

## **Item 1. — Cover Page**

### **Schonfeld Strategic Advisors LLC**

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## **FORM ADV PART 2A**

**March 29, 2024**

This brochure (“Brochure”) provides information about the qualifications and business practices of Schonfeld Strategic Advisors LLC (the “Advisor”). If you have any questions about the contents of this Brochure, please contact us at +1 (212) 832-0900. 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.

The Advisor is registered as an investment adviser. Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

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

## **Item 2. — Material Changes**

The date of the last annual updating amendment to our Brochure was March 31, 2023. In addition, an other-than-annual update was submitted on September 15, 2023. The Advisor and the Advisor's management personnel do not have any information applicable to this Item.

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## Item 4. — Advisory Business

Schonfeld Strategic Advisors LLC (the “Advisor”) primarily provides discretionary advisory services to private investment funds, trading vehicles and certain of the Advisor’s affiliates. In limited cases the Advisor also may provide non-discretionary advisory services to an affiliate. The Advisor’s clients include, but are not necessarily limited to, private investment funds, trading vehicles and family office related entities. The Advisor also selects, and delegates trading discretion to, affiliated portfolio managers (including internal traders) and unaffiliated portfolio managers (collectively, “Portfolio Managers”) which provide discretionary investment advisory services to clients, including for risk hedging purposes. The Advisor is a Delaware limited liability company that was formed on September 9, 2015. The Advisor is owned 100% by three trusts for the benefit of Steven Schonfeld and/or his family (together, with certain affiliates of Steven B. Schonfeld, including Schonfeld Group Holdings LLC and its subsidiaries, collectively, “SGH”).

As of December 31, 2023, the Advisor’s regulatory assets under management were \$89,716,237,620 on a discretionary basis.

When acting as a discretionary adviser, the Advisor has discretion to trade directly for clients and allocate client assets to Portfolio Managers in its discretion. Affiliates that are supervised persons of the Advisor, including internal traders, are referred to herein as “Internal Portfolio Managers.” Managers and general partners of U.S. and non-U.S. private investment funds advised by the Advisor are affiliates of the Advisor; non-U.S. funds are managed by a general partner or Board of Directors, one or more of whose members are affiliates of the Advisor (as set forth herein, the Board and each manager and general partner shall be each referred to as a “Manager” and collectively as the “Managers”). Certain Portfolio Managers may also be affiliated “Relying Advisers” of the Advisor which, in accordance with relevant SEC guidance, operate under the Advisor’s SEC investment adviser registration. The Advisor may utilize additional or different Relying Advisers in the future or may cease to utilize any Relying Advisers.

Once selected by the Advisor, the Portfolio Managers exercise investment discretion for certain clients and trading vehicles (“Trading Vehicles”) managed by the Advisor and its affiliates. Clients’ assets are traded directly and/or through such Trading Vehicles. Assets of SGH are also traded through such Trading Vehicles. A Trading Vehicle also may invest in another Trading Vehicle. The assets of each client or Trading Vehicle are allocated to Portfolio Managers who manage client or Trading Vehicle assets through managed accounts or sub-accounts thereof. The Advisor determines and adjusts in its discretion the amount of assets to be allocated to each Trading Vehicle and among the Portfolio Managers and reallocates the amount of such assets between Portfolio Managers and Trading Vehicles periodically (including monthly). Portfolio Managers may also manage client and/or Trading Vehicle assets through private investment funds managed by such Portfolio Managers and/or their respective affiliates.

The investment strategies that the Advisor utilizes for any private investment fund client for which it acts as an investment adviser, as well as other information about an investment in such fund, including conflicts of interests, risk factors, and tax and other important disclosures, are described in the particular fund’s private offering documents, and investors in those funds must refer to such materials for specific information about such funds. The information in this Brochure is qualified in its entirety by such offering documents with respect to such private investment funds, which

must be read carefully, and in the event of any conflict between this Brochure and such offering documents, such offering documents will govern. The Advisor does not tailor its advisory services to the individual needs of the investors in any such fund or entity, and investors may not impose restrictions on investing in certain securities or types of securities. The Advisor does not participate in wrap fee programs. As set forth in a fund's offering documents, various actual and potential conflicts of interest exist among the Advisor, the Managers, their respective principals and their respective employees, agents and affiliates, a fund, other clients, the Portfolio Investments (hereafter defined), Portfolio Managers, and other clients of the Portfolio Managers, including actual and potential conflicts of interest related to fees, portfolio composition, portfolio valuation, expense allocation, selection of counterparties and best execution, treatment of investors, governance matters, limitation of liability, indemnification, allocation of trades and investment opportunities among various clients of the Advisor and Portfolio Managers and outside business activities and personal trading.

#### Certain Committees:

The Advisor has organized an executive committee (the "Executive Committee") currently comprised of Ryan Tolkin, Andrew Fishman, and Danielle Pizzo. The Executive Committee functions similarly to a board of directors and sets the strategic direction of the Advisor and the prioritization of major business initiatives. The composition of the Executive Committee may vary over time in the discretion of the Advisor. As a committee, the Executive Committee does not have discretionary authority or direct decision-making authority over client accounts. The Advisor has also formed a Global Investment Committee and Global Operating Committee comprised of certain senior officers of the Advisor. Certain senior officers of the Advisor are also senior officers of certain of its affiliates.

#### Certain Transactions:

The Advisor and certain of its affiliates entered into certain agreements with a large U.S. public financial services company ("Financial Services Company") and certain of its affiliates in 2019, with respect to certain transactions as set forth below and as described more fully in the funds' offering documents. The Financial Services Company is the parent company of an SEC-registered broker-dealer and of other U.S. and non-U.S. financial services entities. Under these agreements, (i) the Advisor purchased two asset management companies located in Asia which were owned by a subsidiary of the Financial Services Company and which specialize primarily in a fundamental equity investment strategy (the "Asia FE Portfolio Managers"), (ii) as part of the purchase price and in connection with the transactions, an affiliate of the Financial Services Company shares in certain revenue relating to the management fees and performance-based compensation charged to, or in respect of, clients utilizing a fundamental equity strategy, including a private fund primarily utilizing a fundamental equity strategy as well as other clients whose assets are managed or will be managed by the Asia FE Portfolio Managers, and (iii) an affiliate of the Financial Services Company (the "Company Investor") made an investment in a private fund managed by the Advisor, and is entitled to certain preferential rights as set forth in a side letter arrangement between that fund, the fund's Manager and the Advisor and the Company Investor. The applicable funds' offering documents contain further disclosures regarding the foregoing transactions, including related conflicts of interest.

As part of the foregoing transactions and as described in the applicable funds' offering documents, the Financial Services Company affiliate that receives the revenue share is also entitled to certain rights with respect to the business of the Advisor, its affiliates and certain funds utilizing a fundamental equity strategy but is not included in, and does not have authority over, day-to-day decision making with respect to the Advisor's business or investments on behalf of the Advisor's client accounts, including any fund. Such entity does not have any responsibility for the management or performance of any of the Advisor's client accounts, including any fund. The revenue share is calculated across certain funds utilizing a fundamental equity strategy using a number of benchmarks and factors. The above revenue share does not apply to (i) an existing fund primarily utilizing a fundamental equity strategy, or (ii) an existing special purpose vehicle formed for the purpose of allowing certain investors exposure to the other private funds advised by the Advisor (the "SPV").

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

The Advisor does not have a single standardized management fee or performance fee schedule. Generally, the Advisor charges a management fee ranging from 0.75% to 2% (depending on the applicable class of ownership interest) and a performance allocation (including on realized and unrealized gains) ranging from 12.5% to 22.5% (depending on the applicable class of ownership interest) that is allocated to the Manager, an affiliate of the Advisor, of such fund. Certain classes and special purpose vehicles may not be charged a management fee and/or performance allocation. Investors in certain classes of one private fund do not pay a management fee and instead are allocated the expenses of the Advisor and its affiliates as set forth in the fund's offering documents. Management fees and performance allocations may vary by investor or client, and the Advisor or the Manager may charge different fees or allocations and may waive or rebate a portion thereof. The management fee and performance allocations described above are in addition to the fees and performance-based compensation charged by Portfolio Managers who manage the funds' assets. Currently, private investment funds managed by the Advisor that are generally available for subscriptions utilize a mini-master feeder structure in which one fund invests (as a "feeder" fund) substantially all of its assets in another fund, acting as a "master" fund. To the extent any such structure involves a fee-paying fund client, management fees and performance-based compensation may be charged at either the "feeder" level or the "master" level, but not both.

The expenses of the Advisor are generally borne by its non-management-fee-paying clients and certain management-fee-paying clients (in each case, either by payment or reimbursement) and are allocated in the discretion of the Advisor or relevant Manager, as applicable. Expenses of the Trading Vehicles, the Portfolio Managers and the Advisor's affiliates are borne by non-management-fee-paying and management fee-paying clients of the Advisor, as applicable. Expenses of the Advisor may also be paid for through an offset using management fees of a management-fee-paying client. Expenses for a particular client will be allocated to such client. Client expenses also include the fees and performance-based compensation charged by or paid to Portfolio Managers (including Internal Portfolio Managers) who manage or trade such client's assets. Expenses for more than one client generally will be allocated to the applicable clients on a pro rata basis generally based on the total assets invested by each such client; however, in certain circumstances, as set forth in the relevant fund's private offering documents, the assets of Portfolio Managers (and their related parties, including, without limitation, investment vehicles sponsored and offered by Portfolio Managers and/or their affiliates) who invest in a certain class of a private

fund are only traded pursuant to that Portfolio Manager's strategy (and therefore not other Portfolio Managers in the fund) and are only subject to expenses associated with that class and its trading; accordingly, references to expense allocation on a pro rata basis do not include such class. Such class is also not subject to any performance allocation. The expenses of any such fund, the Trading Vehicles, the Advisor and its affiliates may be greater than the expenses incurred by investing in a similarly situated fund or utilizing the services of another investment adviser providing similar services and charging a management fee and performance-based compensation.

Certain expenses paid and/or indirectly borne by non-management-fee-paying clients, as well as certain management-fee-paying clients, reflect overhead expenses of the Advisor and its affiliates. Both management-fee-paying and non-management-fee-paying clients pay and/or indirectly bear the cost of the applicable Portfolio Managers which manage such clients' assets and the applicable Trading Vehicles through which client assets are managed, including advisory fees and performance-based compensation paid to Portfolio Managers. Internal Portfolio Managers receive performance-based compensation (and in limited cases, salaries) and certain employees and members of the Advisor and its affiliates are compensated (including through bonuses) based on the returns and/or performance of the Trading Vehicles and affiliates of SGH, the cost of which are indirectly borne by non-management-fee-paying clients and certain management-fee-paying clients on a pro rata basis as set forth in the applicable fund's offering documents. All or a portion of the management fee compensation payable by a certain management-fee-paying fund (to the extent not paid to the Financial Services Company and/or any Solicitor (hereafter defined)) will be used by the Advisor to offset expenses incurred by the Advisor and its affiliates. Any revenue paid to the Financial Services Company affiliate from amounts otherwise payable to the Advisor or the Manager from a fund will reduce the amount of the management fees available to be otherwise used to offset expenses as described herein. A similar offset will not occur in connection with performance-based compensation paid by the aforementioned management-fee-paying fund.

Certain classes of private investment funds managed by the Advisor are subject to a lock-up period. Notwithstanding such lock-up, under certain cases as described in such funds' offering documents, an investor in certain classes may be permitted to make a complete or partial withdrawal of its interest in such fund subject to a withdrawal fee ranging from 5% to 10% of the amount of withdrawal, which fee is payable to such fund (or the "master" fund in a "master- feeder" fund structure), not to the Advisor.

Private investment funds are subject to their own respective expenses. A particular fund's expenses are described in such fund's private offering documents. In addition to the foregoing fees, clients incur additional costs including brokerage commissions, transaction fees, and other costs and expenses which shall be incurred by the client, including charges imposed by the Portfolio Managers, custodians, brokers, and other third parties. Overall expenses may be substantial. Portfolio Managers (including though any private investment funds managed by the Portfolio Managers) also charge their own advisory fees and/or performance-based compensation, which are indirectly or directly borne by clients (and if invested therein, such investments will also be subject to the expenses of such private investment funds managed by such Portfolio Managers).

Management fees and performance-based compensation will be set forth in the respective private fund's offering documents or if applicable, other client disclosures and/or documentation.

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

Generally, a performance allocation of, depending on the applicable class of ownership interest, 12.5% to 22.5% (including on realized and unrealized gains) may be allocated to the Manager of a respective fund. Performance allocations are subject to a loss recovery account or “high water mark,” and may be subject to certain other adjustments, as described in a fund’s offering documents.

These funds’ performance allocations are in addition to the fees and performance-based compensation charged by Portfolio Managers who manage such funds’ assets. For all clients, Portfolio Managers (including Internal Portfolio Managers) are paid performance-based compensation, which is directly or indirectly borne by clients whose assets are managed or traded by such Portfolio Managers. Internal Portfolio Managers receive performance-based compensation (and in limited cases, salaries) and certain employees and members of the Advisor and its affiliates are compensated (including through bonuses) based on the returns and/or performance of the Trading Vehicles and affiliates of SGH, the cost of which are indirectly borne by non-management-fee-paying clients and certain management-fee-paying clients on a pro rata basis as set forth in the applicable fund’s offering documents.

Performance-based compensation may create an incentive for the Advisor or a Portfolio Manager to cause the funds described above, or, as applicable, a client, to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation. In addition, because the performance-based compensation is calculated on a basis that includes unrealized appreciation of such funds’ or client’s assets, it may be greater than if such compensation were based solely on realized gains.

The Advisor manages the assets of SGH within the same Trading Vehicles as assets of non-affiliated clients (over which Portfolio Managers of such Trading Vehicles exercise trading discretion). As described above, the Advisor also manages client assets for which the Advisor itself does not charge any management fee and such clients are subject to various expenses, including Advisor overhead expenses. The Advisor may have a conflict of interest by managing these management-fee and non-management-fee paying clients at the same time, including that the Advisor may have an incentive to favor a client for which it (or a Manager affiliate of it) receives a performance-based fee or allocation (including by devoting more time to such client) and may have an incentive to allocate expenses to non-management-fee-paying clients instead of management-fee-paying clients who do not bear such expenses. In connection with the foregoing, the Advisor has agreed that all or a portion of the management fee compensation payable by the management-fee-paying fund described above (to the extent not paid to the Financial Services Company and/or any Solicitor (hereafter defined)) will be used by the Advisor to offset expenses incurred by the Advisor and its affiliates. See also Item 5 – Fees and Compensation and Item 4 – Advisory Business above.

The Advisor may receive management fees and the Advisor’s affiliates may receive performance-based compensation from other private investment funds in the future. Such compensation will be set forth in the respective private fund’s offering documents.



## **Item 7. — Types of Clients**

A description of the Advisor's clients is provided above in Item 4 – Advisory Business. As described above, in certain circumstances, private investment funds managed by the Advisor (so-called “feeder” funds) invest in other private investment funds acting as “master” funds, also managed by the Advisor. Certain fund clients have been formed under the laws of a foreign jurisdiction (i.e., a non-U.S. fund). With respect to any private investment fund, investment advice will be provided to such fund, as applicable, and not individually to each of the investors in the fund. A private investment fund may have different classes with different subscription, withdrawal and other terms.

The investment minimums and investor eligibility requirements relating to investments in a private investment fund advised by the Advisor are stated in the fund's offering documents. The Managers of such funds (which are affiliates of the Advisor) may waive or reduce the amount of any such minimum initial or additional subscriptions or withdrawals in their sole discretion, subject to applicable legal or regulatory requirements.

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

The overall objective of the Advisor's investment strategy is to achieve capital appreciation of client assets at superior risk-adjusted rates of return. The primary general investment strategies in which the Portfolio Managers invest are: Fundamental Equity/Relative Value, Global Quantitative/Statistical Arbitrage (including Systematic Macro), Market Neutral, Tactical Trading (which may include, but is not limited to, Risk/Merger Arbitrage, Volatility Arbitrage, and Special Situations/Event Driven Trading) and Discretionary Macro and Fixed Income (which may include, but is not limited to, Credit, Volatility, Global Macro, Specialist and Relative Value). In addition to these primary strategies, certain Portfolio Managers may also invest, directly or indirectly, in equity and debt securities of unaffiliated private companies (“Private Securities”). Specific risk disclosures related to such investments will be set forth in the respective private fund's offering documents.

The Advisor invests in U.S. and non-U.S. financial instruments for its clients, including but not limited to, stocks, exchange-traded funds (“ETFs”), bonds, options, warrants, swaps, forwards, futures, currencies, futures contracts (including, but not limited to, exchange-traded Bitcoin and Ether futures contracts), commodities, repurchase agreements, partnership, limited liability company and other equity interests (including Private Securities), money market instruments, debt securities and other securities and derivatives (collectively, “Instruments”). The Portfolio Managers (including private investment funds managed by the Portfolio Manager) also invest in a variety of Instruments.

The Advisor identifies prospective Portfolio Managers through disciplined “bottom-up” analyses, involving the quantitative assessment of historical risk/return characteristics of the Portfolio Manager, with particular attention paid to a Portfolio Manager's performance during times of dislocating markets. Other important quantitative considerations include market correlation and betas, return distribution skewness, growth in assets under management (and the potential for performance deterioration, as a result of this growth), investment identification methodology (e.g., statistical versus fundamental), frequency of position turnover, degree of position concentration

with a Portfolio Manager's holdings, and lock-up requirements. The Advisor bases decisions to allocate capital on both the quality of the Portfolio Manager and the particular fit of such Portfolio Manager's investment strategies within the client's portfolio, based on the then prevailing portfolio composition.

In addition to quantitative analysis, the Advisor believes that a qualitative and subjective assessment of a Portfolio Manager's business operations and infrastructure is essential to the process, due to the existence of "operational risk." The Advisor performs due diligence on each prospective Portfolio Manager.

Each Portfolio Manager is responsible for its own portfolio composition and risk management activities. However, the Advisor monitors performance, strategy drift, portfolio composition and portfolio diversification of the Portfolio Managers. In general, the Advisor has real-time or other intraday trading information with respect to the Portfolio Managers. The Advisor may allocate and reallocate assets to a Portfolio Manager or between and among Portfolio Managers in its discretion, subject to the terms of the investment management or similar agreement with each Portfolio Manager. Certain Portfolio Managers trade the assets of more than one Trading Vehicle. The Advisor (and its respective supervised persons) do and may serve as a Portfolio Manager.

**The following is a summary of the material risks associated with the Advisor's strategy. Investors in private investment funds advised by the Advisor must review the fund's offering documents for a description of the risks associated with the fund and its investment strategy, including other risks such as general economic risks, regulatory risks, operational risks (including cybersecurity risks), tax risks, and other risks related to the fund(s).**

**As used herein and elsewhere in this Brochure, as applicable: (i) the "Fund" refers to the private investment fund clients (which include funds that are part of "master-feeder" structures) advised by the Advisor and managed by a Manager; (ii) "investor" refers to an investor in a Fund; and (iii) "Portfolio Investments" generally refers to Trading Vehicle-managed accounts or sub-accounts managed by the Portfolio Managers (and the Instruments traded therein) and the private investment vehicles managed by such Portfolio Managers. As applicable based on context, references to a Fund include the Trading Vehicles through which such Fund trades its assets and references to Trading Vehicles and trading conducted by Trading Vehicles also includes references to Fund(s) and trading conducted by such Fund(s) to the extent those Fund(s) trade directly and not through Trading Vehicles.**

**Risk of Loss:** Investing in securities involves risk of loss that clients should be prepared to bear. All investments in securities and other financial investments involves substantial risk of volatility arising from numerous factors that are beyond the control of the Advisor and investment managers utilized by the Advisor, including market conditions, changing domestic or international economic or political conditions, changes in tax laws and government regulation and other factors.

**Multiple Levels of Expense.** As with most multi-manager investment platforms, in addition to fees and compensation charged by the Advisor and its affiliates, and expenses at one or more Fund levels, the Portfolio Managers and the Portfolio Investments charge and/or impose fees (including management fees and performance-based compensation) and expenses. These fees and expenses

result in lower returns on investment than if such fees and expenses were not charged or imposed. Portfolio Managers may charge fees directly or through an underlying fund which they and/or their affiliate manage (at which level, such fund will also bear its own expenses). The multiple levels of fees and expenses will reduce the overall profitability of the Fund. Investors in the Fund are subject to higher aggregate fees and expenses than if they were able to invest with such Portfolio Managers or Portfolio Investments directly.

**General Investment and Trading Risks.** All investments risk the loss of capital. No guarantee or representation is made that the Fund's and the Portfolio Investments' investment programs will be successful or profitable. The Fund's and the Portfolio Investments' investment programs may involve, without limitation, risks associated with limited diversification, leverage, interest rates, currencies, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Fund's and the Portfolio Investments' activities. Certain investment techniques utilized by the Fund and the Portfolio Investments will, in certain circumstances, substantially increase the impact of adverse market movements to which the Fund and such Portfolio Investments will be subject. In addition, the Fund's and the Portfolio Investments' investments will be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Fund and the Portfolio Investments invest their assets, including conditions resulting from wars, terrorist acts, natural disasters, security operations, local epidemics or global pandemics. The Fund's and the Portfolio Investments' methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information can be misinterpreted.

**Activities of Investment Managers and Investment Funds:** While the Advisor receives information about the Portfolio Managers, the Advisor ultimately will not have complete control over the day-to-day operations of any unaffiliated investment fund or investment manager. As a result, there can be no assurance that every investment fund or investment manager will invest on the basis expected by the Advisor. Furthermore, because the Advisor will not have complete control over any investment fund's or investment manager's day-to-day operations, clients may experience losses due to the fraud, poor risk management or recklessness of the investment funds or the investment managers.

**Allocation Risks:** Investment performance will depend largely on the Advisor's decisions as to strategic asset allocation and tactical adjustments made to the asset allocation. At times, the Advisor's judgments as to the asset classes in which clients should invest may prove to be wrong, as some asset classes may perform worse than others or the equity markets generally from time to time or for extended periods of time.

**Risks of Net Asset Valuation Determinations.** The Manager is involved in determining the Fund's net asset value, and this process involves substantial discretion and subjectivity, particularly in the case of illiquid investments. Prospective investors should be aware that situations involving uncertainties as to the valuation of the Fund's investments, particularly in the case of illiquid investments, could have a material adverse effect on net asset value if the judgment of the Manager regarding appropriate valuations should prove to be incorrect. Even the Manager's

good faith judgment as to fair value may not accurately reflect the prices at which the Fund could actually purchase or sell certain assets. There is no assurance that such valuations will be correct or timely made. In certain circumstances, the Manager may rely on price information supplied by third party industry participants or counterparties to the transactions being valued. These industry participants and counterparties may have an incentive to supply valuations that are more favorable to themselves than to the Manager and such information may not reflect fully appropriate valuations. Net asset value determinations, including regarding unrealized appreciation, generally are conclusive and binding on all Members. Because the performance allocation is calculated on a basis that includes unrealized appreciation in the Fund's portfolio, the performance allocation may create an incentive for the Manager to value or time investments so as to maximize the performance allocation, rather than the return of the Fund.

**Quantitative Strategy Risks.** Certain of the Portfolio Managers' investment strategies may rely upon quantitative models and systems. Such models and systems generally entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that the Portfolio Managers will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose the Fund to the risk of significant losses. In addition, the analytical techniques that may be used by the Portfolio Managers cannot provide any assurance that the Fund will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by the Portfolio Managers change in ways not anticipated by the Portfolio Managers. The effectiveness of quantitative models and systems may diminish over time and attempts to apply existing quantitative models and systems to new or different markets or strategies may prove ineffective. Quantitative strategies are also subject to human error which can result in significant losses.

To the extent that information regarding the Fund's and/or a Portfolio Investment's positions or trades becomes or is required to be made publicly available, there is a material risk that other market participants may seek to reverse engineer the Portfolio Manager's quantitative investment strategies from such public information. The use of the Portfolio Manager's investment strategies by other persons, whether as a result of reverse engineering, "frontrunning" or other actions, may have a material adverse effect on the performance of the Fund.

**Equity Risks.** The Fund and the Portfolio Investments invest in equity and equity-linked securities. Equity long/short strategies typically consist of a core holding of long equities hedged with short sales of equities or stock index options, often based on the Portfolio Manager's assessment of fundamental value compared to market price. It is expected that a Portfolio Manager employing an equity long/short strategy may (i) focus on companies within specific industries; (ii) focus on companies only in certain countries or regions; or (iii) employ a more diversified approach, allocating assets to opportunities across investing styles, industry sectors and geographic regions.

The value of equity and equity-linked securities generally will vary with the performance of the issuer and movements in the equity markets generally and for specific sectors. As a result, the Fund and the Portfolio Investments may suffer losses if they invest in equity securities of issuers whose performance falls below market or industry expectations or if equity markets generally or specific sectors decline and the Fund and/or the Portfolio Investments have not hedged against such a decline. In their equity derivatives and private placements businesses, the Fund and the

Portfolio Investments will be exposed to risks that issuers will not fulfill their contractual obligations to the Fund and the Portfolio Investments, such as delivering marketable common stock upon conversions of convertible securities, registering restricted securities for public resale and maintaining listings on exchanges.

**ETFs.** The Fund and the Portfolio Investments may invest in ETFs. ETFs are funds that track a particular basket or index of securities traded on a public exchange. In this manner, ETFs are similar to open-ended index mutual funds. However, ETFs are traded like stocks on stock exchanges. Accordingly, although investments in mutual funds and ETFs are subject to similar risks, ETFs have certain unique risks not shared by mutual funds. Some of the risks of investments in ETFs include the following:

- (i) *General Risks* – An investment in ETFs comprised of publicly traded stocks are subject to the risks that impact the portfolio of underlying stock, including market risks resulting from such factors as economic and political developments, changes in interest rates and perceived trends in stock prices. In addition, investment techniques such as short selling and margin debt may be used with ETFs which would expose the Fund and the Portfolio Investments to the risks associated with those investment techniques. As a result of the application of the anti-pyramiding provisions of the Investment Company Act of 1940, as amended, the amount the Fund and the Portfolio Investments may invest in a particular ETF may be limited.
- (ii) *ETF Trading* – It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole even when stock prices in general are rising. Risk is also involved in ETF selection. Unlike open-ended mutual funds, ETFs may potentially trade above or below the value of their underlying portfolios. While most ordinary mutual funds can only be bought or sold at the end of the day at the calculated net asset value of the fund, ETFs may be purchased or sold throughout the day at prices that are not guaranteed to match the underlying value of the stocks in the portfolio. Accordingly, the Fund and the Portfolio Investments could be exposed to corrective forces if they inadvertently purchase an ETF at a premium to the underlying value of the stocks in the ETF.
- (iii) *Layering of Fees* – With respect to the Fund’s and the Portfolio Investments’ investment in ETFs, the Fund’s and the Portfolio Investments’ direct fees and expenses, coupled with their indirect fees and expenses, results in at least two levels of fees and greater expense than would be associated with direct investment. The Fund’s and the Portfolio Investments’ expenses related to their investment in ETFs thus may constitute a higher percentage of net assets than expenses associated with other investment vehicles.
- (iv) *Trading in Specialty or Sector ETFs* – The Fund and the Portfolio Investments may invest a portion of their assets in ETFs that are industry, sector or capitalization specific, and thereby may be subject to the volatility attendant with such a specialized focus.
- (v) *Distributions from ETFs* – The tax regulations pertaining to ETFs generally cause them to distribute their taxable gains in the form of a dividend near year-end. The share price of the ETF would generally drop by a corresponding amount on the ex-dividend date of the distribution. Such distributions are made on a pro rata basis without regard to the

actual gains or losses an individual ETF shareholder may have sustained. Accordingly, investors who have real economic gain less than the amount of the dividend may then have a motivation to sell those ETF shares to claim the drop in share price as a capital loss and thereby offset the income distribution. However, wash sale rules require that the investor not reinvest for thirty-one (31) days in order to claim the capital loss deduction. Accordingly, tax strategies employed by other investors may increase the price volatility of ETF shares and of securities owned by such ETFs at times near to the distribution of such a dividend. Similarly, the Fund and the Portfolio Investments may elect to manage their taxable income by avoiding certain ETFs during such ETFs' income distributions, thereby introducing an additional element of risk into their timing models.

**Market Neutral.** Market neutral strategies try to avoid market directional influences and seek to generate returns primarily from stock selection. Portfolio Managers construct long and short baskets of equity securities they determine to be mispriced relative to each other, typically with similar characteristics. Portfolios are generally designed to exhibit low beta to equity markets. Beta measures the degree to which an asset's price changes when a reference asset's price changes. For example, a beta greater than one suggests that for every 1% change in the reference asset's price, the asset will move greater than 1%.

The use of "market neutral" or "relative value" hedging or arbitrage strategies should in no respect be taken to imply that the strategy is without risk. Substantial losses may be recognized on "hedge" or "arbitrage" positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every market neutral or relative value strategy involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds, or the price spread between different classes of stock for the same underlying issuer. Further, the "market neutral" strategy may employ limited directional strategies that expose the Fund and the Portfolio Investments to certain market risks.

**Relative Value.** Relative value strategies seek to profit from the mispricing of Instruments, capturing spreads between related Instruments that deviate from their fair value or historical norms. Directional and market exposure is generally held to a minimum or hedged. Strategies that may be utilized in the relative value sector include statistical arbitrage. Statistical arbitrage strategies involve taking advantage of historical price relationships between Instruments. The price relationships are generally simulated with statistical or other mathematical models constructed using historical data. Positions are entered into when the models indicate that there is an opportunity to profit from anticipated price movements.

The relative value and arbitrage markets in which the Fund expects (indirectly through Portfolio Investments) to participate, as well as the other markets and strategies in which the Fund may participate, are extremely competitive. There can be no assurance that the Portfolio Managers and the Portfolio Investments will be able to identify or successfully pursue attractive investment opportunities in this environment. Investors should expect that the Portfolio Investments' investments will involve substantially more company-specific and market risk and associated volatility in the future than in the past, as arbitrage and similar opportunities are further reduced or eliminated. The Portfolio Investments and the Portfolio Managers may compete with many

firms that have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to such persons.

**Merger Arbitrage.** Merger arbitrage typically involves the simultaneous purchase of stock in a company that is being acquired and the sale of stock in its proposed acquirer. The Portfolio Managers may engage in merger arbitrage transactions and, in such event, will generally attempt to profit from such transactions by virtue of the expected rise in the price of the target company's shares and drop in the price of the acquirer's shares. While the Portfolio Managers generally will attempt to identify mergers and acquisitions with a high probability of completion, there is no guarantee that any such transaction will close. In the event that a merger and acquisition transaction selected by the Portfolio Managers as an arbitrage opportunity does not close, some of the Fund's and the Portfolio Investments' investment may be lost. Factors that may prevent a merger or acquisition transaction from closing include, without limitation, a failure to obtain antitrust clearance from the U.S. Federal Trade Commission or the U.S. Department of Justice under the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and/or an "industry specific" regulatory authority (e.g., the U.S. Federal Reserve Board for certain banking organizations and the U.S. Federal Communications Commission for certain media businesses), the failure of the target's and/or acquirer's stockholders to approve the transaction, a substantial decline in the acquirer's stock price and the inability of a target to meet financial performance targets. In addition, because the public company mergers and acquisitions market is cyclical and tied to the overall economy, the identification of a sufficient number transactions suitable for merger arbitrage is not guaranteed.

**Volatility Arbitrage.** Volatility arbitrage typically involves both purchases and sales (writing) of options, futures and other derivatives, as well as purchases and short selling of their underlying securities. In that scenario, a Portfolio Manager employing a volatility arbitrage strategy may attempt to exploit mispricing of options or derivatives and their respective underlying securities or sets of securities. Many of the instruments that may be traded by the Portfolio Managers have been subject to periods of high and/or low price volatility in the past, and such periods can be expected to recur for those and other instruments, affecting the returns of such instruments. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions. For example, the European Union sovereign debt crisis disrupted global equity markets and resulted in volatile bond yields on the sovereign debt of E.U. members.

While volatility can create profit opportunities for the Fund and the Portfolio Investments, it can also create the specific risk, in the case of the Fund and such Portfolio Investments, that historical or theoretical pricing relationships could be disrupted or changed indefinitely, causing what should otherwise be comparatively low-risk positions, including, but not limited to, short positions established for hedging purposes, to incur losses. On the other hand, the lack of volatility can also result in losses for the Fund and certain of the Portfolio Investments that profit from price movements.

**Index Rebalancing.** The Fund and the Portfolio Investments may take positions to profit from index rebalancings. Due to the large amounts of funds that now explicitly or implicitly track various equity indices around the world, additions and deletions of specific securities from a widely followed equity index can lead to substantial trading opportunities. For example, the

addition of a stock to a particular index may lead to a significantly increased demand for that stock even after the announcement date. Successful index rebalancing efforts by the Fund and the Portfolio Investments will be contingent upon the Advisor's and the Portfolio Managers' ability to predict movements in the price of specific stocks in light of related market considerations.

**Special Situation Investments/Distressed Companies.** Certain investments of the Fund and the Portfolio Investments may involve start-up companies, companies developing new products or companies seeking to raise additional capital for expansion. In addition, the Portfolio Managers may invest in companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns to the Fund and the Portfolio Investments, they involve a substantial degree of risk. Any one or all of the issuers of the Instruments in which the Portfolio Investments may invest, directly or indirectly, may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Portfolio Managers will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Fund or a Portfolio Investment invests, the Fund or such Portfolio Investment may lose its entire investment or may be required to accept cash or Instruments with a value less than the Fund's or the Portfolio Investment's original investment.

**Event-Driven Strategies.** A portion of the Fund's investments may involve speculative purchases or sales of equity interests of companies that the Portfolio Managers believe are mispriced because of an extraordinary event, or that are expected to undergo a change in value because of an expected occurrence. This may include companies that are involved in (or are the target of) acquisition attempts or tender offers, work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special event, there is a risk that the contemplated event either will not occur (for example, for failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will fail to have the expected result on the price of the Instruments purchased by the Fund (for example, by resulting in a distribution of cash or a new Instrument the value of which is less than the purchase price of the Instruments in respect of which such distribution was made). There may be substantial uncertainty concerning the outcome of such events, and attempting to identify and make investments based on the predicted outcome of such events generally entails a high degree of risk. Accordingly, there can be no assurance that the Portfolio Managers will correctly evaluate the likelihood of a favorable investment outcome in connection with such events, which could result in substantial losses to the Fund and the Portfolio Investments.

**Reliance on Fundamental Analysis.** Portfolio Managers may base their trading decisions, in whole or in part, on fundamental analysis. Fundamental trading systems consider factors, such as inflation, trade balances, inventories and interest rates, which do not have an impact on traditional technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, the fundamental trading systems may not be able to detect and/or accurately predict price trends. There can be no guarantee that the Portfolio Managers' fundamental trading systems will enable the Portfolio Managers to accurately value the



Instruments in which they invest or that any anticipated price trends will materialize with respect to such investments.

**Risk Arbitrage.** The difference between the price paid by the Fund or the Portfolio Investments 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 very small. If it appears likely that a proposed transaction will not be consummated or if it is not consummated or is otherwise delayed, the market price of the target's securities will usually decline sharply, often by more than the Fund's or the Portfolio Investments' anticipated profit.

The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or shareholders of the target company, which often results in litigation to enjoin the proposed transaction; (ii) intervention of a U.S. federal or state regulatory agency or other governmental bodies; (iii) efforts by the target company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary shareholder approvals; (v) market conditions resulting in material changes in securities prices; and (vi) compliance with any applicable laws. To the extent that the Fund's or the Portfolio Investments' positions are leveraged, any delays in the consummation of proposed transactions will increase the cost incurred by the Fund or such Portfolio Investments.

Often a tender or exchange offer is made for less than all of the outstanding securities of an issuer or a higher price is offered for a limited amount of the securities, with the provision that, if a greater number is tendered, securities will be accepted pro rata. Thus, a tendering arbitrageur may have returned a portion of the securities tendered. Since, after completion of the tender offer, the market price of the securities may have declined below its cost, a sale of any returned securities may result in a loss.

The Fund or the Portfolio Investments may invest and trade in securities of companies that the Portfolio Managers believe are undervalued in the sense that, although they are not the subject of an announced tender offer, merger or acquisition transaction, in the Portfolio Managers' view, such companies are potential candidates for such a transaction. In such a case, if the anticipated transaction does not in fact occur, the Portfolio Investments may sell the securities at a loss.

**Capacity Risks.** As a result of the capacity limitations of the Portfolio Managers, it is possible that not all Portfolio Managers utilized by the Advisor for certain clients will be fully utilized (or utilized as the Advisor intends) with respect to the Funds or the Trading Vehicles and there may be portfolio managers that the Advisor may otherwise wish to utilize but cannot because of capacity limitations. In addition, an investor may want to contribute additional capital to the Fund during periods when certain Portfolio Managers may no longer be accepting additional allocations of Notional Buying Power. In such instance, the additional capital would have to be allocated to Portfolio Managers accepting additional allocations of Notional Buying Power. There is no assurance that any of the Portfolio Managers will have the ability to accept additional capital or Notional Buying Power. The Fund's success depends, therefore, not only on the Portfolio Managers which have been allocated Notional Buying Power and its ability to allocate Notional Buying Power successfully among those Portfolio Managers, but also potentially on the Advisor's ability to identify new Portfolio Managers which the Advisor may not be able to do. There is also

a risk that the Fund or the Trading Vehicles may not be able to implement the investment strategy as intended by the Advisor as a result of these capacity limitations or the availability of Portfolio Managers.

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

**Risks Inherent in International Investments.** The Fund and the Portfolio Investments invest in Instruments of non-U.S. corporations and governments, including those in developing nations and emerging markets. Investing in the Instruments of companies and governments outside of the United States involves certain considerations not usually associated with investing in Instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization and general social, political and economic instability; imposition of withholding and other taxes on dividends, interest, capital gains and other income; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Fund’s and the Portfolio Investments’ investment opportunities or their ability to repatriate funds. Such considerations also apply to, and could increase the risks associated with, holding positions in custodian accounts located in or governed by the laws of other countries. In addition, accounting and financial reporting standards that prevail outside of the United States generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the United States than for those located in the United States. Instruments traded on foreign exchanges and the foreign nationals or entities that trade these Instruments are generally not subject to the jurisdiction of the SEC or the U.S. Commodity Futures Trading Commission (“CFTC”) or other securities and commodities laws and regulations of the United States. Accordingly, the protections accorded to the Fund and the Portfolio Investments under such laws and regulations will be unavailable for transactions on foreign exchanges and with foreign counterparties.

Any of these issues relating to investments in foreign companies and governments may reduce the overall return on investment realized by the Fund, the Portfolio Investments and the investors.

**Risks Inherent in Emerging Markets Investments.** Certain Fund and Portfolio Investment investment programs include investments in Instruments issued by issuers based in emerging markets, including the governments of such countries. Such investments may be subject to risks that are different than those related to investments in more developed markets due to the inexperience of financial intermediaries in emerging markets countries, the lack of modern technology, the lack of a sufficient capital base to expand business operations and the possibility

of temporary or permanent termination of trading. Political and economic structures in many emerging markets may be undergoing significant evolution and rapid development, and emerging markets may lack the social, political and economic stability characteristics of more developed countries. As a result, the risks relating to the investments described above, including the possibility of nationalization or expropriation, may be heightened. In addition, certain countries may restrict or prohibit investment opportunities in issuers or industries deemed important to national interests. Such restrictions may affect the market price, liquidity and rights of securities that may be purchased by the Fund and/or the Portfolio Investments. Settlement mechanisms in emerging securities markets may be less efficient and less reliable than those in more developed markets and placing securities with a custodian or broker-dealer in an emerging markets country may also present considerable risks. The small size of securities markets in such countries and the low volume of trading may result in a lack of liquidity and in substantially greater price volatility than what would be expected with respect to similar investments from issuers in more developed markets.

**Interest Rate Risks.** The investment programs of the Fund and the Portfolio Investments include investments in debt securities of government and corporate issuers. These and various other assets, as well as the Fund's and the Portfolio Investments' borrowings, will subject the Fund and Portfolio Investments' to risks associated with movements in interest rates. For example, the Portfolio Investments will be required to manage both curve risk, which is the risk that the slope of the yield curve will vary from the slope assumed in the Fund's and the Portfolio Investment's strategy, and credit spread risk, which is the risk that the spreads between yields of differently rated issuers will change in a manner that adversely affects the Fund's and the Portfolio Investment's portfolio. In general, as interest rates fall, a debt security's price will rise, and as interest rates rise, the security's price will fall. When interest rates fluctuate, the duration (which is generally based on the weighted average life of the cash flow of a security) may be used as an indication of the degree of change in the debt security's price. Generally, the bigger its duration value, the larger the change in the debt security's price for a given movement in interest rates.

**Trade Errors.** On occasion, errors may occur with respect to trades executed on behalf of the Portfolio Managers. Trade errors can result from a variety of situations, including, for example, when the wrong security is purchased or sold, or when the wrong quantity is purchased or sold, and can include large-scale programming and connectivity errors. Trade errors frequently result in losses but may, occasionally, result in gains. The Manager, the Advisor and the Portfolio Managers will endeavor to detect trade errors prior to settlement and correct and/or mitigate them in an expeditious manner. To the extent an error is caused by a third-party, such as a broker, the Manager, the Advisor and the Portfolio Managers may seek to recover any losses associated with such error from such third-party. Each of the Manager, the Advisor and the applicable Portfolio Manager, as the case may be, will determine whether any trade error has resulted from gross negligence or breach of a fiduciary duty on its part, and, unless it finds that to be the case, any losses will be borne by (and any gains will benefit) the Fund and the Trading Vehicles.

**Fixed Income Securities.** The investment programs of the Fund and certain Portfolio Investments include investments in fixed income securities of U.S. and non-U.S. issuers including, without limitation, bonds, notes, debt instruments, debentures and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Fund and the Portfolio Investments may invest will change in response to fluctuations

in interest rates and general levels of volatility. Generally, when interest rates decline, the value of a long fixed income position can be expected to rise while that of a short fixed income position can be expected to decline. Conversely, when interest rates rise, the value of a long fixed income position can be expected to decline while that of a short fixed income position can be expected to rise. In addition, the value of certain fixed income securities can fluctuate in response to the relative financial condition of the issuer, perceptions of creditworthiness, 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), including bankruptcy, 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 maturity and duration of a fixed income instrument also affects the extent to which the price of the security will change in response to these and other factors. Longer term securities tend to experience larger changes than shorter term securities because they are more sensitive to changes in interest rates or in the credit ratings of the issuers. The average duration of a fixed income portfolio measures its exposure to the risk of changing interest rates. A portfolio with a lower average duration generally will experience less price volatility in responses to changes in interest rates as compared with a portfolio with a higher duration.

**Treasury Inflation Protected Securities.** Certain Fund and Portfolio Investment investment programs include investments in Treasury Inflation Protected Securities (TIPS). TIPS are inflation-linked securities issued by the U.S. government whose principal value is adjusted periodically in accordance with the rise and fall in the inflation rate. Thus, the dividend amount payable is also impacted by variations in the inflation rate, as it is based upon the principal value of the bond. Repayment at maturity is guaranteed by the U.S. government and may be adjusted for inflation to become the greater of the original face amount at issuance or that face amount plus an adjustment for inflation. Similar to other fixed-income instruments, TIPS are subject to various risks including changes in credit quality, market valuations, liquidity, prepayments, early redemption, corporate events, tax ramifications and other factors.

**U.S. Government Securities.** Certain Fund and Portfolio Investment investment programs include investments in U.S. government securities. U.S. government securities are debt securities (including bills, notes, and bonds) issued by the U.S. Treasury or issued by an agency or instrumentality of the U.S. government which is established under the authority of an Act of U.S. Congress. Such agencies or instrumentalities include, but are not limited to, Fannie Mae, Ginnie Mae (also known as Government National Mortgage Association), the Federal Farm Credit Bank, and the Federal Home Loan Banks. Although all obligations of agencies, authorities and instrumentalities are not direct obligations of the U.S. Treasury, payment of the interest and principal on these obligations may be backed directly or indirectly by the U.S. government. Not all securities issued by the U.S. government and its agencies and instrumentalities however are backed by the full faith and credit of the U.S. Treasury. This support can range from the backing of the full faith and credit of the United States to U.S. Treasury guarantees, or to the backing solely of the issuing instrumentality itself. In the case of securities not backed by the full faith and credit of the United States, the investor must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment, and may not be able to assert a claim against the United States itself in the event the agency or instrumentality does not meet its commitments.

The Fund and the Portfolio Investments are subject to interest rate and market risks. The prices of government securities tend to fall as interest rates rise. Securities that have longer maturities tend to fluctuate more in price in response to changes in market interest rates than do securities with shorter maturities. This risk is usually greater when inverse floaters are held by the Fund or the Portfolio Investments. If interest rates fall, it is possible that issuers of callable bonds with high interest coupons will prepay their bonds before their maturity date. If a bond was prepaid during a period of declining interest rates, the applicable Fund and the Portfolio Investments may replace the security with a lower yielding security.

**Bond Trading.** To the extent that the Fund and the Portfolio Investments engage in transactions in individual debt instruments, the Fund and such Portfolio Investments will be subject to the risk of issuer default. The Fund and the Portfolio Investments may invest in bonds that are highly rated and/or have insurance features in order to minimize this risk. However, certain bonds with high coupons may have early redemption features and, to the extent that they get called away prior to maturity, the Fund and the Portfolio Investments will be deprived of the benefits thereof. In addition, the market value of debt instruments is a function of current interest rates and maturity.

**Sovereign Debt Risk.** The Fund and the Portfolio Investments will invest in sovereign debt securities, which involve special risks. The governmental authority that controls the repayment of the debt may be unwilling or unable to repay the principal and/or interest when due in accordance with the terms of such securities due to: the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, or the government debtor's policy towards the International Monetary Fund and the political constraints to which a government debtor may be subject. If an issuer of sovereign debt defaults on payments of principal and/or interest, the Fund and the Portfolio Investments may have limited legal recourse against the issuer and/or guarantor. In certain cases, remedies must be pursued in the courts of the defaulting party itself, and the ability of the Fund and the Portfolio Investments to obtain recourse may be limited.

**High Yield Securities.** Certain Fund and Portfolio Investment investment programs may include investments in "high yield" bonds and preferred securities, which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Instruments in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated Instruments and are generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal. They also are generally considered to be subject to greater risk than Instruments with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated Instruments, the yields and prices of such Instruments may tend to fluctuate more than those of higher-rated Instruments. The market for lower-rated Instruments is thinner and less active than that for higher-rated Instruments, which can adversely affect the prices at which these Instruments can be sold. During periods of economic downturn or rising interest rates, the issuers of high yield securities may have greater potential for insolvency and a higher incidence of high yield bond defaults may be experienced. In addition, adverse publicity and investor perceptions about lower-rated Instruments, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated Instruments.

**Credit Risk of Issuers.** The Fund and the Portfolio Investments will invest in Instruments that have built-in convertibility (from debt to equity) features. The risks associated with such Instruments include credit risk. Credit risk is the possibility that an issuer will be unable to make interest payments and repay principal when due. Changes in an issuer's financial strength or in an Instrument's credit rating may affect an Instrument's value. Instruments rated below investment grade, sometimes called "junk bonds," generally have more credit risk than higher rated Instruments.

**Credit Ratings.** Credit ratings of debt securities are not a guarantee of quality. A credit rating represents only the applicable rating agency's opinion regarding credit quality based on the rating agency's evaluation of the safety of the principal and interest payments. In determining a credit rating, rating agencies do not evaluate the risks of fluctuations in market value. As a result, a credit rating may not fully reflect the risks inherent in the relevant security. Rating agencies may fail to make timely changes to credit ratings in response to subsequent events. In addition, to the extent that a rating agency rates a security at the request of an issuer, the rating agency has a conflict of interest in providing such rating.

**Interest Rate Fluctuation Risk.** Debt securities, including government securities, are subject to price fluctuations during the period they are outstanding depending upon the interest rate fluctuation during such period. This is called the interest rate fluctuation risk of debt securities. In general, as interest rates fall, the security's price will rise, and as interest rates rise, the security's price will fall. When interest rates fluctuate, the duration (which is based on the weighted average life of the cash flow of a security) may be used as an indication of the degree of change in the debt security's price. The greater its duration value, the larger the change in the debt security's price for a given movement in interest rates.

**Subordinated Securities.** Certain Fund and Portfolio Investment investment programs include investments in securities that are subordinate to one or more senior classes. Generally, such subordinated securities bear the first risk of loss on the collateral underlying such securities. As a result, changes in the value of the performance of subordinated securities are expected to be greater than the change in the value or payment performance of the underlying mortgages or other collateral. In the event of a default, proceeds from any realization on the underlying collateral will first be allocated to the senior classes of securities in accordance with the priority of payments prior to any allocation to the subordinated securities held, directly or indirectly, by the Fund.

**Repurchase Agreements and Reverse Repurchase Agreements.** The Fund and the Portfolio Investments will enter into repurchase and reverse repurchase agreements. Reverse repurchase agreements entail the purchase of a security from a bank or broker-dealer that agrees to repurchase the security at their sale-price plus interest within a specified time. If the party agreeing to repurchase should default, as a result of bankruptcy or otherwise, the Fund and the Portfolio Investments may seek to sell the securities which it holds, which action could involve costs or delays in addition to a loss on the securities if their value should fall below their repurchase price. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Fund's and/or the Portfolio Investments' ability to dispose of the underlying securities may be restricted. Similarly, the entering into of repurchase agreements involves certain risks. A repurchase agreement involves the sale of a security by the Fund and/or the Portfolio Investments and its/their agreement to repurchase the security at a specified time and

price. Under a repurchase agreement, the Fund and/or a Portfolio Investment continues to receive any principal and interest payments on the underlying Instrument during the term of the agreement.

**Global Macro Strategy Risk.** The Fund and the Portfolio Investments deploy global macro trading strategies, which generally seek to generate profits through changes in global economies and economic and interest rate policies that affect currency, commodity, stock and bond prices. The Portfolio Managers generally use a top-down, macro-economic approach to identify and capitalize on market mis-pricings and trends around the world. The Portfolio Managers seek to identify attractive investment opportunities through fundamental, macro-economic and geo-political analysis of world markets and economics. When macroeconomic information is released, the Portfolio Managers will seek to identify any changes and reevaluate current positions to determine if any changes in positions have to be made.

The Portfolio Managers are expected to make leveraged bets across multiple markets, sectors, instruments and trading conditions as the macro conditions so dictate. Investments may be based on forecasts of changes in interest rates, currency markets, equity markets and global political and economic policies. The Fund and the Portfolio Investments may take positions in distressed securities, make bets on merger situations and seek arbitrage opportunities in fixed-income markets.

In light of the macroeconomic focus of global macro trading strategies, changes in economic conditions, including, for example, previous market turmoil, as well as changes in interest rates, inflation rates, industry conditions, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the business and prospects of the Fund and the Portfolio Investments.

**Illiquidity of Credit Investments.** Certain Fund and Portfolio Investment investment programs include investments in certain credit instruments. Certain attributes of credit instruments may impact the ability of the Portfolio Managers to liquidate such instruments on favorable terms. For example, the Portfolio Managers may be unable to take the steps necessary to foreclose on any underlying collateral in the event of a default or the prospective legal and other expenses to be incurred in collecting unpaid amounts from such credit instruments may not be warranted in light of the amount of any corresponding unpaid balance. Also, although certain credit instruments may be tradable through privately established markets, there can be no guarantee that such markets will remain active or in existence at all. Even if such markets remain in existence and relatively active, the Portfolio Managers may at times find it difficult or impossible to dispose of such credit instruments at all or at a price that reflects such Portfolio Managers' opinion of such credit instruments' value. This is more likely to occur if the Fund and the Portfolio Investments are required for any reason to liquidate a substantial portion of their respective portfolios over a relatively short period of time – for example, to fund substantial withdrawal or redemption requests from investors.

**Market Beta of Credit Investments.** The investments by the Fund and the Portfolio Investments in credit instruments may not in all instances pursue, or be intended to pursue, a market neutral strategy. Therefore, the beta of such strategies to certain applicable market indices or the broader financial markets may be higher than if a market neutral strategy had been deployed. As a result, the profitability (or lack thereof) of these investments may be more highly correlated to, and

impacted by, macro directional influences than if these investments had been using a market neutral strategy.

**Illiquid or Restricted Investments.** Under certain market and economic conditions, such as during volatile markets or when trading in an instrument or market is otherwise impaired, the liquidity of the Fund's and the Portfolio Investments' portfolio positions will be reduced. In addition, the Fund and the Portfolio Investments may from time to time hold large positions with respect to a specific type of instrument, which may reduce the Fund's and the Portfolio Investments' liquidity. During such times, the Fund and the Portfolio Investments will or may be unable to dispose of certain assets, which would adversely affect the Fund's and the Portfolio Investments' ability to rebalance their portfolios or to meet withdrawal requests. In addition, such circumstances may force the Fund and the Portfolio Investments to dispose of assets at reduced prices, thereby adversely affecting the Fund's and the Portfolio Investments' performances. If there are other market participants seeking to dispose of similar assets at the same time, the Fund and the Portfolio Investments will or may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if the Fund and the Portfolio Investments incur substantial trading losses, the need for liquidity could rise sharply while their access to liquidity could be impaired. In conjunction with a market downturn, the Fund's and the Portfolio Investments' counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Fund's and the Portfolio Investments' credit risk to them.

The Fund and the Portfolio Investments also invest in Instruments that are subject to legal or other restrictions on transfer (including the Fund's interests in the Portfolio Investments). The Fund and the Portfolio Investments may be contractually prohibited from disposing of such investments for a specified period of time. The sale of restricted and illiquid Instruments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of Instruments eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted Instruments may sell at a price lower than similar Instruments that are not subject to restrictions on resale. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and the Fund and the Portfolio Investments may not be able to sell them when they desire to do so or to realize what they perceive to be their fair value in the event of a sale.

**Trading on Non-U.S. Exchanges.** Certain Portfolio Managers may engage in trading of non-U.S. Instruments and on exchanges outside the United States. Many non-U.S. financial markets are not as developed or as efficient as those in the U.S., and as a result, liquidity will or can be reduced for the Fund's or the Portfolio Investments' investments. Trading on such exchanges is not regulated by any United States governmental agency and may involve certain risks not applicable to trading on United States exchanges. For example, some foreign exchanges are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has entered into a trade and not of an exchange or clearing organization. Moreover, such trading will be subject to whatever regulatory provisions are applicable to transactions effected outside the United States, whether on foreign exchanges or otherwise. Trading on foreign exchanges involves the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums and investment controls, or political or diplomatic events that might adversely affect the Fund's or the Portfolio Investments' trading activities. The risks of investing in non-U.S. securities and other Instruments may also include reduced and less reliable information about



issuers and markets, less stringent accounting standards, illiquidity of securities and markets and higher brokerage commissions and custody fees. Furthermore, foreign trading is also subject to the risk of changes in the exchange rate between U.S. dollars and the currencies in which Instruments traded on such exchanges are settled. Some foreign futures exchanges require margin for open positions to be converted to the “home currency” of the contract. Additionally, some brokerage firms have imposed this requirement for all foreign futures markets traded, whether or not it is required by a particular exchange. Whenever margin is held in a foreign currency, the Fund or the Portfolio Investments are exposed to potential gains or losses if exchange rates fluctuate. Although the CFTC is prohibited by statute from promulgating rules that govern in any respect any rule, contract term or action of any foreign commodity exchange, the CFTC has full authority to regulate the sale of foreign futures contracts within the United States and has adopted regulations that may restrict the Fund or the Portfolio Investments and the contracts and markets on which the Fund or the Portfolio Investments trade, which may have an impact on the Fund’s or the Portfolio Investments’ future performance results.

**Highly Volatile Markets.** The prices of certain Instruments in which the Fund and Portfolio Investments will invest can be highly volatile. Price movements of the Instruments in which the Portfolio Investments’ assets will be invested in are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Fund and the Portfolio Investments are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

**Short Sales Risks.** The Fund’s and the Portfolio Investments’ investment portfolios include short positions. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in the price of a particular security to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Fund and the Portfolio Investments engage in short sales depends upon the Advisor’s and the Portfolio Managers’ investment strategies and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund and the Portfolio Investments of buying those securities to cover the short position. There can be no assurance that the Fund and the Portfolio Investments will be able to maintain the ability to borrow securities sold short. In such cases, the Fund and the Portfolio Investments can be “bought in” (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the security necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Limited Diversification and/or Risk Management Failures.** The Fund’s portfolio could become significantly concentrated in a limited number of Portfolio Investments, issuers, types of

Instruments, assets, industries, sectors, strategies, countries, or geographic regions, and any such concentration of risk may increase losses suffered by the Fund. Limited diversification could expose the Fund to losses disproportionate to market movements in general. While the Advisor generally attempts to control risks and diversify the Fund's portfolio, risks associated with different assets will be correlated in unexpected ways, with the result that the Fund faces concentrated exposure to certain risks. In addition, many other investment funds pursue similar strategies, which creates the risk that many funds would be forced to liquidate positions at the same time, reducing liquidity, increasing volatility, and exacerbating losses. Although the Advisor attempts to identify, monitor, and manage significant risks, these efforts do not take all risks into account, and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in the Advisor's risk management efforts could result in material losses for the Fund.

**Hedging Transactions.** The Fund and the Portfolio Investments utilize Instruments, both for investment purposes and for risk management purposes, in order to: (i) protect against possible changes in the market value of the Fund's and the Portfolio Investments' investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the Fund's and the Portfolio Investments' unrealized gains in the value of the Fund's and the Portfolio Investments' investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Fund's and the Portfolio Investments' portfolios; (v) hedge against directional trades; (vi) hedge the interest rate or currency exchange rate on any of the Fund's and the Portfolio Investments' liabilities or assets; (vii) protect against any increase in the price of any Instruments the Fund and the Portfolio Investments' anticipate purchasing at a later date; or (viii) for any reason that the Advisor and the Portfolio Managers deems appropriate.

The success of the Fund's and the Portfolio Investments' hedging strategy will depend, in part, upon the Advisor's and the Portfolio Managers' 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 Instruments change as markets change or time passes, the success of the Fund's and Portfolio Investments' hedging strategies will also be subject to the Advisor's and Portfolio Managers' ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Fund and Portfolio Investments' may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Fund and Portfolio Investments than if they had not engaged in such hedging transactions. For a variety of reasons, the Advisor or Portfolio Managers 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 Fund and the Portfolio Investments from achieving the intended hedge or expose the Fund and Portfolio Investments to risk of loss. The Fund and Portfolio Investments will not be required to hedge any particular risk in connection with a particular transaction or their portfolios generally. Moreover, the portfolios of the Fund and the Portfolio Investments will always be exposed to certain risks that may not be adequately hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Fund's and Portfolio Investments' portfolio holdings.

**Derivatives.** The Fund and the Portfolio Investments use derivative Instruments, including (among others) convertible bonds, convertible preferred stock, options (including speculative positions such as buying and writing call options and put options on either a covered or an uncovered basis), futures, forward contracts, repurchase agreements, reverse repurchase agreements and many different types of swaps involving payments based on a wide range of risks. Certain of the Portfolio Investments may use derivatives extensively.

In many cases, derivatives provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment in much the same way that incurring indebtedness would. Many derivatives provide exposure to potential gain or loss from a change in the market price of a financial instrument (or a basket or index) or other event or circumstance in a notional amount that greatly exceeds the amount of cash or assets required to establish or maintain the derivative contract. Accordingly, relatively small price movements in the underlying Instruments or other events or circumstances may result in immediate and substantial losses to the Portfolio Investment and the Fund. In some cases, the Fund's and the Portfolio Investments' exposure under a derivative contract will be limited to the amount invested (for example, when the Fund or the Portfolio Investment buys a call option). In other cases, the derivative contract will create an open-ended obligation (for example, when the Fund or the Portfolio Investment writes a call option). Many derivatives, particularly those negotiated over-the-counter, are substantially illiquid or could become illiquid under certain market conditions. As a result, it may be difficult or impossible to determine the fair value of the Fund's or the Portfolio Investments' interest in such contracts. Many derivative contracts involve exposure to the credit risk of the counterparty, because the Fund or the Portfolio Investment acquires no direct interest in the underlying Instrument, but instead depends on the counterparty's ability to perform under the contract. Further, if and when the Fund or a Portfolio Investment takes economic exposure through a derivative, it generally will not have any voting rights and may not be able to pursue legal remedies that would be available if it invested directly in the underlying Instrument.

Many derivatives also involve substantial legal risk and uncertainty, because the terms of the contract are or can be difficult to draft, apply, interpret and enforce, particularly in the context of unforeseen market conditions or events. In many cases, the counterparty has discretion (either pursuant to the express terms of the contract or in practice) to interpret the contract, make required calculations and demand or withhold payments in the manner most favorable to the counterparty and most unfavorable to the Fund or a Portfolio Investment. An adverse interpretation or calculation under one derivative contract could trigger cross-defaults with other contracts and could have a materially adverse effect on the Fund's or a Portfolio Investment's liquidity and performance. Any dispute concerning a derivative contract could be expensive and time consuming to resolve, particularly given the potential for complex and novel legal issues and the involvement of multiple legal jurisdictions. Even a favorable resolution could come too late to prevent cross- defaults, trading losses, and material liquidity problems.

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

in by the Fund and the Portfolio Investments. Certain swaps, options and other derivative Instruments will be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

**Commodities/Futures Contracts.** Commodity trading strategies involve the buying and selling of futures and/or futures options in global interest rates, currencies, stock indices, commodities and other Instruments to profit from trends and other non-random market movements. Managed futures strategies involve trading in futures and currencies globally, generally using systematic or discretionary approaches based on identified trends.

The value of futures contracts depends upon the price of the Instruments, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Fund's and the Portfolio Investments' positions trade or of their clearing houses or counterparties.

Futures positions can be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Fund and the Portfolio Investments from promptly liquidating unfavorable positions and subject the Fund and the Portfolio Investments to substantial losses or from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

**Bitcoin and Ether Futures Transactions.** The Fund and the Portfolio Investments may enter into Bitcoin and Ether futures transactions. Initially, the Advisor and the Portfolio Managers are limiting these transactions to exchange-traded futures contracts. The underlying commodities for these futures transactions, Bitcoin and Ether, are relatively new and highly speculative assets. Bitcoin and Ether and the futures contracts based on them are extremely volatile, and investment results may vary substantially over time. These instruments involve substantially more risk and potential for loss relative to more conventional financial instruments, such as stocks, bonds, and derivatives referencing more conventional asset classes such as agricultural commodities. Investments of this type should be considered substantially more speculative and significantly more likely to result in a total loss of capital than many other investments. The following is a nonexclusive list of risks associated with Bitcoin and Ether, each of which could adversely affect the value of Bitcoin and Ether futures: (i) Bitcoin and Ether have a limited history; (ii) Bitcoin and Ether futures may involve enhanced basis risk; (iii) Bitcoin and Ether spot exchanges may be subject to the risk of fraud, manipulation and other malfeasance; (iv) requirements and other limitations imposed by exchanges and futures commission merchants may impair Bitcoin and

Ether futures trading; (v) investments in Bitcoin and Ether futures may substantially increase the likelihood of regulatory scrutiny; and (vi) future risks related to investments in Bitcoin and Ether futures are uncertain due to the rapidly evolving nature of the Bitcoin and Ether markets.

**Systematic Macro Strategy Risk.** The Fund and the Portfolio Investments are expected to deploy systematic macro trading strategies, which generally will involve the Fund's and the Portfolio Investments' reliance to some degree on automated and occasionally subjective decisions by the applicable Portfolio Managers concerning, for example, what markets to follow and commodities to trade, when to liquidate or roll a position in a contract which is about to expire and how large a position to take in a particular contract. However, although subjective decisions may have a substantial effect on a Portfolio Manager's performance, such Portfolio Manager's primary reliance is on trading programs or models that generate trading signals. The systems utilized to generate trading signals are continuously evolving, but the trading instructions generated by the systems being used are followed without significant additional analysis or interpretation. Automated trading systems also can be affected by input data errors, coding errors and execution algorithm errors, which could result in larger than expected positions or incorrect positions that may have to be liquidated at a substantial loss.

Systematic macro trading approaches involves certain inherent risks. These strategies transact in securities that may have large explicit or implied leverage both in outright and spread based positions, options and other derivatives, which can increase the magnitude and severity of losses. Portfolio Managers may also transact in less liquid instruments that may be difficult to reduce quickly during increases in market volatility, leading to large potential losses. Portfolio Managers may fail to capitalize on market trends or countertrend opportunities, fundamental signals or event based signals that their systems would otherwise have exploited due to subjective decisions made by them in the context of applying their generally mechanical trading systems. Furthermore, any trading system or trader may suffer substantial losses by misjudging the market, particularly due to government or central bank intervention or severe market wide liquidations. Portfolio Managers deploying this type of strategy may rely more on computerized programs than do discretionary traders. In addition, due to their use of computers, these Portfolio Managers may be able to incorporate more data into a particular trading decision than are discretionary traders, but will often avoid deep fundamental analysis on individual positions. However, when prices shift suddenly, trading systems may suffer rapid and severe losses due to their inability to respond to such changes rapidly due to high velocity in price movements, a reduction in market liquidity or increases in trading costs, preventing liquidation at anything but substantial losses.

**Forward Contracts.** Forward contracts and options thereon, unlike futures contracts, are not currently traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the 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. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other

factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Portfolio Managers would otherwise recommend, to the possible detriment of the Fund and the Portfolio Investments. Market illiquidity or disruption could result in significant losses to the Fund and the Portfolio Investments.

**Warrants.** Certain Fund and Portfolio Investment investment programs include investments (either directly or indirectly) in warrants. Warrants are wholly-speculative securities since they have no voting rights, pay no dividends and have no liquidation rights. A warrant entitles the holder to purchase a given security within a specified period for a specified price and does not represent an ownership interest. The value of warrants can be very volatile and they can expire worthless resulting in a loss of the entire investment over a very short time period. In addition, the price of warrants do not necessarily move parallel to the prices of the underlying securities.

**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. 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 Instruments necessary to satisfy the exercise of an uncovered call option can be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing Instruments to cover the exercise of an uncovered call option can cause the price of the Instruments to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium 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 if the market price falls below the exercise price of the option. 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.

**Stock Index Options.** The Fund and the Portfolio Investments also purchase and sell call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing their investment objectives or for the purpose of hedging their portfolios. A stock index or index option fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Fund's and the Portfolio Investments' portfolios correlate with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund or the Portfolio Investment realizes gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by the Fund and the

Portfolio Investments of options on stock indices will be subject to the Advisor's and the Portfolio Managers' ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

**Swap Agreements.** The Fund and the Portfolio Investments may or do enter into swap agreements and options on swap agreements ("swaptions"). Swap agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. A Portfolio Investment, for instance, may enter into swap agreements with respect to interest rates, credit defaults, currencies, securities, indexes of securities and other assets or other measures of risk or return. Depending on their structure, swap agreements may increase or decrease such Portfolio Investment's exposure to, for example, long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, credit spreads, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Fund is not limited to any particular form of swap agreement if consistent with the Fund's investment objective and policies.

Swap agreements tend to shift the Fund's and the Portfolio Investments' investment exposures from one type of investment to another. For example, if a Portfolio Investment agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease such Portfolio Investment's exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Fund's and the Portfolio Investments' portfolios. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Fund and the Portfolio Investments. If a swap agreement calls for payments by the Fund or a Portfolio Investment, the Fund or the Portfolio Investment must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Fund and the Portfolio Investments.

Whether the Fund's and the Portfolio Investments' use of swap agreements or swaptions will be successful will depend on the Advisor's and Portfolio Managers' ability to select appropriate transactions for the Fund and the Portfolio Investments. Swap transactions are or may be highly illiquid and may increase or decrease the volatility of the Fund's and the Portfolio Investments' portfolios. Moreover, the Fund and the Portfolio Investments' bear 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 Fund and the Portfolio Investments will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Fund and the Portfolio Investments to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Fund's and the Portfolio Investments' ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

**Equity Swaps.** The Fund and the Portfolio Investments may or do make use of equity swaps. A swap is a contract under which two parties agree to make periodic payments to each other based

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

**Underlying Funds.** The Fund and the Portfolio Investments can invest in one or more underlying private investment funds (“Underlying Funds”). To the extent the Fund or a Portfolio Investment invests in one or more Underlying Funds, the Advisor will not receive the same level of transparency and information from such Underlying Funds as it receives from or regarding most other Portfolio Investments in managed accounts. Investments in Underlying Funds are also less liquid than investments in managed accounts and will be subject to the terms and conditions of each such Underlying Fund. As a result, the Fund or a Portfolio Investment will not be able to liquidate its interest or make withdrawals from an Underlying Fund as quickly as it may liquidate positions in or make withdrawals from a managed account. There are other potential liquidation, capacity, and exposure risks when client assets are invested in managed accounts as well as Underlying Funds. None of the Fund, the Portfolio Investments or the Advisor generally will have complete control over the management of the Underlying Funds or the investment and other decisions made by the Portfolio Managers of such Underlying Funds, and the Fund, the Portfolio Investments and the Advisor may have even less such control over the management of the Underlying Funds or the investment and other decisions made by the Portfolio Managers of such Underlying Funds compared to the managed accounts.

**Counterparty Risks.** The Fund and the Portfolio Investments enter into many transactions with third parties in which the failure or delay of a third party to perform its obligations under a contract with the Fund or a Portfolio Investment could have a material adverse effect on the Fund or such Portfolio Investment. The Fund and certain of the Portfolio Investments generally do not perform extensive credit analyses on their counterparties. Substantially all of the Fund’s and the Portfolio Investments’ exchange-traded financial Instruments are held in accounts maintained for the Fund and the Portfolio Investments by their prime brokers and/or other financial institutions. The Fund and the Portfolio Investments also have substantial exposure to other counterparties in connection with derivatives, securities lending and other contract-based transactions. There is a risk that any of the Fund’s or the Portfolio Investments’ counterparties could become insolvent. Most of the Fund’s and the Portfolio Investments’ counterparties are brokerage firms or commercial banks, which are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. In many cases, however, the Fund and the Portfolio Investments will not be considered “customers” of these institutions for purposes of such laws and regulations. Further, a substantial portion of the Fund’s and the Portfolio Investments’ assets held by prime brokers and/or other counterparties may not be held in segregated accounts. The Fund’s and the Portfolio Investments’ assets generally are held in the name of the prime broker or custodian or nominee, rather than in the Fund’s name, which may limit (legally or in practice) their ability to exercise voting rights, pursue legal remedies or dispose of positions. In any event, the practical effect of the applicable contracts, laws and regulations and their application to the Fund’s and the Portfolio Investments’ assets if a counterparty becomes insolvent will be subject to substantial limitations and uncertainties. As an example, firms that had exposure to Lehman Brothers arising out of prime brokerage arrangements or derivative transactions faced limited prospects for recovery as well as substantial uncertainty and delay. Because of the large number



of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of a counterparty's insolvency on the Fund, the Portfolio Investments and their assets. Investors should assume that the insolvency of any of the Fund's or the Portfolio Investments' prime brokers or other counterparties would result in the loss of all or a substantial portion of the Fund's or Portfolio Investment's assets held by such prime broker or counterparty.

**Regulated Industries.** Certain assets of the Fund and the Portfolio Investments are invested, directly or indirectly, in industries subject to extensive federal, state and local regulations. Changes in regulations, including restrictions on the manner that such companies carry out their businesses and determine the rates they will charge, may have an adverse impact on the Fund and the Portfolio Investments. In addition, governmental regulations may not be predictable and will be subject to political, economic, social and/or market developments.

**Initial Public Offerings.** The Portfolio Managers may purchase securities of companies in initial public offerings or shortly after those offerings are complete. Special risks associated with these Instruments include a limited number of shares available for trading, lack of a trading history, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for a Portfolio Manager to buy or sell significant amounts of shares without an unfavorable effect on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or near-term prospects of achieving revenues or operating income.

Moreover, the Funds or any class thereof and/or certain investors in the Funds may be limited as to the amount of new issue allocations it/they can receive while other investors may not be restricted at all and may be entitled to receive or may actually receive a larger portion of any new issue allocation. Conversely, the Manager may determine to restrict or limit the Funds or any class thereof as a whole from purchasing new issues.

**Execution Risks.** The Fund's trading strategy depends on its ability to select and invest in a combination of Portfolio Investments, Portfolio Managers and Instruments selected by the Advisor through the Fund's investment in the Trading Vehicles. Each Portfolio Investment's trading strategy will similarly depend on its ability to select and invest in a combination of Instruments selected by its Portfolio Manager. Should the Fund's or a Portfolio Investment's trading orders and investment decisions not be executed in a timely and efficient manner, the Fund or Portfolio Investment might be able to acquire only some, but not all, of the components of such position, or if the overall position were to need adjustment, the Fund or Portfolio Investment might not be able to make such adjustment. In such an event, the Fund or Portfolio Investment would not be able to achieve the position selected by the Advisor or a Portfolio Manager, as applicable, and might incur a loss in liquidating its position.

In executing transactions on behalf of the Fund and the Portfolio Investments, the Advisor anticipates that Portfolio Managers will select broker/dealers that they believe offer the best net result to the Portfolio Investments. In making this determination, a Portfolio Manager generally

will take into account, among other items, the price charged (including applicable brokerage commissions or dealer spreads), the size of the order, the difficulty of execution and the operational facilities of the firm involved. Although a Portfolio Manager generally is expected to seek competitive commission rates and spreads, it may conclude that the payment of the lowest commissions or spreads may not always be consistent with the best interests of the Fund or the applicable Portfolio Investment. For example, a Portfolio Manager may enter into “soft dollar” arrangements with broker/dealers whereby such Portfolio Manager receives research and/or other brokerage services for its use in managing a Portfolio Investment. Such services typically include furnishing analyses, reports and information concerning issuers, industries, securities, geographic regions, economic factors and trends, as well as effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). Any such “soft dollar” arrangements should be entered into by a Portfolio Manager only in instances where the Portfolio Manager determines in good faith that such arrangement is consistent with the overall responsibilities of such Portfolio Manager to the applicable Portfolio Investment.

**Leverage Risks.** The Fund and/or the Portfolio Investments may use substantial leverage in their investment programs and borrow funds from brokers, banks, counterparties and other lenders to finance their trading operations. Such leverage will be achieved, as applicable, through, among other methods, purchases of Instruments on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements, swaps and securities lending transactions. The use of leverage generally involves a high degree of risk and may vary by Portfolio Manager, Portfolio Investment, account, Trading Vehicle or class. In order to secure its various financing arrangements, a Trading Vehicle or a Portfolio Investment may grant guaranties and pledge or otherwise transfer to lenders any of its assets, including specific assets, pools of assets, or interests in subsidiary entities. Investors in the Trading Vehicles and Portfolio Investments, such as the Fund, are equity holders, and their rights are, therefore, junior to and generally subject to the satisfaction of the prior claims of all creditors.

Trading Vehicles and Portfolio Investments obtain more leverage from their prime brokers, counterparties, and other lenders than is generally available to U.S. investors through ordinary margin lending arrangements and the amount of leverage will vary. As a result, the leverage available to the Trading Vehicles and Portfolio Investments for their investments will generally be limited only by the credit decisions of their lenders. There can be no assurance, however, that such lenders will continue past arrangements or approve new extensions of credit to the Trading Vehicles and Portfolio Investments at the levels requested. Any restriction on the availability of credit from such lenders could adversely affect a Trading Vehicle and/or a Portfolio Investment’s performance. Any leverage targets are guidelines and/or anticipated portfolio characteristics and are not prohibitions or limitations.

The use of margin, derivatives and short-term borrowings results in substantial interest and financing costs to the Trading Vehicles and Portfolio Investments and creates additional risks. Specifically, a Trading Vehicle or a Portfolio Investment may use substantially all of its capital for margin and collateral deposits. If the value of a Trading Vehicle or a Portfolio Investment’s Instruments positions falls below the margin or collateral levels required by a prime broker or other counterparty, additional margin or collateral deposits would be required. If the Trading Vehicle or Portfolio Investment is unable to satisfy any margin or collateral call, then the prime broker or other counterparty could terminate transactions, liquidate the Trading Vehicle’s or Portfolio

Investment's positions in some or all the Instruments that are in the Trading Vehicle's or Portfolio Investment's margin or collateral account and otherwise cause the Trading Vehicle or Portfolio Investment to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under margin or other financing agreements, may trigger cross-defaults under the Trading Vehicle's or Portfolio Investment's agreements with other brokers, lenders, clearing firms or counterparties, multiplying the adverse impact to the Trading Vehicle or Portfolio Investment. In addition, because the use of leverage will allow the Trading Vehicles or Portfolio Investments to control positions worth significantly more than their investments in those positions, the amount that the Trading Vehicles or Portfolio Investments may lose in the event of adverse price movements will be high in relation to the amount of their investments.

In the event of a sudden drop in the value of a Trading Vehicle or a Portfolio Investment's assets, such Trading Vehicle or Portfolio Investment might not be able to liquidate assets quickly enough to satisfy its margin or collateral requirements or other contractual obligations. In that event, the Trading Vehicle or Portfolio Investment may become subject to claims of financial intermediaries that extended margin loans or other types of credit. Such claims could exceed the value of such assets of the Trading Vehicle or Portfolio Investment. The banks, dealers and other counterparties that provide financing to the Trading Vehicles or Portfolio Investments can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks, dealers and other counterparties in any of the foregoing may result in large margin or collateral calls, loss of financing and forced liquidations of positions at disadvantageous prices.

There can be no assurance that the Trading Vehicles or Portfolio Investments will be able to secure or maintain adequate financing, without which they may not be viable.

**Cross-Collateralization Risk Generally.** To the extent that Trading Vehicles are utilized, the assets and liabilities within each Trading Vehicle are not segregated. As such, the assets of each series of a Trading Vehicle may be available to meet the liabilities of each series of such Trading Vehicle. The foregoing is also applicable to the Fund and its accounts as Fund assets and liabilities are not segregated. Although the Trading Vehicles are generally established as series limited liability companies under Delaware law, such Trading Vehicles have declined the protections otherwise afforded to series limited liability companies with respect to the segregation of assets and liabilities within such Trading Vehicle. Cross-collateralization risk disclosures specific to the Fund, and particular classes thereof, are set forth in the Fund's offering documents.

**Convertible Securities.** The Fund and/or the Portfolio Investments invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, and are subject to interest rate fluctuations (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a

function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by the Fund or a Portfolio Investment is called for redemption, the Fund or such Portfolio Investment will be required to permit the issuer to redeem the security, convert it into the underlying equity securities or sell it to a third party. Any of these actions could have an adverse effect on the Fund’s or such Portfolio Investment’s ability to achieve its investment objective.

**Currency Risks.** The Fund and the Portfolio Investments invest in securities markets which may involve many different currencies and engage in speculative trading in currencies themselves. In many cases, investments in currencies are made through Instruments that involve embedded leverage, magnifying the risks associated with such investments. Fluctuations in relative values of currencies could cause material losses for the Portfolio Investments and the Fund.

**Borrowings by a Fund; Guaranties.** If permitted under its offering documents, a Fund (directly or through a Trading Vehicle) may obtain a credit facility for the following purposes: (i) in limited circumstances, for certain investments when the Advisor believes that limited capacity exists for an investment opportunity that it believes is attractive for the Fund; (ii) satisfying permitted redemptions or withdrawals; (iii) paying ongoing Fund expenses; (iv) for the purchase or sale of Instruments (including the purchase or sale of Instruments on margin) and to pledge Instruments as collateral; or (v) for such other purposes as the Advisor or its manager may determine. As a result of the indebtedness described above, the Fund, and, ultimately, the investors, will or may be subject to similar risks as described above under “Leverage Risks.” The Manager of a Fund and/or the Advisor may separately enter into a credit facility to fund certain non- customary operating and/or overhead costs (excluding, for example, ordinary payroll and other ordinary expenses). The cost of any such credit facility shall be borne directly or indirectly by the Fund if permitted under the offering documents. The Funds or a Trading Vehicle may guarantee the obligations of the Fund, Advisor, certain affiliates of the Advisor and/or a Trading Vehicle under credit facilities, financing arrangements or other agreements entered into for the benefit (in whole or part) of the relevant Fund. In such cases, the Fund or the Trading Vehicle (and indirectly the Fund) would be subject to the risk that the primary obligor defaults under the credit facility or other agreement and the Fund or Trading Vehicle would be responsible for the obligations under such credit facility or other agreement as if it had entered into such facility or agreement directly. In the event a Fund or a Trading Vehicle is a guarantor, it may not be the sole beneficiary of the products or services purchased or otherwise obtained through the use of the credit facility or other agreement. In addition, by their nature, certain expenses, products and services may be deemed to be in connection with the Fund, directly or indirectly, as well as other clients. Accordingly, due to the nature of the Advisor’s advisory business, as applicable, the Advisor, affiliates of the Advisor and/or other clients of the Advisor may receive a benefit, directly or indirectly, from such Fund or Trading Vehicle guaranties but may not be subject to the obligations, or otherwise bear the costs,

of such credit facilities or other agreements. All of the foregoing may vary by Fund and borrowings and guaranties are as permitted under the relevant offering documents.

**Money Market Instruments.** The Fund and the Portfolio Investments are expected to invest in money market instruments. Money market instruments generally are considered to be low risk, and, because by definition they are short-term securities that are highly liquid. Nonetheless, these financial instruments are subject to risk, including default risk, depreciation risk and liquidity risk, which could result in losses to the Fund. For example, commercial paper is not backed by collateral. Issuers of commercial paper typically are required to have high credit ratings and defaults have been rare, but they have nonetheless occurred in the past and may occur again in the future.

**Economic Conditions.** Changes in economic conditions, including, for example, interest rates, inflation rates, currency and exchange rates, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws and innumerable other factors, can affect substantially and adversely the investment performance of a client's account. None of these conditions is or will be within the control of the Advisor, and no assurances can be given that the Advisor can or will anticipate these developments.

## **Item 9. — Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Advisor or the integrity of the Advisor's management personnel. The Advisor and the Advisor's management personnel do not have any information applicable to this Item.

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

As discussed in Item 4 – Advisory Business, Portfolio Managers can include internal individual supervised persons trading on behalf of the Advisor and other Portfolio Managers affiliated with the Advisor. Certain Portfolio Managers are employed by an affiliate of the Advisor, but are not supervised persons of the Advisor and are not registered under the Advisor's SEC investment adviser registration. Given that such Portfolio Managers are affiliates of the Advisor, the Advisor has a potential disincentive to use an unaffiliated portfolio manager for the provision of such services and terminate the services provided by such Portfolio Managers.

Schonfeld Strategic Management LLC, an affiliate of the Advisor, serves as the Manager of a private investment fund and certain trading vehicles advised by the Advisor and is a registered Commodity Pool Operator and serves in that capacity with respect to several private investment funds. Schonfeld FE Partners LLC, an affiliate of the Advisor, serves as the Manager of a private investment fund advised by the Advisor and is exempt from registration as a Commodity Pool Operator. Schonfeld Strategic AWF GP LLC, an affiliate of the Advisor, serves as the Manager of the SPV, which is advised by the Advisor and is exempt from registration as a Commodity Pool Operator. The Advisor is also exempt from registration as a Commodity Trading Advisor. Certain affiliates of the Advisor act as Portfolio Managers and are "Relying Advisers" and as such are subject to the Advisor's oversight and their personnel are considered supervised persons of the Advisor. Such Relying Advisers currently include Schonfeld Strategic Advisors (Singapore) Pte.

Ltd., Schonfeld Strategic Advisors (Hong Kong) Limited, Schonfeld Strategic Advisors (UK) LLP, Schonfeld Strategic Advisors (Japan) Pte. Ltd., Schonfeld Strategic Advisors (Australia) Pty. Ltd., and Schonfeld Strategic Advisors (DIFC) Ltd., each of which is also regulated under local law. Certain other affiliates of the Advisor like the foregoing Managers are considered “special purpose vehicles” (i.e., managers) for private investment funds managed by the Advisor and are subject to the Advisor’s oversight, and their personnel are considered supervised persons of the Advisor. An affiliate of the Advisor provides technology and administrative products and services to the Advisor and its affiliates, Trading Vehicles and fund clients as set forth in the funds’ offering documents.

## **Item 11. — Code of Ethics**

The Advisor has adopted a Code of Ethics for itself and all employees and supervised persons of the Advisor describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, gifts and entertainment items, and personal securities trading procedures, among other things. All access persons of the Advisor must acknowledge the terms of the Code of Ethics annually, and as amended.

Client assets may be invested in the Trading Vehicles which are advised and managed by the Advisor and its affiliates. Also, certain affiliates of the Advisor are clients and their assets are managed on a discretionary basis with client assets in the Trading Vehicles. The Advisor manages these conflicts of interest by disclosure to clients and managing the Trading Vehicles pursuant to its fiduciary obligations under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”).

The Advisor’s Code of Ethics also addresses conflicts of interest between personal trading and client trading. The Advisor, its affiliates and their officers, directors and employees may trade for their own accounts in certain securities which are recommended to and/or purchased for Advisor’s clients. The Code of Ethics is designed so that the Advisor may monitor the personal securities transactions to protect clients. The Code requires reporting of personal trading information and pre-clearance of transactions in equity and equity-linked securities and private placements and generally prohibits purchasing securities in initial public offerings. Nonetheless, because the Code of Ethics in some circumstances would permit personnel to transact in the same securities as clients, there is a possibility that persons might benefit from market activity by a client in a security held by such person. Personal trading is monitored under the Code of Ethics to reasonably minimize or prevent conflicts of interest between the Advisor and its clients.

Subject to regulatory requirements relating to investor eligibility, officers and other Advisor personnel have invested, and may from time to time in the future invest, their personal funds in the private investment funds advised by the Advisor.

The Advisor generally does not effect principal transactions for client accounts. In the event any such transaction(s) occur, each will be done in accordance with applicable regulatory requirements, including prior consent by the client or an independent representative acting on the client’s behalf. The Advisor or a Portfolio Manager may engage in transactions in which it causes the Fund (or a Trading Vehicle) to purchase Instruments from, or sell Instruments to, the Fund or

funds or managed accounts managed by the Managers, the Advisor or a Portfolio Manager and/or their affiliates (as applicable) (“cross-trades”) for purposes of portfolio rebalancing or for other reasons as may arise from time to time. Neither the Advisor nor a Portfolio Manager (as applicable) will take brokerage commissions or otherwise be specially compensated for effecting these cross-trades. The Advisor and each Portfolio Manager (as applicable) intends that cross-trades will, to the best of its ability, reflect the market value of the security or other instrument being purchased or sold, and the cross-trade will be subject to the Advisor’s or the Portfolio Manager’s duty of best execution, as applicable. Prior to effecting any cross-trade, the Advisor or the Portfolio Managers (as applicable) will make a good faith determination that the transaction is in the best interests of the Fund and other clients, as applicable.

The Advisor will not effect agency cross transactions. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Advisor’s clients or prospective clients may request a copy of the Advisor’s Code of Ethics by contacting Mark Peckman, General Counsel and Chief Compliance Officer, at +1 (786) 772-5102 or mhpeckman@schonfeld.com.

## **Item 12. — Brokerage Practices**

The Advisor does not adhere to any specific allocation criteria or other formulas in selecting brokers and will weigh a combination of the criteria described herein. In selecting brokers, the Advisor need not solicit competitive bids, does not have an obligation to seek the lowest available commission cost and may select a broker which charges brokerage commissions in excess of that which another broker might have charged for effecting the same transaction. The Advisor does not select brokers on the basis of the commission rates only, and thus a client may be deemed to be paying for brokerage and/or research provided by the broker which is or may be deemed to be included in the commission rate. The extent to which commission rates or net prices charged by brokers reflect the value of research provided and other products and services received cannot be readily determined. The Advisor will make a good faith determination that the amount of commission is reasonable in relation to the value of the brokerage and research received, viewed in terms of either the specific transaction or series of transactions or the Advisor’s overall responsibility to its clients. Research and other products and services may be used by the Advisor in servicing some or all of its clients.

Private funds (or Trading Vehicles, as applicable) enter into prime brokerage arrangements with one or more prime brokers. The Advisor and/or the Portfolio Managers select brokers to execute portfolio transactions on behalf of the Trading Vehicles. Generally, the Advisor or its affiliate selects the custodians that hold the assets of a fund(s) or Trading Vehicle(s), as the case may be. The brokers, prime brokers and custodians can be replaced and other brokers, prime brokers and custodians may be retained at any time without the consent of clients. In selecting brokers and negotiating commission rates, the Advisor or a Portfolio Manager can take into account the

financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. A Fund or Trading Vehicle may have more than one prime broker.

The Advisor and its affiliates and the Portfolio Managers will also look at factors such as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, execution and routing services and brokerage or research services ("soft dollar items") provided by such brokers.

Generally, the Advisor expects to use soft dollars, and engage Portfolio Managers whose use of soft dollars will be, within Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or its equivalent. Section 28(e) establishes a safe harbor (the "Section 28(e) safe harbor" or "safe harbor") allowing investment managers to use client funds, by way of commission dollars, to purchase certain "brokerage and research services." To the extent that such "brokerage and research services" are provided to a fund, the Advisor, the Portfolio Managers and their respective principals and affiliates and/or other funds and/or accounts managed by the Advisor, Portfolio Managers and/or their respective affiliates in connection with trading futures or options on futures, it is expected that such incidental benefits would fall within the Section 28(e) safe harbor as if such benefits were being provided in connection with the trading of securities.

Pursuant to such safe harbor, the brokerage and research services must provide lawful and appropriate assistance to the investment manager in the performance of its investment decision-making responsibilities. The Advisor or Portfolio Managers may allocate transactions to brokers in consideration of such brokers' provision of, or payment of the cost of, certain services that are of benefit to the applicable Trading Vehicles and/or other clients of the Advisor or Portfolio Manager. In such circumstances, portfolio transactions are allocated to brokers in consideration of such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and any research, investment management-related and/or brokerage products and services provided by such brokers. Accordingly, if the Advisor or a Portfolio Manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research or investment management-related services and equipment provided by such broker, the Advisor or a Portfolio Manager may pay commissions to such broker in an amount greater than the amount another broker might charge.

In the cases where it selects brokers and negotiates commission rates, consistent with its duty of best execution, the Advisor or a Portfolio Manager will take into account a number of factors, including, among others, the financial stability, reliability and reputation of brokerage firms, the size and type of the transaction, execution capabilities, the difficulty of execution, commission rate/net pricing, the broker's expertise with the particular financial instrument, the broker's ability to handle a block order and other brokerage and research products and services provided by such brokers. In selecting brokers, the Advisor will consider the value of brokerage (such as efficiency of execution, order routing, clearing and settlement services) and research products and services (collectively, "research") received by a broker, either directly provided by the broker (proprietary research), or paid for by the broker to be provided by others (third party research). By its receipt and use of research or certain brokerage services the Advisor or a Portfolio Manager may be considered to be receiving "soft dollar" benefits from the brokers it utilizes. The Advisor, however, does not participate in any formal soft dollar arrangements, earn soft dollar credits or pay specific additional brokerage commissions for research or other types of soft dollar benefits.



To the extent the receipt of research or brokerage by the Advisor or a Portfolio Manager are deemed to be soft dollar benefits, such benefits in connection with the trading of (i) securities, will fall within the safe harbor of Section 28(e) of the Exchange Act, and (ii) futures or options on futures, will fall within the Section 28(e) safe harbor as if such benefits were being provided in connection with the trading of securities.

Research under Section 28(e) that the Advisor or a Portfolio Manager receives and may incorporate into its investment decisions and recommendations may be in written, electronic or oral form and may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing information and performance measurement services, analyses concerning specific securities, instruments, companies, industries or sectors and market, economic and financial studies and forecasts. To the extent that such products and services are obtained, the Advisor and Portfolio Managers will be receiving a benefit by reason of the direction of commissions.

The Advisor believes that overall clients benefit from the Advisor's receipt of research although research may not be used by the Advisor in servicing all of its clients or any particular client. In addition, some research may not necessarily be used by the Advisor or Portfolio Manager in servicing the client(s) whose commission dollars may be deemed to have provided for such research. A client may not, in any particular instance, be the direct or indirect beneficiary of the specific brokerage or research products and services provided.

The Advisor or Portfolio Manager may have an incentive to select a broker based on the fact that it will receive research. Therefore, the Advisor or Portfolio Manager may have a conflict of interest between its duty to obtain best execution for a client and its interest in receiving such benefits. The Advisor's or a Portfolio Manager's expenses could increase materially if it attempted to generate such additional information and services on its own. The Advisor at least annually evaluates its brokerage practices and the reasonableness of commissions paid by its clients. The extent to which commission rates charged by brokers reflect the value of brokerage and research received cannot be readily determined. Although the commission rates charged by such brokers are generally deemed to not specifically reflect such additional benefits, the commission rates charged by such brokers may be higher or lower than other brokers.

### **Item 13. — Review of Accounts**

The Advisor monitors compliance with the investment objectives of its clients on an ongoing basis, but at least monthly. In general, the Advisor receives real-time or intraday information regarding Trading Vehicle accounts. As set forth in the fund's offering documents, investors in a private investment fund advised by the Advisor will receive periodic information, which shall include fund performance information, and copies of the annual audited financial statements for the fund.

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

Except as set forth with respect to certain soft dollar benefits in Item 12 – Brokerage Practices, the Advisor will not receive any economic benefits from any non-client for providing investment advisory services to the Advisor's clients. The Advisor or one of its affiliates has entered into, and may from time to time enter into additional, referral or placement agent agreements with

third-party marketing firms, including third party consultants, solicitors, placement agents and others (“Solicitors”), whereby such Solicitors agree to solicit and refer prospective clients or qualified investors. Any arrangements with Solicitors will be disclosed to the prospective clients or investors involved prior to them becoming advisory clients or admitting them as fund investors. Depending on the arrangement, the Solicitor may be compensated by a particular fund as permitted by the fund’s offering documents (e.g., if the referred investor is a strategic investor), by the referred client or investor, or by the Advisor (and/or its affiliate) by paying a portion of its management fees, performance-based compensation or otherwise. Because of the transactions with the Financial Services Company, a Manager may have an incentive to utilize an affiliate of the Financial Services Company for placement agent or related services. Solicitation arrangements with respect to advisory clients shall comply with SEC Rule 206(4)-1, as applicable. A fund’s offering documents will contain provisions applicable to Solicitors and fund investors.

## **Item 15. — Custody**

The Advisor and/or its affiliates have entered into agreements with qualified custodians to maintain custody of client assets as required by Rule 206(4)-2 under the Advisers Act. While the Advisor does not maintain physical custody of any client funds or securities, its affiliates will act as the manager of private investment funds advised by the Advisor, and, therefore, pursuant to the SEC’s custody rule (Rule 206(4)-2), the Advisor (through its affiliate) does have custody of such client assets.

Pursuant to the custody rule, audited financial statements will be delivered to each fund investor within 120 days of the end of each fiscal year, and the Advisor is, therefore, exempt from certain other requirements of the SEC’s custody rule.

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

As stated above in Item 4 – Advisory Business, the Advisor primarily provides discretionary advisory services to private investment funds and to certain of the Advisor’s affiliates. The investment advisory agreement between the Advisor and a client specifies whether the Advisor is delegated discretionary or non-discretionary authority over the client’s account. In limited cases, the Advisor also provides non-discretionary advisory services to an affiliate.

Under a discretionary advisory agreement, the Advisor has full power and authority to invest the assets of the client (including a private investment fund or a Trading Vehicle) on a discretionary basis and to act as the client’s attorney-in-fact in furtherance of such advisory services.

The Advisor’s exercise of discretion is governed by (and if applicable, limited by) the relevant investment advisory agreement, the relevant private fund offering documents and its fiduciary duty.

Generally, advisory agreements will be renewed automatically for successive one-year periods as of December 31 of each year unless the Advisor gives sixty (60) days’ prior written notice of its intention not to renew the agreement. Each advisory agreement may be terminated as set forth therein (generally by prior written notice or upon events of default).

## **Item 17. — Voting Client Securities**

To the extent the Advisor has been delegated proxy voting authority on behalf of its clients, the Advisor will comply with its proxy voting policies and procedures that are designed to ensure that in such cases where the Advisor votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. The Advisor does not vote all proxies and generally only votes those non-standard or noncustomary proxies in cases where client accounts hold a material position in the company. The Advisor's clients are not permitted to direct their votes in a particular solicitation.

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

A copy of the Advisor's voting procedures and information about how the Advisor will vote proxies can be obtained by contacting Mark Peckman, General Counsel and Chief Compliance Officer, at +1 (786) 772-5102 or mhpeckman@schonfeld.com.

## **Item 18. — Financial Information**

Certain investment advisers are required in this Item 18 to provide you with certain financial information or disclosures. The Advisor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.