security. Similarly, with respect to any short positions, to the extent such positions have to be covered, the Funds could be adversely affected. Various events may occur which may result in a transaction not being consummated which could adversely affect the Funds' position.

**Capital Structure Arbitrage.** While it is not anticipated to be a material part of the investment program, the Funds may invest based on capital structure arbitrage strategies. The success of any such strategies will depend on the Firm's ability to identify and exploit inefficiencies in the pricing of credit risk within a company's or sovereign's capital structure. Identification and exploitation of market opportunities involve uncertainty. There can be no assurance that the Firm will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing in efficiency of the markets in which the Funds will seek to invest will reduce the scope for the Funds' involvement in these strategies. In the event that the perceived mispricings underlying the Funds' positions fail to materialize, these strategies could be unsuccessful or result in losses.

**Loans of Securities; Pledge of Assets.** Pursuant to master securities lending agreements or similar agreements, the Funds may lend securities from its portfolio to brokers, dealers and financial institutions and receive collateral in the form of cash and securities in an amount equal to or greater than the current market value of the loaned securities, including any accrued interest or dividend receivable. During the term of such loan, the Funds will not retain all incidents of beneficial ownership as to the loaned portfolio securities, including voting rights. It will, however, generally retain the rights to interest or other distributions, and will have the right to regain record ownership of the loaned securities to exercise such beneficial rights. Such loans will be terminable at any time upon sufficient notice to the other party.

It should be noted that, pursuant to the Funds' account agreement with prime brokers, the prime brokers may, under certain circumstances, lend Funds securities to third parties without notice to the Funds and without providing any collateral to the Funds. If a prime broker makes such loans of securities from the Funds' account, the Funds may not be able to vote such securities. In addition, if a prime broker were to become insolvent in the United States, the Funds would not have a claim against any specific assets of such prime broker, but would have a claim against the pool of assets held for the benefit of such prime broker's customers. Jurisdictions outside of the United States may not provide any similar rights to the Funds.

**Herding Risk.** The substantial growth of the hedge fund industry and funds trading large highly-leveraged positions of the same nature as those held by other funds have augmented herding risks. Whatever the “fair price” of a security, instrument or a relationship, its trading price is sometimes radically altered or influenced by the market activity of traders executing parallel trading programs. This factor may provide surprising and sudden losses at unpredictable times, even after long periods of calm. The negative impact of herding is greatest when markets are under stress and traders holding large leveraged positions seek to liquidate or cover positions simultaneously.

**Inside Information.** Although unlikely to arise from its investment strategy or trading activity, the Firm and its affiliates may, from time to time, come into possession of inside information concerning specific companies. Under applicable securities laws, this may limit the Funds’ ability to buy or sell securities issued by such companies. If the Funds holds the securities of a company with respect to which the Firm is in possession of inside information, the Funds may be restricted from trading the securities of such company for an indefinite period of time, which could result in losses to the Funds.

**Alternative Data Risk.** The Firm intends to employ so-called “alternative data,” which generally refers to data that is not the traditional exchange or accounting data that has been widely used by the mainstream investment industry. Risks associated with alternative data include the possibility of new legal and regulatory frameworks targeting the collection and use of the data or technological changes that may make the data less useful or available. There is also the possibility that the organizations providing alternative data may cease operations, change business models, or suffer temporary outages due to technical issues. Insider trading and “fair practice” laws are generally untested in this area. Investment decisions based on alternative data may be flawed for various reasons, such as incomplete, “dirty” or misunderstood data, or problems with the technology used to collect and analyze it.

**Significant Positions.** The Funds may take significant positions in portfolio companies that result in the Funds acquiring (i) five percent (5%) or more of a class of securities of a single issuer which would require the filing of a Schedule 13D or 13G statement with the SEC, or (ii) ten percent (10%) or more of a class of securities of a single issuer (which would impose certain limitations on the Funds’ ability to trade in such securities, including the restrictions of Section 16 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”)).

**Litigation Risk.** In some cases, the Funds’ trading program may result in the Funds taking an activist position with respect to an issuer. For example, the Firm may challenge action sought to be taken by an issuer that the Firm believes will have an adverse impact upon the value of a class of such issuer’s securities. In such case, either the issuer itself, or other market participants with positions adverse to that of the Funds, may institute litigation against the Funds challenging its activist conduct. Alternatively, the Firm may initiate litigation as a tool to further activist goals, and such litigation may precipitate counterclaims. Litigation, even if successful, is often expensive. Unsuccessful litigation could result in losses to the Funds.

**Changes and Uncertainty in U.S. and International Regulation.** The Partnership and the Funds may be adversely affected by uncertainties such as international and domestic political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries to which the Partnership’s and the Funds’ assets are exposed through their investments or investor base. During this period of uncertainty, market participants may react quickly to unconfirmed reports or information and as a result there may be increased market volatility. This unpredictability could cause the Firm to alter investment and trading plans, including the holding period of positions and the nature of instruments used to achieve the Funds’ investment objectives.

In the United States, the Partnership, the Funds, the Firm and the General Partner may be adversely affected



as a result of new or revised legislation or regulations imposed by the SEC, the Financial Stability Oversight Council, and other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. In addition, the securities and futures markets are subject to comprehensive statutes and regulations, including margin requirements. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The Dodd-Frank Act and the rules promulgated thereunder could result in the Partnership, the Funds, the Firm and the General Partner becoming subject to additional regulatory compliance burdens and trade reporting, which may add significant costs to the Partnership. The Dodd-Frank Act endows the SEC, the CFTC, and other regulators with discretionary authority to write and interpret new rules. The ultimate impact of the Dodd-Frank Act on the Partnership, the Funds, the Firm and the General Partner is unclear and will depend in large part on the regulations that the CFTC and SEC promulgate, as well as any legislative changes that may be made. There is speculation that some of the provisions of the Dodd-Frank Act and rules and regulations promulgated thereunder may be revised, repealed or amended.

In 2021 and 2022, the SEC released a wave of proposed rules and/or rule amendments that would directly and materially impact private fund advisers such as the Firm (the “Private Fund Proposals”). The adoption of all or any part of the Private Fund Proposals would result in the Partnership, the Firm and the General Partner becoming subject to additional regulatory compliance burdens, which may add significant costs to, or have other adverse impacts on, the Partnership. Furthermore, the Firm may have to amend certain of its policies and procedures and/or the terms of the Funds applicable to Limited Partners in order to comply with the Private Fund Proposals, which could adversely impact Limited Partners, including bearing costs associated with revising fund documentation.

The impact of any such changes is unknown. None of the Firm, the General Partner, the Partnership or the Funds undertakes to update Limited Partners upon such changes or finalization of any such regulations.

**Market Disruption Events and Geopolitical Risks.** The Funds will trade in different markets and different kinds of instrument types. It is possible that as a result of war, terrorist act, natural disaster, outbreak of infectious disease, epidemic, pandemic or other serious public health concern, or geopolitical or other extraordinary or unforeseen circumstance or event (a “Market Disruption Event”), one or more of these markets may cease operating for a limited or indeterminable period of time. In that event, it may be difficult for the Firm to value the positions that trade in the affected markets, and the Partnership and the Funds may be exposed to significant movements in the perceived value of instruments without having the ability to trade those instruments.

Additionally, Market Disruption Events may have a substantial effect on economies and securities markets in the U.S. or worldwide, and could materially adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of the Funds’ investments. Market Disruption Events could also affect the principal prime brokers and custodians that carry and clear the Funds’ trades and positions. The inability of key marketplace intermediaries to function could have an adverse impact upon liquidity as well as the ability of the Funds to trade its positions. Market Disruption Events could also have a direct physical impact upon the Partnership’s, the Funds’ and/or the Firm’s operations, including the destruction of their facilities and/or incapacity or loss of life to key personnel.

Furthermore, in late February 2022, Russia launched a large-scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, and NATO countries generally, including the United States. In response to the military action by Russia, various countries, including the United States, the United Kingdom, and European Union (the “EU”) issued broad-ranging economic sanctions against Russia. The ramifications of the hostilities and sanctions, however, may not be limited to Russia and Russian companies but may spill over to and negatively impact other regional

and global economic markets of the world (including Europe and the United States), companies in other countries (particularly those that have done business with Russia) and on various sectors, industries and markets for securities and commodities globally, such as oil and natural gas. Accordingly, the potential for a wider conflict could increase financial market volatility, cause severe negative effects on regional and global economic markets, industries, and companies and have a negative effect on the Funds' performance beyond any direct exposure to Russian issuers or those of adjoining geographic regions.

While the Firm has taken steps intended to mitigate the adverse consequences that could arise from the occurrence of a Market Disruption Event, the inability to predict the timing, location, source and severity of such event or events make it difficult to provide assurances that the Partnership and/or the Funds would not suffer material adverse consequences should a Market Disruption Event occur.

**Brexit.** In June 2016, the electorate in the United Kingdom (the "UK") voted in favor of leaving the EU (commonly referred to as "Brexit"). Thereafter, in March 2017, the country formally notified the European Council of its intention to withdraw pursuant to Article 50 of the Treaty on European Union. Following a general election, UK's parliament ratified the withdrawal agreement, and the UK left the EU on January 31, 2020. Effective January 1, 2021, the UK officially separated from the EU and accordingly, the British and EU economies will no longer have the close regulatory alignment of prior decades. Nevertheless, the UK and EU have settled on a deal that will enable the continuation of free trade between the UK and EU.

The effects of this settlement may bring a period of legal, regulatory and political uncertainty. An exit by the UK from the EU may ultimately impact the Funds and the Funds' investments (and its underlying issuers) in a variety of ways, not all of which are currently readily apparent. Further, Brexit could adversely affect European and worldwide economic or market conditions and could contribute to instability in global financial markets. Brexit has led, and will likely continue to lead to legal uncertainty and potentially divergent national laws and regulations. In addition, there is the potential for other EU countries to follow the UK and exit the EU. The final implications of the withdrawal process could cause an extended period of uncertainty and market volatility, not just in the UK but throughout the EU, the European Economic Area and globally. It is not possible to ascertain the precise impact these events may have on the Funds or the Firm from an economic, financial or regulatory perspective, but any such impact could adversely affect the Funds' investments.

**Artificial Intelligence Engines and Machine Learning (collectively "AI").** AI is used as an umbrella term that encompasses a broad spectrum of different technologies and applications. Seven Eight Capital defines AI as computer systems able to perform tasks that normally require human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages, more commonly known as generative AI. As part of our investment management process, Seven Eight Capital may use AI. When relying on AI there are certain risks involved, including data quality, copyright and trade secret violations, confidentiality breaches, unauthorized access or malware risks, insider trading, breach of contract, cybersecurity, and privacy law violations. Data inputs and outputs are assessed and evaluated for data integrity, however, there is no assurance of accuracy, and your account may be negatively affected.

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#### ***Item 9: Disciplinary Information***

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Seven Eight Capital currently has no reportable disciplinary events to disclose.

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

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### **Item 10.A.**

Seven Eight Capital is currently not applying to register as a broker-dealer and does not intend to do so.

### **Item 10.B.**

Seven Eight Capital is registered with the Commodity Futures Trading Commission as a commodity pool operator and is a member of the National Futures Association. Seven Eight Capital acts as commodity pool operator to the Funds we advise, but relies on exemptions from certain disclosure, recordkeeping and reporting requirements for these private investment funds pursuant to Commodity Futures Trading Commission Rule 4.7. These exemptions are based on the qualifications of each private investment fund's investors. Some management persons of the Firm are also registered as "principals" of the Firm,

### **Item 10.C.**

Neither Seven Eight Capital, nor any of its management persons has any relationship or arrangement with a related person that is material to its advisory business or its clients or could create a material conflict of interest with clients.

### **Item 10.D.**

Neither Seven Eight Capital, nor its principals, recommends or selects other investment advisers for any of its advisory clients.

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

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### **Item 11.A.**

Seven Eight Capital has adopted a written Code of Ethics ("Code") designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act, which requires that investment advisers adopt a code of ethics setting forth standards of business conduct and compliance with federal securities laws by all employees. The Code sets forth the following:

- A statement of the standard of business conduct;
- Policy on and reporting of personal securities transactions;
- Prohibition on trading in security while in possession of material non-public information of the underlying company;
- Employees are subject to disclosure and reporting requirements of their (and their immediate families) personal accounts and holdings;

Seven Eight Capital will provide access to a copy of its Code of Ethics upon request to any advisory client or potential advisory client.

### **Item 11.B through Item 11.D.**



Seven Eight Capital, as fiduciary, endeavors to always make decisions in the best interest of its advisory clients if a conflict of interest arises. The Firm's trading strategy is made up of many predictors, models and risk techniques which work in concert to produce a portfolio. The strategy is updated frequently throughout the day as new data is made available. This ensures a clear separation between the strategy's trading decision and Employees' personal transaction, reduces the likelihood that the Employee obtains control or prior knowledge of the trades the strategy proposes. The Code also contains our personal trading policy. Employees may invest in securities, as well as the same securities that we buy and sell for our clients, subject to specified trading restrictions, including a holdings and transactions reporting requirement, the submission of quarterly transactions and certifications to Firm's compliance system ("Compliance"), and direct broker feeds and statements of transactions and holdings pursuant to our compliance monitoring system for each employee and certain of his/her family members. Personal securities transactions are subject to ongoing review by Compliance. Certain personal securities transactions require pre-approval from Compliance, with the exception of certain instruments detailed in the Code, such as government securities and mutual fund shares. We also maintain a "Restricted List" which is comprised of (i) companies for which the Firm may be in possession of material non-public information and (ii) other companies with respect to which Firm has determined that the Firm and/or employees should not trade for various reasons. Absent an exception granted by CCO, employees are restricted from trading the securities of issuers that are on the Firm's Restricted List on behalf of clients or in personal trading accounts until such security is removed from the Restricted List. Given our strategy, we do not anticipate having material non-public information.

In order to address some of the above, and other conflicts of interest, the Firm established a majority-independent governance committee ("Governance Committee") for the Funds. The Governance Committee is currently made up of the individuals serving as directors, a majority of whom are not affiliated with the Firm. We are required to obtain the consent of the Governance Committee before we can exercise certain rights, duties and powers under our clients' constituent documents including suspending withdrawals from the funds or payment of withdrawal proceeds, appointing independent administrator, approving annual audited financial statements and any material changes proposed by the Firm with respect to the valuation policies.

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## ***Item 12: Brokerage Practices***

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### **Item 12.A**

Seven Eight Capital allocates transactions to financial institutions for execution on markets/exchanges and at prices that, in the Firm's good faith judgment, it believes are in the best overall interests of its clients. Seven Eight Capital takes into consideration the overall quality of the execution services offered, which may include available prices, brokerage commission rates, and other relevant factors including, but not limited to, execution, clearance, and settlement and error correction capabilities of the financial institution generally and in connection with securities of the type and in the amounts to be bought or sold; the institution's willingness to commit capital, reliability and financial stability; the size of the transaction; availability of securities to borrow for short sales; and the market for the security. However, Seven Eight Capital need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or otherwise to minimize the direct or indirect transaction costs. Accordingly, transactions will not always be executed at the best price or the lowest available commission. In addition, the commissions, fees and costs are not "execution only" rates; thus, the Firm's clients may be deemed to be paying for other services provided by the financial institution that are included in the commission rate, and the Firm may benefit to the extent it does not itself produce or pay for such services. It is expected that such services would include only brokerage and research services that are deemed to fall within the safe harbor provided by Section 28(e)

of the Securities Exchange Act of 1934. Such services can include, but are not limited to: research reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; and other products or services that may enhance the Firm's investment decision making, as well as post-trade brokerage services or communication services related to the execution, clearing and settlement of transactions. Receipt of such services from particular financial institutions may cause the Firm to have an incentive to select such institutions for execution of transactions over others from which the Firm's clients would receive the most favorable execution. These conflicts are addressed by the fact that we adhere to a policy that prohibits us from considering any factor other than our duty to seek best execution for our clients when we execute client transactions. The Firm does not receive client referrals from financial institutions used, but those financial institutions may refer investors in the fund to the Firm. The Firm attempts to limit the effect of any potential conflict of interest that these referrals present by regularly reviewing our brokers to ensure that they satisfy best execution requirements and are generally in line with other financial institutions used. The Firm does not pay up for capital introduction services.

#### **Item 12.B.**

The Funds are the only accounts for which Seven Eight Capital currently provides investment advice, so it does not aggregate orders for various accounts at this time.

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

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The Principals and the CIO oversee the review of the trading activity within the Funds on an ongoing basis. The Firm's staff and administrator review all trading related to our clients on a daily basis. Our Senior Controller and/or the COO also reviews our clients' cash and securities values and profit and loss on a monthly basis.

The Firm's custodian provides a written account statement or report to the client at least quarterly, depending on the terms negotiated between the specific client and Seven Eight Capital. On an annual basis, investors are sent the annual financial statements of the applicable Fund, and annual copies of their Schedule K-1 to the Fund's tax returns.

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

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##### **Item 14.A.**

No economic benefit from someone who is not a client is currently provided to Seven Eight Capital for providing investment advice.

##### **Item 14.B.**

Seven Eight Capital does not compensate any non-supervised person for client referrals.

### ***Item 15: Custody***

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Seven Eight Capital is deemed to have custody over the assets of the Adviser's Fund due to its affiliate's capacity as the General Partner while we do not have actual possession of client assets. The Funds' assets are held by banks or our prime brokers that are qualified custodians (as defined under Rule 206(4)-2).

To address the Firm's obligations as set forth in Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the "Custody Rule"), the Adviser's Fund is audited annually by an independent certified public accounting firm that is both registered with, and subject to regular inspection by, the Public Companies Accounting Oversight Board. Financial statements for the Adviser's Fund are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and are distributed to all investors within 120 days of the funds' fiscal year-end.

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### ***Item 16: Investment Discretion***

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Seven Eight Capital has full discretion to manage the Funds. The Firm has the authority to determine, without obtaining specific consent from the Funds or their respective investors, which instruments to buy or sell and the amount of instruments to buy or sell. This authority is granted pursuant to the relevant IMA.

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### ***Item 17: Voting Client Securities***

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Seven Eight Capital's systematic quantitative equity trading strategies involve high turnover of individual securities. This high turnover and the volume of securities would make voting proxies a costly procedure that would be of little practical benefit to Seven Eight Capital's clients. Accordingly, Seven Eight Capital has determined not to vote proxies, which was consented to by the clients in their IMAs. All inquiries regarding Seven Eight Capital's proxy voting policy should be directed to the Chief Compliance Officer.

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

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There are no conditions that impair the Firm's ability to meet its contractual and fiduciary commitments to its advisory clients. The Firm has not been subject to a bankruptcy petition, past or pending.