

Castle Hook Partners LP

**767 Fifth Avenue, 50th Floor
New York, NY 10153**

March 28, 2024

This “**Brochure**” provides information about the qualifications and business practices of Castle Hook Partners LP. If you have any questions about the contents of this Brochure, please contact John Yoder, our Chief Compliance Officer (“**CCO**”), at 212.698.4742 or by email at compliance@castlehook.com. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

This Brochure also relates to Castle Hook Fund GP, LLC (the “**Main Fund General Partner**”) and Castle Hook Carbon Opportunity Fund GP, LLC (the “**Carbon Fund General Partner**”, together with the Main Fund General Partner, the “**Castle Hook General Partners**”); however, to the extent that the qualifications and business practices of the Main Fund General Partner and Carbon Fund General Partner are substantially similar to those of Castle Hook Partners LP, no specific mention of the Main Fund General Partner or Carbon Fund General Partner is made herein.

Castle Hook Partners LP is registered as an investment adviser with the SEC. Registration as an investment adviser does not imply that Castle Hook Partners LP or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Castle Hook Partners LP is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Our last annual amendment was filed on March 31, 2023. We also filed an other-than-annual amendment on May 19, 2023, reflecting that the principal address of Castle Hook Partners LP changed to 767 Fifth Avenue, 50th Floor, New York, NY 10153. While this update to our Brochure contains changes and updates to certain information (reflecting, among other things, the launch of the Carbon Funds (defined below)), we do not believe that they constitute material changes to this Brochure filed in conjunction with our last annual updating amendment.

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Item 4: Advisory Business

Castle Hook Partners LP is a Delaware limited partnership (hereinafter “**Castle Hook**,” “**we**,” “**us**,” “**our**” or the “**Firm**”) and is an affiliate of Castle Hook Partners GP, LLC (the “**General Partner**”) which serves as the general partner of the of the Firm. Mr. David Rogers (the “**Principal**”) is the Founding Partner and sole managing member of the General Partner. The General Partner has ultimate management authority over all investments, asset dispositions, distributions and other affairs of the Firm.

Castle Hook has its principal place of business in New York, New York, a branch office in Washington D.C., and also has personnel operating out of California.

Castle Hook's Form ADV also covers the Main Fund General Partner and Carbon Fund General Partner (as defined above). The Main Fund General Partner and Carbon Fund General Partner are affiliates of Castle Hook and serve or may serve as the general partner (or in such similar capacity) of pooled investment vehicles. The Main Fund General Partner's and Carbon Fund General Partner's facilities and personnel are provided by Castle Hook.

Castle Hook serves as the investment adviser, with discretionary trading authority, to the following private pooled investment vehicles (each, a “**Fund**” or “**Funds**”): Castle Hook Fund LP, a Delaware limited partnership (the “**Onshore Fund**”), Castle Hook Offshore Fund Ltd., a Cayman Islands exempted company (the “**Offshore Fund**”); Castle Hook Intermediate Fund Ltd., a Cayman Islands exempted company (the “**Intermediate Fund**”), and Castle Hook Master Fund Ltd., a Cayman Islands exempted company (the “**Master Fund**” and, collectively with the Onshore Fund, the Offshore Fund and the Intermediate Fund where applicable, the “**Main Fund**” or “**Main Funds**”), Castle Hook Carbon Opportunity Fund LP, a Delaware limited liability partnership (the “**Carbon Onshore Fund**”, and together with the Onshore Fund, the “**Castle Hook Onshore Funds**”), Castle Hook Carbon Opportunity Offshore Fund Ltd., a Cayman Islands exempted company (the “**Carbon Offshore Fund**”, and together with the Offshore Fund, the “**Castle Hook Offshore Funds**”), Castle Hook Carbon Opportunity Intermediate Fund Ltd., a Cayman Islands exempted company (the “**Carbon Intermediate Fund**”, and together with the Intermediate Fund, the “**Castle Hook Intermediate Funds**”), and Castle Hook Carbon Opportunity Master Fund Ltd., a Cayman Islands exempted company (the “**Carbon Master Fund**”, and together with the Carbon Onshore Fund, Carbon Offshore Fund, and Intermediate Carbon Fund, the “**Carbon Fund**” or “**Carbon Funds**”, and together with the Master Fund, the “**Castle Hook Master Funds**”). The Main Fund General Partner serves as the general partner of the Onshore Fund and as the manager to the Intermediate Fund and the Carbon Fund General Partner serves as the general partner of the Carbon Onshore Fund and as the manager to the Carbon Intermediate Fund.

The Castle Hook Offshore Funds' respective “**Shareholders**” and the Castle Hook Onshore Funds' respective “**Limited Partners**” are hereafter collectively referred to as the “**Investors**” where appropriate. We will not tailor our advisory services to the individual needs of any particular Investor.

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

securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential memorandum.

The Main Fund Strategy

Castle Hook utilizes a global opportunistic strategy which seeks to marry a discretionary macro approach to asset class selection and the analysis of markets and economies with a bottoms-up analytical framework for security selection. Castle Hook's objective is to construct and manage a concentrated portfolio of macro instruments, corporate securities and/or commodities that optimizes risk/reward in any market environment.

Castle Hook's investment philosophy is based upon a belief that top-down macroeconomic analysis and bottoms-up security analysis should not be two distinct processes. Rather, each is enhanced by the contributions of the other. Castle Hook believes that the best investment opportunities arise when a security is identified that (a) benefits from a powerful macroeconomic trend, (b) has its own idiosyncratic investment merits independent of macro variables, and (c) exhibits attractive technical characteristics. Castle Hook supplements its primary investment strategy with more opportunistic trading strategies, such as an equity capital markets strategy that seeks to generate returns from participating in new issues and block trades.

The Carbon Opportunity Fund Strategy

The investment objective of the Carbon Master Fund is to achieve capital appreciation over time through investments in North American carbon markets with an initial focus on California carbon allowances ("CCAs"), which are compliance instruments of the cap-and-trade greenhouse gas emission reduction program established under the laws of the State of California. The Carbon Master Fund will initially seek to access such carbon markets through investments in CCA futures and options on futures contracts, and the Carbon Master Fund may in the future invest in physical carbon allowances.

Castle Hook's approach is based on modeling future sector-level carbon emissions within the jurisdictions of the relevant cap-and-trade programs, and then evaluating the extent to which those projected emissions might be above or below the emissions cap in the program, taking into account the resulting trajectory of the inventory of allowances in the market. Based on the projected surplus or shortfall, Castle Hook seeks to identify prices that would create supply and demand balance in the allowance market and capitalize on differences between those prices and the prices in the futures and physical carbon markets. Castle Hook seeks to closely follow regulatory developments at the governing agencies as well as the relevant legislative bodies as they consider rule changes and extensions of the programs to help inform realistic price objectives and downside risks. Castle Hook also seeks to monitor and use the options market opportunistically when opportunities arise to increase risk adjusted returns to fundamental price objectives.

For additional details regarding our investment objectives and processes, please see Item 8 below and the applicable offering documents for the Funds.

The descriptions set forth in this Brochure of specific advisory services that we offer to our clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

We do not currently participate in any Wrap Fee Programs.

Castle Hook managed approximately \$2,690,399,292 of RAUM on a discretionary basis (calculated as of December 31, 2023 for the Main Funds, and as of February 29, 2024 for the Carbon Funds, as such funds launched in February 2024), and did not manage any client assets on a non-discretionary basis.

Item 5: Fees and Compensation

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below.

Management Fee – Main Fund

In Castle Hook's sole discretion, the Management Fee may be waived, reduced or calculated differently with respect to certain Investors in the Main Funds.

Onshore Fund Management Fee

Generally, the Onshore Fund will pay Castle Hook a fee for investment management services (the "**Management Fee**") for each month equal to between 0.083% to 0.1542% (1.0%-1.85% per annum) of the month-end balance of each Investor's capital account for such month. Payment of the Management Fee will generally be made within 10 days of the last day of each month, or as soon as reasonably practicable thereafter, but in no event later than March 15th of the subsequent year in which the Management Fee was earned. The precise Management Fee figure is determined in relation to each Investor's class of interests. The Main Fund General Partner will not be charged the Management Fee.

Offshore Fund Management Fee

Generally, the Offshore Fund will pay Castle Hook a Management Fee for each month equal to between 0.083% to 0.1542% (1.0% - 1.85% per annum) of the month-end net asset value of each series of shares for such month. Payment of the Management Fee will generally be made within 10 days of the last day of each month, or as soon as reasonably practicable thereafter, but in no event later than March 15th of the subsequent year in which the Management Fee was earned. The precise Management Fee figure is determined in relation to each Investor's series of shares.

Management Fee – Carbon Fund

In Castle Hook's sole discretion, the Management Fee may be waived, reduced or calculated differently with respect to certain Investors in the Carbon Funds, including the Carbon Fund General Partner.

Carbon Onshore Fund Management Fee

Generally, the Carbon Onshore Fund will pay Castle Hook a Management Fee for each month between 0.04167% to 0.0833% (0.5%-1.00% per annum) of the month-end balance of each Investor's capital account for such month. Payment of the Management Fee will generally be made within 10 days of the last day of each month, or as soon as reasonably practicable thereafter, but in no event will the management fee be paid later than March 15 of the subsequent year in which the Management Fee was earned. The precise Management Fee figure is determined in relation to each Investor's class of interests. The Carbon Fund General Partner will not be charged the Management Fee.

Generally, the Carbon Offshore Fund will pay Castle Hook a Management Fee for each month equal to between 0.04167% to 0.08333% (0.5% - 1.0% per annum) of the month-end net asset value of each series of shares for such month. Payment of the Management Fee will generally be made within 10 days of the last day of each month, or as soon as reasonably practicable thereafter, but in no event later than March 15th of the subsequent year in which the Management Fee was earned. The precise Management Fee figure is determined in relation to each Investor's series of shares.

Performance Compensation – Main Fund

Onshore Fund Incentive Allocation

Generally, at the end of each fiscal year of the Onshore Fund, the Main Fund General Partner is entitled to an incentive allocation (the "**Incentive Allocation**"). The base Incentive Allocation rate ("**Base Incentive Allocation Rate**") is in an amount ranging from 15%-25% of the net capital appreciation ("**Net Appreciation**") (which includes both realized gains and losses and unrealized appreciation and depreciation) allocated to an Investor's capital account for such fiscal year after deducting the Management Fee debited to such investor's capital account for such fiscal year, subject to a loss carryforward mechanism. Castle Hook has also adopted an "Adjusted Incentive Allocation Rate" whereby the Base Incentive Allocation Rate will be reduced if, as of the date the Incentive Allocation is determined, the Net Appreciation in respect of a series of Interests for the applicable period is greater than 0% but less than 5% per annum (the "**Net Appreciation Threshold**"). In such situations, the Base Incentive Allocation Rate will be adjusted as follows: $(\text{Net Appreciation} / \text{Net Appreciation Threshold}) \times \text{Base Incentive Allocation Rate} = \text{Adjusted Incentive Allocation Rate}$.

In the event that the Onshore Fund is terminated or an Investor withdraws other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation allocable at such time to the Main Fund General Partner, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. In the sole discretion of the Main Fund General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain Investors.

Offshore Fund Incentive Allocation

Generally, at the end of each fiscal year of the Intermediate Fund, the Class M Shares of the Intermediate Fund (which are held by the Main Fund General Partner in its capacity as manager of the Intermediate Fund) are entitled to an Incentive Allocation. The Base Incentive Allocation Rate is in an amount ranging from 15%-25% of the Net Appreciation (which includes both realized gains and losses and unrealized appreciation and depreciation) attributable to each series of Intermediate Fund shares corresponding to a series of Offshore Fund shares for such fiscal year, after taking into account the Management Fee and any expenses at the Fund level that are not reflected in the net asset value of the Intermediate Fund), subject to a loss carryforward mechanism. Castle Hook has also adopted an "Adjusted Incentive Allocation Rate" whereby the Base Incentive Allocation will be reduced if, as of the date the Incentive Allocation is determined, the Net Appreciation in respect of a series of Shares for the applicable period is greater than 0% but less than the Net Appreciation Threshold (i.e. 5%) per annum. In such situations, the Base Incentive Allocation Rate will be adjusted as follows: $(\text{Net Appreciation} / \text{Net Appreciation Threshold}) \times \text{Base Incentive Allocation Rate} = \text{Adjusted Incentive Allocation Rate}$.

In the event that shares are redeemed other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation allocable at such time to the Main Fund General Partner,

net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. In the sole discretion of the Main Fund General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain Investors.

Performance Compensation – Carbon Fund

Carbon Onshore Fund Incentive Allocation

Generally, the Carbon Fund General Partner is entitled to an Incentive Allocation as of (i) the expiration of the Carbon Onshore Fund's initial investment period or (ii) if the term of the Carbon Onshore Fund is not extended, the date of the final distribution of proceeds to the Investors. The applicable Incentive Allocation rate (the "**Applicable Incentive Allocation Rate**") is in an amount ranging from 15%-40% (subject to thresholds and, with respect to certain classes of interest, hurdle amounts, as described in the applicable offering documents) of the net capital appreciation allocated to an Investor's capital account for such period after deducting the Management Fee debited to such investor's capital account for such period. The precise Incentive Allocation figure is determined in relation to each Investor's class of interests.

In the sole discretion of the Carbon Fund General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain Investors.

Carbon Offshore Fund Incentive Allocation

Generally, the Class M Shares of the Carbon Intermediate Fund (which are held by the Carbon Fund General Partner in its capacity as manager of the Carbon Intermediate Fund) are entitled to an Incentive Allocation as of (i) the expiration of the Carbon Offshore Fund's initial investment period or (ii) if the term of the Carbon Offshore Fund is extended, the date of the final distribution of proceeds to the Investors. The Applicable Incentive Allocation Rate is in an amount ranging from 15%-40% (subject to thresholds and, with respect to certain series of shares, hurdle amounts, as described in the applicable offering documents) of the net capital appreciation allocated to an Investor's series of shares for such period after deducting the Management Fee debited to such Investor's series of shares for such period. The precise Incentive Allocation figure is determined in relation to each Investor's series of shares of the Carbon Intermediate Fund corresponding to the series of shares of the Carbon Offshore Fund.

In the sole discretion of the Carbon Fund General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain Investors.

Please refer to each Fund's offering documents and/or governing documents for a full disclosure of all applicable fees and expenses.

Other Types of Fees or Expenses

The below expenses may not be applicable to all of the Funds. To the extent permitted under the applicable offering documents and/or governing documents (including any expense cap), each Fund generally bears its own operating and other expenses, and their pro rata share of the expenses of the Carbon Master Fund or Main Master Fund and any trading vehicle (as applicable), including, without limitation: investment-related expenses (e.g., brokerage commissions and transaction costs, clearing and settlement charges, custodial fees, interest expense, consulting, investment banking and any other professional fees or compensation relating to particular investments or contemplated investments, and research-related expenses, including, without limitation, investment consultants, and news and quotation equipment and services (including fees for data and software providers)); investment-related travel expenses (including meals, lodging and travel), expenses related to risk management provided by third-parties; third-party valuation services; investment-, operations- and

trading-related software, including trade order management software (i.e., software used to route trade orders); expenses related to connectivity with risk and trade processing systems; expenses relating to reports provided to Investors; legal and compliance expenses (which include, without limitation, responding to formal and informal inquiries, indemnification expenses and expenses associated with regulatory filings relating to the Funds and for their respective portfolios); insurance costs incurred in connection with the Funds' business (including, without limitation, acquiring and maintaining D&O and/or E&O insurance for the Castle Hook Offshore Funds', the Castle Hook Intermediate Funds' and the Castle Hook Master Fund's directors and Castle Hook, the Castle Hook General Partners and their respective affiliates, as applicable); accounting, audit and tax preparation expenses; organizational expenses; expenses relating to the offer and sale of interests of the Castle Hook Onshore Funds and shares of the Castle Hook Offshore Funds (as applicable); taxes, fees and expenses of the fund administrator (including for certain middle-office services) and the Boards of Directors of the Castle Hook Offshore Funds, the Castle Hook Intermediate Funds and the Castle Hook Master Funds (as applicable); the fees and expenses of the Castle Hook Master Funds' designated Anti-Money Laundering Compliance Officer, Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer (as applicable); expenses related to the maintenance of the Castle Hook Offshore Funds', the Castle Hook Intermediate Funds' and the Castle Hook Master Funds' registered offices (as applicable); expenses related to the Castle Hook Master Funds' and/or any trading vehicle's registered office, extraordinary expenses (including, without limitation, fees and expenses incurred in connection with the reorganization, termination, winding-up or termination of, the Funds or any trading vehicle); and other similar expenses related to the Main Fund and Carbon Fund as determined by Castle Hook or the Castle Hook General Partners, as applicable, in the applicable entity's sole discretion. The expenses for the Main Fund and Carbon Fund will generally be shared by all of the Investors, including the Castle Hook General Partners (as applicable), pro rata in accordance with each Investor's capital account balance (in the case of the Castle Hook Onshore Funds) or the aggregate net asset value of each series of shares (in the case of the Castle Hook Offshore Funds).

If any of the above expenses are incurred jointly for the account of the Main Fund, the Carbon Fund, and any other investment funds, client accounts and proprietary accounts sponsored or managed by Castle Hook or an affiliate (each, an **"Other Account"**), such expenses will be allocated among the Main Fund, the Carbon Fund, and such Other Accounts in proportion to the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as Castle Hook considers fair and reasonable. To the extent that any such expenses are not permitted to be allocated to a Fund, or Castle Hook has determined to not allocate any such expenses to a Fund (each, an **"Ineligible Fund"**), but are otherwise capable of being allocated to one or more other Funds (**"Eligible Fund"**), such expenses shall be allocated to all such Eligible Funds in accordance with their governing documents, in an amount not in excess of their properly allocable share, and Castle Hook shall bear any such expenses that would have otherwise been allocated to an Ineligible Client.

We may, in our sole and absolute discretion, bear any of the Funds' expenses described above; provided that, if we bear any such expenses, we will not be required to continue to bear such expenses and may thereafter cause the Funds to bear such expenses. To the extent that any such expenses are provided or paid for by us or the respective Castle Hook General Partner, the Funds will reimburse us and/or the applicable Castle Hook General Partner, as the case may be, for such expenses.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

We and our affiliates accept performance-based compensation from every client (other than clients that are not assessed performance-based compensation because it is assessed through another entity in a single master-feeder or similar structure). As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

Item 7: Types of Clients

Our clients are the Funds, as described above.

We may in the future provide investment advice to separately managed accounts for institutional and other Investors.

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

The descriptions set forth in this Brochure of specific advisory services that we offer to clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client's investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

Investment Objective – Main Fund

Castle Hook utilizes a global opportunistic strategy which seeks to marry a discretionary macro approach to asset class selection and the analysis of markets and economies with a bottoms-up analytical framework for security selection. Castle Hook's objective is to construct and manage a concentrated portfolio of macro instruments, corporate securities and/or commodities that optimizes risk/reward in any market environment.

Castle Hook's investment philosophy is based upon a belief that top-down macroeconomic analysis and bottoms-up security analysis should not be two distinct processes. Rather, each is enhanced by the contributions of the other. Castle Hook believes that the best investment opportunities arise when a security is identified that (a) benefits from a powerful macroeconomic trend, (b) has its own idiosyncratic investment merits independent of macro variables, and (c) exhibits attractive technical characteristics. Castle Hook supplements its primary investment strategy with more opportunistic trading strategies, such as an equity capital markets strategy that seeks to generate returns from participating in new issues and block trades.

Investment Objective – Carbon Fund

The investment objective of the Carbon Master Fund is to achieve capital appreciation over time through investments in North American carbon markets with an initial focus on CCAs which are compliance instruments of the cap-and-trade greenhouse gas emission reduction program established under the laws of the State of California. The Carbon Master Fund will initially seek to access such carbon markets through investments in CCA futures and options on futures contracts, and the Carbon Master Fund may in the future invest in physical carbon allowances.

Castle Hook's approach is based on modeling future sector-level carbon emissions within the jurisdictions of the relevant cap-and-trade programs, and then evaluating the extent to which those projected emissions might be above or below the emissions cap in the program, taking into account the resulting trajectory of the inventory of allowances in the market. Based on the projected surplus or shortfall, Castle Hook seeks to identify prices that would create supply and demand balance in the allowance market and capitalize on differences between those prices and the prices in the futures and physical carbon markets. Castle Hook seeks to closely follow regulatory developments at the governing agencies as well as the relevant legislative bodies as they consider rule changes and extensions of the programs to help inform realistic price objectives and downside risks. Castle Hook also seeks to monitor and use the options market opportunistically when opportunities arise to increase risk adjusted returns to fundamental price objectives.

Investment Process

We will seek to invest across all asset classes, geographies and sectors and expect to have a focus on individual long/short equity, credit, and commodity selection in addition to exposure to foreign exchange, interest rates, and other products.

We intend to concentrate a significant majority of our investments in highly liquid instruments and markets. Our portfolio of investments seeks to produce positive expected alpha in a manner uncorrelated over time to broader equity markets. To the extent applicable to the respective investment strategy for the Main Funds and Carbon Funds, we will seek to:

- (i) Develop investment themes based upon our:
 - (a) Evaluation of macroeconomic data and trends;
 - (b) Evaluation of secular technological, political/regulatory, demographic, industrial, commodity supply/demand or other trends; and
 - (c) Understanding of how corporate events tend to cause securities prices to deviate from their underlying value, with particular focus on those companies related to secular and/or macroeconomic trends we identify;
- (ii) Identify specific investment opportunities to optimally express our investment themes by leveraging our team's expertise in trading and evaluating the risk/reward of various instruments including listed equities, equity indices, commodities, credit, interest rates, foreign exchange and derivatives thereof; and
- (iii) Conduct intensive due diligence to evaluate risk/reward of investment opportunities by:
 - (a) Applying securities analysis tools including discounted cash flow, comparable company, historical multiples, returns on capital and cost of capital analyses; and
 - (b) Understanding securities value drivers such as management incentives corporate governance, accounting, free cash flow conversion, capital allocation, balance sheet optimization and potential strategic initiatives; and
 - (c) Utilizing industry contacts and experts, as appropriate.

Risk of Loss Factors

The following risk factors may not be applicable to all of the Funds and do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us.

Investment and Trading Risks

An investment in the Funds involves risks, including the risk that the entire amount invested may be lost. We will invest in, and actively trade, securities and other financial instruments using investment techniques with certain risk characteristics including, without limitation, risks arising from the volatility of the fixed income, equity, commodity and currency markets, the potential illiquidity of securities and other financial instruments, and the risk of loss from counterparty defaults. No guarantee or representation will be made that the Firm's investment objective will be achieved.

Global Macro

The success of our global macro investment strategy depends upon our ability to identify and exploit perceived fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that we will be able to locate investment opportunities or to exploit such imbalances. In the event that the theses underlying our positions fail to be borne out in developments we expected, the Funds may incur losses, which could be substantial.

Equity Securities

Our investment portfolio includes equity and equity-related securities of U.S. and non-U.S. companies. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if we invest in equity instruments of issuers whose performance diverges from our expectations or if equity markets generally move in a single direction and we have not hedged against such a general move. We also may be exposed to risks that issuers will not meet their contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Fixed Income Securities

The value of fixed income securities will change in response to fluctuations in interest rates. Increases in interest rates may cause the value of our debt investments to decline. We may experience increased interest rate risk to the extent we invest, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed income securities generally can be expected to decline. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Valuations of other fixed income instruments may fluctuate in response to changes in the economic environment that may affect future cash flows.

Distressed Obligations

Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to

disallow, reduce, subordinate, re-characterize debt as equity or disenfranchise particular claims. Such companies' obligations may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to our investments in any security. Obligations in which we invest may be less than investment grade, considered high yield or lack any conventional third-party rating. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that value of the assets collateralizing our investments will be sufficient or that prospects for a successful reorganization or similar action will become available. In any reorganization or liquidation proceeding relating to a company in which we invest, we may lose our entire investment, may be required to accept cash or securities with a value less than its original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from our investments may not compensate Investors adequately for the risks assumed. In addition, under certain circumstances, payments and distributions may be disgorged if any such payment is later determined to have been a fraudulent conveyance or a preferential payment.

Bank Loans

Our success in the area of loan investing will depend, in part, on our ability to obtain loans on advantageous terms. In purchasing loans, we will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to Investors. Bank loans are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on our ability to directly enforce its rights with respect to participations. Successful claims by third parties arising from these and other risks will be borne by the Funds. As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

Currencies

Investments in currencies are subject to numerous risks, not the least of which is the fluctuation of currency exchange rates. Exchange rates fluctuate for a number of reasons, including, but not limited to, inflation, trade deficits, interest rates, budget deficits and low savings rates, political factors and government control.

Since we may invest directly in currencies other than the U.S. dollar, we may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rate between such currencies and the U.S. dollar. We may enter into spot and forward currency contracts or invest in currency futures contracts and options on currencies and futures to trade currencies or to shift exposure to foreign currency fluctuations from one currency to another. Currency transactions made on a spot (i.e., cash) basis are at the spot rate prevailing in the currency exchange market. A forward currency contract, which involves an obligation to

purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces our exposure to changes in the value of the currency we will receive for the duration of the contract.

Currency trading is subject to risks different from those of other securities transactions. Because exchange rate control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These government actions can result in losses to the Funds if it is unable to deliver or receive currency or funds in settlement of obligations. Buyers and sellers of currency futures are subject to the same risks that apply to the use of futures generally. Furthermore, settlement of a currency forward contract for the purchase of most currencies must occur at a bank based in the issuing nation.

The ability to establish and close out options on currency futures is subject to the maintenance of a liquid market, which may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

At or before the maturity of a forward currency contract, we may either make delivery of the currency, or terminate its contractual obligation to deliver the currency by buying an "offsetting" contract obligating it to buy, on the same maturity date, the same amount of the currency. If we engage in an offsetting transaction, we may later enter into a new forward currency contract to sell the currency. If we engage in an offsetting transaction, the Funds will incur a gain or loss to the extent that there has been movement in forward currency contract prices. If forward prices go down during the period between the date the we enter into a forward currency contract for the sale of a currency and the date we enter into an offsetting contract for the purchase of the currency, the Funds will realize a gain to the extent that the price of the currency we have agreed to sell exceeds the price of the currency we have agreed to buy. If forward prices go up, the Funds will suffer a loss to the extent that the price of the currency we have agreed to buy exceeds the price of the currency we have agreed to sell.

Commodities

The values of commodities that underlie commodity futures contracts and other types of financial instruments in which we invest generally are affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. We have no control over the factors that affect the price of commodities. Accordingly, the value of our investments could change substantially and in a rapid and unpredictable manner.

Precious Metals

Prices of precious metals (e.g., gold, silver, platinum and palladium) are affected by factors such as cyclical economic conditions, political events, and monetary policies of various governments and countries. In addition, certain precious metals are geographically concentrated, and events in those parts of the world in which such concentration exists may

affect their values. Gold and other precious metals are also subject to governmental action for political reasons. The markets for precious metals are volatile and there may be sharp fluctuations in prices even during period of rising prices.

Energy

Markets for energy-related commodities including, without limitation, electricity, coal, natural gas, crude oil and other petroleum products, can be susceptible to substantial price fluctuations over short periods of time and are particularly affected by political events, natural disasters, exploration and development success or failure, and technological changes. In addition, significant short-term price volatility can be caused by the inability to store electricity, tariff regulation and consumer advocacy.

Real Estate-Related Securities

Securities issued by entities which invest in real estate, including real estate investment trusts (REITs), generally will be subject to the risks incident to the ownership and operation of commercial real estate and/or risks incident to the making of nonrecourse mortgage loans secured by real estate. Such risks include, without limitation, the risks associated with both the domestic and international general economic climates; local real estate conditions; risks due to dependence on cash flow; risks and operating problems arising out of the absence of certain construction materials; changes in supply of, or demand for, competing properties in an area (as a result, for instance, of over-building); the financial condition of tenants, buyers and sellers of properties; changes in availability of debt financing; energy and supply shortages; changes in the tax, real estate, environmental, and zoning laws and regulations; various uninsured or uninsurable risks; natural disasters; and our ability or third-party borrowers to manage the real properties. In addition, we may incur the burdens of ownership of real property, which include the paying of expenses and taxes, maintaining such property and any improvements thereon, and ultimately disposing of such property.

Short Selling

Short selling involves selling securities which are not owned and borrowing them 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 declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. 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 our cost of buying those securities to cover the short position. There can be no assurance that we will be able to maintain the ability to borrow securities sold short. In such cases, we can be "bought in" (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Leverage; Interest Rates; Margin

The use of leverage will allow us to make additional investments, thereby increasing our exposure to assets, such that our total assets may be greater than the Funds' capital. However, leverage will also magnify the volatility of changes in the value of our portfolio. The effect of the use of leverage in a market that moves adversely to our investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged. In addition, any leverage we employ is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, our use of short-term margin borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio's margin accounts decline in value, the portfolio could be subject to a "margin call," pursuant to which the portfolio must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the portfolio's assets, the portfolio might not be able to liquidate assets quickly enough to pay off its margin debt.

In the futures and forward markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative that any futures or forward contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a contract may result in immediate and substantial losses to the investor.

Repurchase and Reverse Repurchase Agreements

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

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 offset by the gain by the premium received if the option expires out of the money, 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 buyer of a call option assumes the risk of losing the premium if the option expires out of the money.

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 sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security 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 to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

Index or Index Options

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

Index Futures

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

Futures Contracts

Futures positions may be illiquid because, for example, many 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 contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent us from promptly liquidating unfavorable positions and subject the Funds to substantial losses. In addition, we may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss.

Forward Trading

Forward contracts and options thereon, unlike futures contracts, are generally not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. 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 widespread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market we trade 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 we would otherwise recommend, to the possible detriment of the Funds. Market illiquidity or disruption could result in major losses to the Funds.

Swap Agreements

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. Depending on their structure, swap agreements may increase or decrease our exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. We are not limited to any particular form of swap agreement if consistent with the Firm's investment objective. Whether our use of swap agreements will be successful depends on our ability to select appropriate transactions. Swap transactions may be highly illiquid and may increase or decrease the volatility of our portfolio. Moreover, we bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency by the counterparty. We also bear the risk of loss related to, for example, breaches of swap agreements or our failure 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 our ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

Other Derivative Instruments

We may take advantage of opportunities with respect to certain other derivative instruments that are not currently 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 Firm and that we believe are legally permissible. Special risks may apply to instruments in the future that cannot be determined at this time or until we invest in such instruments. Other derivative instruments may 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.

Credit Default Swaps

Credit default swaps can be used to implement our view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, we may sell credit default protection in which it receives a premium to take on the risk. In such an instance, we would be obligated to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. We also may buy credit default protection with respect to a referenced entity if, in our judgment, there is a high likelihood of credit deterioration. In such instance, we will pay a premium regardless of whether there is a credit event.

Hedging Transactions

We are not required to attempt to hedge portfolio positions. Furthermore, we may not anticipate a particular risk so as to hedge against it. We may use a variety of financial instruments (including options and derivatives), both for investment purposes and for risk

management purposes, in order to: (i) protect against possible changes in the market value of our investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the Funds' investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Funds' portfolios; (v) hedge the interest rate or currency exchange rate on any of the Funds' liabilities or assets; (vi) protect against any increase in the price of any securities that we anticipate purchasing at a later date; or (vii) for any other reason that the we deem appropriate.

The success of our hedging strategy is subject to our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when we hedge portfolio positions is also subject to our ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While we may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if they had not engaged in any such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent us from achieving the intended hedge or expose ourselves to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of our portfolio holdings.

Liquidity Risks

Under certain market conditions, such as during volatile markets or when trading in a security or market is otherwise impaired, our portfolio's liquidity may be reduced. During such times, we may be unable to dispose of certain assets which would adversely affect our ability to rebalance the portfolio or to meet withdrawal requests. In addition, such circumstances may force us to dispose of assets at reduced prices, thereby adversely affecting performance. If there are other market participants seeking to dispose of similar assets at the same time, we may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if the Funds incur substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In addition, in conjunction with a market downturn, our counterparties could incur losses of their own, thereby weakening their financial condition and increasing our credit risk to them.

Illiquid Investments

We may invest in securities which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and we may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Non-U.S. Investments

We invest our assets on a global basis, including in securities of non-U.S. companies which are traded in non-U.S. markets. Investing in the securities of companies in non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including: political and economic considerations, such as greater

risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain or other income; the 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 our investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in such countries than there is in the U.S. As a result, we may be unable to structure our transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce our rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the Commodity Futures Trading Commission (“CFTC”) or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to us under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Non-U.S. Exchanges

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

Currency Exchange Exposure

We may invest in securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. We may or may not seek to hedge our non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time we wish to use them, or that our hedging techniques will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of our positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. Such fluctuations may result in a loss to the Funds.

Furthermore, we may incur costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to us at one rate, while offering a lesser rate of exchange should we desire immediately to resell that currency to the dealer. We will conduct our currency exchange transactions either on a spot (i.e., cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell non-U.S. currencies. It is anticipated that most of our currency exchange transactions will occur at the time non-U.S. investments are purchased and will be executed through the local broker or custodian acting on our behalf.

We may seek to protect the value of some portion or all of our portfolio holdings against

currency fluctuations by engaging in hedging transactions, but there can be no assurance that such hedging transactions will be effective. We may enter into forward contracts on currencies, as well as purchase put or call options on currencies, in U.S. or non-U.S. markets. There can be no guarantee that instruments suitable for hedging currency risk will be available at the time we wish to use them or will be able to be liquidated when we wish to do so.

Counterparty Risk

We expect to establish relationships to obtain financing, derivative execution, derivative intermediation and prime brokerage services that permit us to trade in any variety of markets or asset classes over time. However, there can be no assurance that we will be able to establish or maintain such relationships or establish such relationships. An inability to establish or maintain such relationships could limit our trading activities, create losses, preclude us from engaging in certain transactions or prevent us from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on our business due to our reliance on such counterparties.

Cybersecurity Risk

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

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

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

Catastrophe Risks

The Funds may be subject to the risk of loss arising from direct or indirect exposure to various catastrophic events, including the following: hurricanes, earthquakes and other natural disasters (which may be caused, or enhanced in frequency and severity, by climate change

factors); war, terrorism and other armed conflicts; cyberterrorism; major or prolonged power outages or network interruptions; and public health crises, including infectious disease outbreaks, epidemics and pandemics. To the extent that any such event occurs and has a material effect on global financial markets or specific markets or issuers in which the Funds invest (or has a material negative impact on the operations of Castle Hook or our service providers) the risks of loss can be substantial and could have a material adverse effect on the Funds and the Investors' investments therein. Furthermore, any such event may also adversely impact one or more individual investors' financial condition, which could result in substantial withdrawal requests by such Investors as a result of their individual liquidity situations irrespective of Fund performance.

Alternative Data

Castle Hook obtains and uses alternative data in its investment process. Alternative data may consist of datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases (this data is sometimes referred to as "big data" or "alternative data"). Castle Hook intends to apply this alternative data to better anticipate micro- and macro-economic trends and otherwise to develop or improve trading or investment themes.

The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense, including technological efforts, that are borne by the Funds. No assurance can be given that Castle Hook will be successful in utilizing alternative data in its investment process. Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data in this manner, and its use or misuse under current or future laws and regulations could create liability for Castle Hook and/or the Funds in numerous jurisdictions. Castle Hook cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any adverse inquiries or formal actions could cause reputational, financial, or other harm to Castle Hook and/or to the Funds. Conversely, any future limitations on the use of alternative data could have a material adverse impact on the performance of the Funds.

No Fixed Diversification Policies; Certain Correlation Risks

The Funds do not and will not maintain any fixed limits, guidelines or requirements for diversifying its portfolio.

The Funds investment portfolio may be concentrated in certain carbon allowances and related instruments, and Castle Hook is not restricted as to the percentage of Funds' assets that may be invested in any particular component of the Funds' investment strategy or any issuer, geography, industry, market, instrument or sector. The Funds do not and will not maintain any fixed limits, guidelines or requirements for diversifying its portfolio among issuers, geographies, industries, markets, instruments or sectors. In attempting to maximize the Funds' returns, Castle Hook may concentrate the holdings of the Funds in those issuers, geographies, industries, markets, instruments or sectors that, in the sole judgment of Castle Hook, provide the best profit opportunities consistent with the Funds' investment objective. Such concentration of risk could ultimately result in more significant losses to the Funds than would be the case if its capital had been spread over a wide number of positions.

In addition, the components of the Funds overall investment strategy may exhibit correlations that result in the strategy as a whole having a greater concentration in or exposure to a given asset, asset class, or risk scenario than would be expected from a strategy-by-strategy review. While Castle Hook seeks to identify and manage such aggregated risks, there is no guarantee that

Castle Hook will be effective in such identification or management, which could result in, among other consequences, losses or greater volatility in the Funds' portfolios.

Cap-and-Trade Market Risk

Cap-and-trade programs and related markets have arisen primarily due to relative international consensus with respect to scientific evidence indicating a correlative relationship between the rise in global temperatures and extreme weather events, on the one hand, and the rise in greenhouse gas emissions in the atmosphere, on the other hand. If this consensus were to break down, cap-and-trade mechanisms and the value of the investments in the Funds may be negatively affected.

Since cap-and-trade programs are a product of legislative action which itself seeks to address a climate challenge, there is no guarantee that cap-and-trade mechanisms will continue to exist in light of evolving political and scientific landscape. For example, cap-and-trade programs may not prove to be an effective method of reduction in greenhouse gas emissions. As a result, or due to other factors, cap-and-trade programs may be terminated or may not be renewed upon their expiration.

New technologies may arise that may diminish or eliminate the need for cap-and-trade markets. Ultimately, the cost of emissions credits is determined by the cost of actually reducing emissions levels. If the price of credits becomes too high, it will be more economical for companies to develop or invest in green technologies, thereby suppressing the demand for credits and allowances.

The first cap-and-trade markets program started in 2001. Historical performance of the cap-and-trade markets may not be indicative of future performance, and future performance of cap-and-trade markets may be hard to predict. In addition, as cap-and-trade markets develop, new regulation with respect to these markets may arise, which may have an adverse effect on the value and liquidity of the cap-and-trade markets and the investments in the Funds.

Energy Complex Risks Impacting Market Prices

The Funds' performance may be affected by a number of risk factors impacting traditional commodities markets, such as weather patterns and the status of oil and gas reserves. In Europe, for example, the price of carbon credits has been found to correlate to a certain extent with the price of natural gas. When gas prices increase, electric utilities typically will burn more coal (which emits more CO₂ relative to natural gas), which then puts upward pressure on carbon credit prices. Similarly, when there is significant rain, the price of carbon credits could decrease because utilities can run hydroelectric facilities, which do not emit greenhouse gases. Based on the foregoing, there is a risk that the Funds' portfolio returns will be affected by the overall movement in the energy complex.

Significant Positions in Securities; Regulatory Requirements

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

In addition, "position limits" may be imposed by various U.S. and non-U.S. regulators that may limit the Funds' ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a

particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Funds' position limits were aggregated with an affiliate's position limits, the effect on the Funds and resulting restriction on its investment activities may be significant. If at any time positions managed by Castle Hook were to exceed applicable position limits, Castle Hook would be required to liquidate positions, which might include positions of the Funds, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Funds might have to forgo or modify certain of its contemplated trades.

Carbon Allowances

The Funds may invest in derivative and, subject to obtaining licensure from relevant regulatory bodies, physical exposures to carbon allowances. Carbon allowances are generally issued by state actors under emissions cap-and-trade regulatory programs. Each carbon "allowance", or an emission permit, allows its holder to emit roughly one tonne (1,000 kg) of pollutant, such as carbon dioxide. In a cap-and-trade mechanism, the supply of greenhouse gas allowances is purposefully limited, and the allowances can be purchased, sold or traded.

The value of carbon allowances is derived from the restriction on the number of such allowances issued by a state, region or country. While issuers of carbon allowances seek to establish declining limits on sources of greenhouse gases by creating fewer allowances over time and increasing the annual auction reserve (or floor) price, cap-and-trade programs can, and often do, oversupply the market, frustrating the goals of such programs and reducing the value of their allowances.

Other risks to carbon allowances include the possibility of decreasing scientific or political support for emissions restriction programs. Advancements in alternative energy and green technologies can also decrease the need for cap-and-trade programs, resulting in loss of value for the investments held by the Funds. The ability to invest in both physical and derivative exposures to carbon allowances may also be subject to investment limits imposed by a state, region or country, such as in California, which has annual holding limits for physical and derivative investments, and such limits may impact Castle Hook's allocation of such investments across the Funds.

The Funds' ability to invest in physical exposures to carbon allowances in certain jurisdictions, such as California, will be subject to Castle Hook's ability to obtain licensure from relevant regulatory bodies for trading vehicles or special purpose vehicles established for such purpose. As of the date of this Brochure, only the Main Funds, via the Master Fund, have the necessary licensure to invest in physical exposures. There is no guarantee that the Castle Hook will obtain such licensure from relevant regulatory bodies or, if Castle Hook does obtain such licensure, when the Funds will be able to invest in physical exposures to carbon allowances.

Macroeconomic Trends Impacting Carbon Market Prices

Macroeconomic trends may have significant impacts on carbon markets. For example, as a result of a global economic downturn, industrial and utility emissions may drop significantly in the U.S. and Europe which can negatively impact the demand for, and prices of, offsets. Accordingly, although prices for offsets in the U.S. are expected to continue to rise in the future, there is no such guarantee and a decreased level of general economic activity may adversely impact offset prices.

Discretion to Employ New Strategies and Techniques

Castle Hook has considerable discretion in the types of securities which the Funds may trade and has the right to modify the trading strategies or hedging techniques of the Funds without the consent of Investors. Any of these new trading techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which

could result in unsuccessful trades and, ultimately, losses to the Funds. In addition, any new investment strategy or hedging technique developed by the Funds may be more speculative than earlier techniques and may increase the risk of an investment in the Funds.

Portfolio Turnover

The Funds investment program may at times involve frequent trading, which may result in higher investment costs and charges to the Funds (and, indirectly, to Investors).

Highly Volatile Markets

The prices of derivative instruments, including currencies, futures and option prices, can be highly volatile. Price movements of derivative contracts in which the Funds' portfolio assets may be invested 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. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds' portfolios are also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

Regulatory Risks in the Carbon Markets

The Funds may invest in futures contracts on CCA markets and other North American carbon allowance markets, including, but not limited to, Quebec, Washington and New York; consequently, regulatory and economic factors impacting such allowances will impact the futures contracts. Unlike traditional securities and commodities (e.g., oil and gas) markets, carbon markets are unusual because the primary driver of demand is the existence of a regulatory framework imposing legal obligations or incentives that drive market participation, for example, the obligation on compliance entities to procure allowances or offsets and establishing a market for the sale and purchase of such carbon credits, including offsets. Accordingly, and as international experience has previously demonstrated, carbon markets are sensitive to regulatory developments and prices can vary widely based on governmental decisions, inaction or change in policies.

Future Legislation and Extension of Cap-and-Trade Beyond 2030

AB 398, which was passed by the California Legislature in 2017, extends California's program through 2030, but does not provide for the program's existence past 2030. Prior to AB 398's passage, California Air Resource Board ("**CARB**") took the view that it had the authority to continue the program through 2050, but CARB's authority to do so was unclear, and could have been challenged in court. If the California Legislature does not extend the program again prior to 2030, the program could expire, along with the obligation on compliance entities to surrender allowances and offsets. If the program is extended through a rulemaking by CARB rather than legislation, the extension could be subject to legal challenge. In addition, future legislation could materially change the design and features of the program, which could impact the supply or demand and prices of offsets.

Changes to Carbon Regulations

Carbon regulations include a number of design features that will have a significant impact on carbon market prices, including the number of allowances available in the marketplace, the allocation of allowances for free distribution, banking or holding

allowances and offsets through different compliance periods, limits on the use of offsets for compliance obligations, the protocols pursuant to which offsets are issued and the circumstances under which offsets may be invalidated. Each of these design features would materially and adversely impact prices of offsets. Further, AB 398 directs CARB to examine concerns related to "overallocation" of allowances and to establish "banking rules that discourage speculation [and] avoid financial windfalls." These rules could have a material effect on the supply of and demand for both allowances and offsets.

Linked Cap-and-Trade Programs

California's program was previously linked with the cap-and-trade programs established in the Canadian provinces of Ontario and Quebec. However, Ontario withdrew from the program, which is expected to decrease the demand for allowances through 2030 and therefore result in lower allowance and offset prices. As with Ontario, it is possible that Quebec may withdraw from the program at some point in the future, which could have a material and adverse effect on the price of offsets and the performance of the Funds. California's program may become linked with other jurisdictions in the future, for example Washington and New York, and such other jurisdictions could subsequently withdraw from California's program. Both the initial linkage and a potential subsequent withdrawal could have a significant and material impact on the supply and price of, and demand for, allowances and offsets.

Legal Challenges to Cap-and-Trade

In 2012, the Cap-and-Trade Program was challenged in a lawsuit by the California Chamber of Commerce on the basis that the program violates the California Constitution because it is a tax and because it was not passed by a 2/3 supermajority of the California legislature, which is required under the California Constitution for the adoption of new taxes. The lawsuit was dismissed by the District Court in Sacramento, whose ruling was upheld by the California Court of Appeals on April 6, 2017. The California Supreme Court then declined to hear an appeal of the case, ending the litigation. AB 398, which extends the program through 2030, was passed by a 2/3 supermajority, thereby insulating the program from challenges on this particular ground (at least until 2030). However, other legal challenges could be brought and elements of the program, or the program itself, could be struck down as a result of these challenges. For example, a proposal was submitted to the Utah legislature to fund a lawsuit on behalf of Utah's coal industry challenging the program as a violation of the Dormant Commerce Clause because it seeks to discriminate against out-of-state power plants and specifically targets coal production. This lawsuit, or similar suits, could result in material changes to the program that would have an adverse impact on offset prices and the ability of the Funds to meet their objectives.

Climate Change-Related Risks

The environmental effects of climate change, including rising temperatures, extreme weather, fires, flooding, erratic weather fluctuations, agricultural failures and displacement and destabilization of human populations, could have materially adverse effects on the securities held by the Funds. Castle Hook believes that such risks may increase over time, although the time period over which these consequences might unfold is difficult to predict.

In addition to the physical, economic and geo-political risks associated with climate change, there are transition risks. The willingness of certain governments, industries and businesses, especially those that profit from, or have a reliance on, fossil fuels, to adapt to climate change or transition to sustainable practices may also adversely affect the securities.

Regulatory changes and divestment movements tied to concerns about climate change could adversely affect the value of certain industries whose activities or products are seen as accelerating climate change, or ill-positioned in light of the economic and social demands imposed by climate change. In recent years, certain investors have incorporated the business risks of climate change and the adequacy of companies' responses to climate change as part of their investment theses. These shifts in investing priorities may result in adverse effects on the trading price of securities if investors determine that the company has not made sufficient progress on climate change and environmental sustainability matters whether or not climate change proves to be as severe as predicted or preventable.

The values of securities whose performance is linked to assets and revenue streams that are exposed to climate change risk, including futures and swaps that directly or indirectly reference fuel, energy, transportation and agricultural prices, real estate property values, mortgages, taxes, insurance rates and proceeds of tourism, may readily be affected by both long-term, systemic effects of climate change, as well as severe environmental events whose occurrence is inherently unpredictable.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

Castle Hook is registered with the CFTC as a commodity pool operator and is a member of the National Futures Association (the "NFA"). Castle Hook relies on exemptions from certain regulatory requirements under CFTC Regulation 4.7 on behalf of the Funds. In connection with our registration with the CFTC, our Partners, executive officers and certain investor relations personnel are registered as "Associated Persons" and/or "Principals" of Castle Hook.

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

The Main Fund General Partner, an affiliate of Castle Hook, serves as the general partner of the Onshore Fund And the Carbon Fund General Partner, an affiliate of Castle Hook, serves as the general partner of the Carbon Onshore Fund.

We do not recommend or select other investment advisers for our clients.

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

Code of Ethics

Castle Hook has adopted a "Code of Ethics" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees are also required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds first;

- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at the Firm.

Participation or Interest in Client Transactions

Neither we nor our related persons generally purchase any securities for our own accounts from, or sell any securities for our own accounts to, the Main Fund or Carbon Fund. Though Castle Hook does not currently have any separately managed account clients, if it were to in the future, Castle Hook may solicit qualified clients to invest in a Fund. Castle Hook could be considered to have recommended an investment in the Fund as suitable for a client as a result of the relationship between Castle Hook and the Fund. Castle Hook will inform each client of its relationship with a Fund prior to the client's investment, but does not intend to advise clients as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in a Fund (except to the extent that Castle Hook receives Management Fees and performance compensation from all Investors).

To the extent that we determine that it would be in the best interests of certain clients to engage in a "Cross Trade" (which can happen for a variety of reasons, including tax purposes, liquidity purposes, to rebalance client portfolios, or to reduce transaction costs that may arise in an open market transaction), we will follow a policy whereby we determine that the trade is in the best interests of both of the clients involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the Investment Advisers Act of 1940 (the "Advisers Act")) due to the ownership interest in a client by the Castle Hook General Partners or otherwise (or if Castle Hook otherwise engages in principal transactions), Castle Hook will comply with the requirements of Section 206(3) of the Advisers Act.

Castle Hook discloses these, and other conflicts of interest and potential conflicts of interest, to Investors in the Fund's offering documents. These materials are delivered to Investors prior to their investment and Investors are given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving the Firm, its affiliates, or the executive officers of the foregoing.

Personal Securities Trading

Castle Hook's policy regarding personal securities trading by personnel (the "**Employee Investment Policy**") significantly constrains the ability of personnel to engage in personal securities trading. Under the Employee Investment Policy, employees, their spouses, immediate family members and other dependents, are required to direct their brokers, or directly provide, duplicate copies of personal discretionary brokerage account statements to the CCO or his designee, which are used to monitor compliance with the Employee Investment Policy. Under the Employee Investment Policy, employees are prohibited from participating in initial public offerings (IPOs).

Employees must obtain pre-approval from the CCO or his designee before: (i) effecting any personal trades in any Reportable Security (as defined under Rule 204A-1); (ii) engaging in any outside business activities that may present a conflict with the employees' duties at the Firm; or (iii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective Investor or client or prospective client, upon request.

Conflicts of Interest Created by Contemporaneous Trading

Castle Hook manages investments on behalf of multiple Funds. Certain Funds have investment programs that are similar or overlap and may, therefore, participate with each other in investments. It is Castle Hook's policy to allocate investment opportunities to the Funds on a fair and equitable basis, to the extent practical and in accordance with the Funds' applicable investment strategies, over a period of time. Investment opportunities will generally be allocated among the Funds for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: cash/margin availability; liquidity requirements; the risk-return profile of the proposed investment in respect of a Funds' and Other Accounts' investment objectives; the potential for the proposed investment to create an imbalance in a Funds' and other Accounts' portfolios; the need to re-size risk in a Funds' and Other Accounts' portfolio; the potential for adverse tax consequences; regulatory restrictions that would or could limit the Funds' and Other Accounts' ability to participate in investments in North American carbon markets, including licensure of investment entities established to invest in CCAs; investment limits imposed by a state, region or country, such as in California, which has annual holding limits for physical and derivative investments; the investment mandates of each Fund; the type of investment in North American carbon markets, and the time horizon for the investment relative to the term of any Fund. Castle Hook may determine that it is appropriate for a Fund to participate in investments in any manner on the basis of numerous factors, including considerations not outlined above. However, Castle Hook will not make such a determination on the basis of the amount of fees or fee structure applicable to a Fund.

Castle Hook will have no obligation to purchase or sell a security or other instrument for, enter into a transaction on behalf of, or provide an investment opportunity to a Fund solely because the Investment Manager purchases or sells the same security or instrument for, enters into a transaction on behalf of, or provides an opportunity to another Fund if, in its reasonable opinion, such security or instrument, transaction or investment opportunity does not appear to be suitable, practicable or desirable for the other Fund.

In particular, when a Fund is ramping up its investment or trading strategies, it may receive larger allocations of certain securities or other instruments than another Fund in order to obtain its desired risk and portfolio size. Conversely, when a Fund ramps up its investment and trading strategies, another Fund may receive reduced or no allocations of certain securities or other instruments.

Co-Investments

Castle Hook and/or its affiliates may, from time to time, offer one or more existing or third-party investors the opportunity to co-invest with a Fund in particular investments. Castle Hook and its affiliates are not obligated to arrange co-investment opportunities, no investor will be obligated to participate in such an opportunity, and Castle Hook may offer co-investment opportunities only to certain of the persons referenced above in its sole discretion. Castle Hook and its affiliates have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular investor and may allocate co-investment opportunities instead to third parties. If Castle Hook determines that an investment opportunity is too large for the Funds, Castle Hook and its affiliates may, but will not be obligated to, make proprietary investments therein. Castle Hook or its affiliates may receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by the Funds. Other terms and rights applicable to such co-investors (including without limitation, withdrawal or redemption rights, information rights and the terms related to the particular structure of any co-investment vehicle) may also differ from the terms and rights applicable to investors as well as among co-investors. The participation by one or more co-investors in an investment has the potential to present conflicts as a result of differing interests between the applicable Fund and such co-investors. In addition, a Fund's

interest in an investment has the potential to be negatively impacted by the actions of a participating co-investor, including as a result of such co-investor's failure to fund any portion of its investment.

Item 12: Brokerage Practices

Castle Hook is authorized to determine the broker-dealers to be used for executing securities transactions for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. The Funds' securities and other assets are held in securities accounts at our prime brokers that are "qualified custodians" as defined under the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

Best Execution

When effecting client trades, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration a number of qualitative and quantitative factors including the price of a security offered by the broker-dealer, as well as the broker-dealers' full range and quality of services including, among other things, facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

We maintain policies and procedures to review the quality of executions, including periodic reviews by investment professionals.

Soft Dollars

At times, the Firm uses "**Soft Dollars**" generated by the Funds' trading activities to purchase brokerage and research services or products that would otherwise have been our expense. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. Research products and services provided by brokers through which client transactions are executed, settled and cleared may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, access to management and other products and services providing lawful and appropriate assistance to Castle Hook in the performance of its investment decision-making responsibilities.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more clients are, at times, used by Castle Hook to service one or more other clients, including clients that may not have paid for the soft dollar benefits. Castle Hook does not seek to allocate soft dollar benefits to client accounts in proportion to the soft dollar credits the client accounts generate.

When Castle Hook uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, it receives a benefit because it does not have to produce or pay for such products or services. Castle Hook at times has an incentive to select or recommend a broker-dealer based on its interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution. Nevertheless, Castle Hook seeks to obtain best execution considering the factors identified in preceding section.

Brokerage for Client Referrals

Neither Castle Hook nor any related person receives client referrals from any broker-dealer or third party. However, subject to Best Execution, Castle Hook may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Funds in selecting or recommending broker-dealers for the Funds.

Directed Brokerage

Castle Hook does not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

Item 13: Review of Accounts

Our portfolio managers and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the relevant Funds' offering documents. In these reviews, we pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

We perform various periodic reviews of each client's portfolio. Such reviews are conducted by our officers.

We will distribute annual audited financial statements with respect to the previous fiscal year to all Investors within 120 days of relevant Fund's fiscal year end. We may also distribute other interim reports to Investors.

Item 14: Client Referrals and Other Compensation

We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons directly or indirectly compensate any person who is not a supervised person, including placement agents, for client referrals.

Item 15: Custody

We will comply with Rule 206(4)-2 under the Advisers Act (the "**Custody Rule**"), by maintaining client funds and securities with independent qualified custodians and complying with the provisions of the "Pooled Vehicle Annual Audit Exception", which, among other things, requires that the Funds be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Funds' audited financial statements, prepared in accordance with U.S. GAAP, be distributed to Investors within 120 days of the Fund's fiscal year end.

Item 16: Investment Discretion

We will have full discretionary authority over the Funds, including authority to make decisions with respect to which securities are bought and sold, as well as the amount and price of those securities. Our investment decisions and advice with respect to the Fund are subject to the Fund's investment objectives and guidelines, as set forth in the applicable offering documents.

Item 17: Voting Client Securities

In compliance with the Advisers Act's Proxy Voting Rule 206(4)-6, we have adopted proxy voting policies and procedures. Our general policy is to vote proxy proposals, amendments,

consents or resolutions (collectively, "**Proxies**") in what we determine is the best position for the client account to take, taking into account their respective investment objectives.

To that end, we may consider all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

In limited circumstances, we may refrain or abstain from voting Proxies where we believe that doing so would be in the best interests of our clients, taking into consideration a variety of factors consistent with our Proxy voting policies. Generally, clients may not direct our vote in a particular solicitation.

Conflicts of interest may arise between the interests of our clients, on the one hand, and us or our affiliates on the other hand. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures.

Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

Item 18: Financial Information

We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to clients, and have not been the subject of a bankruptcy petition at any time during the past ten years.