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Cover Page

Form ADV Part 2A

Firm Disclosure Brochure

March 28, 2024



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This firm disclosure brochure (the “**Brochure**”) provides information about the qualifications and business practices of Highland Peak Capital, LLC and certain of its affiliates (collectively, “**HPC**” or the “**Firm**”) for purposes of Form ADV. If you have any questions about the contents of this Brochure, please contact the Firm at the number listed above or at craig@highlandpeakcapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

HPC is a registered investment adviser with the SEC. Registration with the SEC does not imply any level of training or skill. Additional information about HPC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2
Material Changes

There are no material changes to report since March 23, 2023, the date on which the most recent annual amendment to this Brochure was filed. In the future, this Item will discuss specific material changes that are made to the Brochure since the last annual updating amendment and provide clients with a summary of such changes.

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Item 4

Advisory Business

A. Description of the Advisory Firm

HPC is a Delaware limited liability company formed in 2019 and is wholly owned and controlled by Graham Morris (the “**Manager**”). As of the date of this Brochure, HPC manages private funds (the “**Funds**” and each, a “**Fund**”) consisting of a mini master-feeder fund structure, with a Delaware limited partnership as the master fund and a Cayman Islands exempted company as the feeder fund, and HPC also provides advisory or sub-advisory services to separately managed accounts (“**SMA**s” or “**SMA Clients**”) which, as of the date of this Brochure, are for private funds and other pooled investment vehicles, and state or municipal government entities. The Funds and SMA are collectively referred to herein as the “**Clients**.” HPC participates in two information sharing arrangements with two third parties.

B. Types of Advisory Services

HPC provides discretionary investment advisory services, either directly or indirectly, to the Clients.

The Funds include Highland Peak Partners, LP (the “**Master Fund**”) and Highland Peak Offshore, Ltd. (the “**Feeder Fund**”). The Feeder Fund invests all or substantially all of its assets in, and conducts the investment activities with respect to its assets primarily through, the Master Fund. HPC serves as investment manager to the Funds and Highland Peak Partners GP, LLC (the “**GP**”), an affiliate of HPC, serves as the general partner of the Master Fund. HPC and the GP are under common control.

The Funds are privately offered to qualifying investors pursuant to Regulation D or Regulation S, as applicable, under the Securities Act of 1933, as amended (the “Securities Act”). Each Fund qualifies for an exclusion from registration under Section 3(c)(1) of the Investment Company Act of 1940, as amended (the “Investment Company Act”). The Firm’s SMA Clients, as of the date of this Brochure, are private funds that qualify for an exclusion from registration under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, or are formed as other pooled investment vehicles.

An investment in a Fund is subject to the investment objectives, terms and conditions outlined in the applicable offering documents, which include but are not limited to the confidential private placement memorandum, limited partnership or operating agreement, and subscription materials; and investment terms related to the SMA Clients are addressed in the investment advisory or management agreement with such Client (all such documents collectively referred to herein as, the “**Governing Documents**”). This Brochure does not constitute an offer to sell or the solicitation of an offer to purchase interests in a Fund and the disclosure contained herein shall not be relied on to determine whether an investor should purchase interests in a Fund. Any such offer or solicitation will be made solely to qualified investors by means of the Governing Documents. To the extent there is any conflict between the disclosures contained in this Brochure and the Governing Documents provided to investors, the Governing Documents will control.

The Funds’ investment objective is to generate capital appreciation in two primary markets: equities and distressed credit. HPC seeks to generate superior returns and outperform the S&P 500 and Russell 2000 indices by employing long and short positions. The Firm’s SMA pursue generally the same or a substantively

similar investment strategy as the Funds. Refer to *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* for additional information about the Clients’ investment strategy.

While HPC focuses on the strategies and asset classes discussed throughout this Brochure, the Firm does not necessarily limit the types of investments on which it advises.

HPC participates in two information sharing arrangements with two third parties. Each third party may use the information for its own trading strategies. There are significant constraints on how the information may be used by the third parties in order to mitigate any potential conflicts. Refer to *Item 10 – Other Financial Industry Activities and Affiliations* for additional information about these arrangements.

C. Client Tailored Services and Client Imposed Restrictions

In accordance with the applicable Governing Documents, HPC tailors its investment advisory services to be consistent with the Clients’ investment strategies, terms and conditions. Underlying investors in the Funds may not impose restrictions on investing in certain securities or types of securities. Investment terms for SMAs are individually negotiated with such SMA Clients.

D. Wrap Fee Programs

HPC does not participate as a sponsor of or portfolio manager to any wrap fee programs.

E. Assets Under Management

As of December 31, 2023, HPC manages approximately \$245,247,108 in regulatory assets on a discretionary basis.

Item 5 Fees and Compensation

A. Fee Schedule

HPC generally receives advisory fees and performance fees (or allocations) in connection with the investment management services it provides to the Clients.

1. Management Fee

Generally speaking, each Fund pays HPC a quarterly investment management fee (the “**Management Fee**”) in advance in an amount equal to 0.375% (1.50% per annum) of the applicable net assets of the Fund, as of the first day of each calendar quarter. A pro rata portion of the Management Fee will be paid out of any initial or additional subscriptions received by the applicable Fund on any date that does not fall on the first day of a quarter, based on the number of months remaining in such partial quarter.

2. Performance-based Fees

HPC or the GP, as applicable, is entitled to receive a performance profit allocation (the “**Performance Allocation**”) in an amount equal to 17% of the net profit allocated to each investor during each calendar year, subject to a loss carry-forward provision, also known as a “high water mark,” as detailed in the applicable Governing Documents provided to investors.

The Performance Allocation will only be charged to Fund investors who are “qualified clients” as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended (“Advisers Act”).

Fund investments that are deemed “Hard-To-Value” investments or assets, as determined by HPC or GP in its reasonable judgement, will not be subject to the Management Fee or Performance Allocation until such investments are sold, exchanged, or are otherwise realized such that a value can be reasonably determined.

HPC, the GP or an affiliate may waive or reduce the Management Fee and/or Performance Allocation for any Fund investor, and has waived such fees for HPC and affiliates that are invested in the Funds.

The fees payable with respect to each SMA are individually negotiated between HPC and the respective SMA Client. Such fees are set forth in the Governing Documents for each such SMA. Performance-based fees will only be charged to SMA Clients that are “qualified clients” or “qualified purchasers,” as defined in Section 2(a)(51) of the Investment Company Act.

B. Payment of Fees/Billing Methods

For the Funds, HPC deducts fees and expenses from Fund investors’ accounts to facilitate billing. The Management Fee is calculated and charged in advance, on the first day of each calendar quarter, and the Performance Allocation, if any, is calculated and charged at the end of each calendar year. For the SMAs,

HPC bills the SMA Clients for fees and expenses incurred. The billing schedule and structure of such fees is individually negotiated between HPC and each such SMA Client, and are set forth in the applicable Governing Documents.

C. Other Fees and Expenses

Each Fund will bear its own ordinary operating expenses, including, as applicable, investment-related expenses (such as brokerage commissions, clearing and settlement charges, custodial fees, interest expenses, expenses relating to consultants, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses and investment banking expenses); research costs and expenses (including fees for news, quotation and similar information and pricing services); legal expenses (including, without limitation, the costs of on-going legal advice and services, blue sky filings and all costs and expenses related to or incurred in connection with HPC's compliance obligations under applicable federal and state securities and related regulations arising out of its relationship to each Fund (including the costs of compliance consultants to assist in meeting such obligations), as well as extraordinary legal expenses); the Management Fee; accounting fees and audit expenses; administrative fees; tax preparation expenses and any applicable tax liabilities (including transfer taxes and withholding taxes); other governmental charges or fees payable by the Fund; director and officer and/or errors and omissions liability insurance premiums or fiduciary liability insurance premiums for directors, officers and personnel of HPC; the compensation payable to and other costs and expenses of the Board of Directors; all government and regulatory registration and other licensing fees; registered office fees; printing and mailing costs; and other expenses associated with the operation of the Fund, including any extraordinary expenses (such as litigation and indemnification). Refer to *Item 12 – Brokerage Practices* for details regarding the factors that HPC considers in selecting broker-dealers for Fund and other Client transactions and determining the reasonableness of their compensation (e.g., commissions).

All expenses of the offering and organization of each Fund (including regulatory, legal and other expenses) ("Organizational Expenses") will be paid by such Fund and/or reimbursed by such Fund to the extent paid by HPC. The Organizational Expenses are amortized and charged to each Fund on a monthly basis over a period of 60 months commencing from the launch of such Fund's investment activities.

Certain expenses of the Master Fund that are specific to the Feeder Feeder may be specially charged to the Feeder Fund, as applicable. As a result, the performance of each Fund may be different.

Additional expenses borne by SMAs are individually negotiated between HPC and such SMA Clients, and are detailed in the Governing Documents for each SMA.

HPC bears all of its separate expenses arising out of its services to the Clients, including all of its general overhead expenses (including the rent of its offices, compensation and benefits of its administrative staff, maintenance of its books and records, and its fixed expenses, and general purpose office equipment).

D. Prepayment of Fees

The Management Fee is payable quarterly in advance, as described above and detailed in the applicable Governing Documents. The billing schedule and structure of fees borne by SMAs are individually negotiated between HPC and each such SMA Clients, and are set forth in the applicable Governing Documents.

E. Outside Compensation for the Sale of Securities

Neither the Firm nor any of its affiliates or supervised persons receive, directly or indirectly, any compensation from the sale of securities or other investment products outside of their association with the Firm. However, a portion of the Management Fee and/or Performance Allocation may be remitted to third parties introducing investors to a Fund, or HPC may use its own resources to compensate third parties for such introductions. No such compensation will be paid by a Fund.

The fee and expense description in this Brochure does not purport to be complete or comprehensive and investors and SMA Clients should refer to the applicable Governing Documents for a more robust explanation.

Item 6

Performance-Based Fees and Side-By-Side Management

Generally, investors in the Funds pay the Firm a Performance Allocation assessed at the end of each calendar year-end if there has been a net profit, subject to a high water mark provision. The SMAs are also subject to performance-based fees, and the nature and percentage of such fees may (and in some instances does) differ compared to such fees borne by the Funds. The existence of a performance-based fee, or a higher performance-based fee applicable to certain Clients, may motivate the Firm to make investments that are riskier or more speculative than those which would be made under a different compensation arrangement. HPC has a fiduciary duty to its Clients not to favor one Client account over that of another, without regard to the amounts and types of fees paid by its Clients. The Firm is committed to acting at all times in the best interests of its Clients and in accordance with each such Client's Governing Documents. To this end, HPC maintains procedures designed and implemented to ensure that Clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among Clients.

Item 7
Types of Clients

HPC provides investment advisory services to pooled investment vehicles, each of which is excepted from the definition of, or otherwise not deemed to be, an investment company under the Investment Company Act. The Funds are offered privately and generally available only to persons who are “qualified clients” as defined in Rule 205-3 of the Advisers Act. SMAs are established generally only for persons that are “qualified clients” or “qualified purchasers,” as defined in Section 2(a)(51) of the Investment Company Act. In any event, HPC will only charge performance-based fees to Fund investors and SMA Clients that are “qualified clients” or “qualified purchasers.”

Generally speaking, the minimum initial investment amount in each Funds is \$1,000,000, subject to waiver or reduction at HPC’s discretion (and/or the Board of Directors, if applicable). The minimum investment for establishing an SMA is subject to negotiation between HPC and the SMA prospect.

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

A. Methods of Analysis and Investment Strategies

HPC conducts rigorous fundamental analysis in search of the best investment opportunities for the Fund. Informational sources such as company filings, industry research, evaluations of competitors and calls with companies serve as the foundation for this analysis. The Funds' investment objective is to generate capital appreciation in two primary markets: equities and distressed credit. HPC seeks to generate superior returns and outperform the S&P 500 and Russell 2000 indices by employing long and short positions. The short portfolio is intended not only to drive returns but also to reduce market risk. HPC seeks to find the best risk/reward opportunities in equities and credit throughout various points in the credit and economic cycle. HPC believes that its differentiated approach to equity and distressed investing combined with its portfolio construction gives it an edge in guiding the Funds to achieve their objectives.

To pursue the Funds' investment objective, HPC invests in a variety of instruments including, but not limited to: equities, bonds, options, forwards, credit derivatives, bank debt, and currencies.

The Firm's SMAs pursue generally the same or a substantively similar investment strategy as the Funds.

HPC is not limited by the above discussion of the investment program. The Firm is constantly researching, developing, and implementing new methods and techniques to be utilized as part of the Funds' overall investment program. The investment program imposes no significant limits on the types of instruments in which HPC may take positions, the types of positions it may take, its ability to borrow money, or the concentration of investments.

For a more complete description of the investment strategy and methods of analysis, refer to the applicable Governing Documents, which contain additional information about the investment objective and approach, characteristics of the long and short portfolios, leverage and other relevant information regarding HPC's investment program. There can be no assurance that the Funds or any Clients will achieve their investment objectives or avoid substantial losses. An investor should not make an investment in a Fund with the expectation of sheltering income or receiving cash distributions. Investors are urged to consult with their personal advisers before investing in a Fund. Because risks are inherent in all the investments in which the Funds engage, no assurances can be given that the Funds' investment objectives will be realized. Investors may lose their entire investment.

B. Investments Strategy Risks

C. Investment Securities Risks

An investment in the Funds involves a significant degree of risk and is suitable only as an investment for persons of substantial means that have no need for liquidity with respect to such investment. Prospective investors should carefully consider the risk factors set forth below as well as other risks specified in the Governing Documents before making a decision to invest in a Fund. The risk factors set forth below are those that, at the date of this Brochure, HPC deems to be the most

significant. Other factors ultimately may affect an investment in the Funds in a manner and to a degree not now foreseen.

General Investment Risks. The Funds' success depends on HPC's ability to implement its investment strategy. Any factor that would make it more difficult to execute timely trades, such as a significant lessening of liquidity in a particular market, may also be detrimental to profitability. No assurance can be given that the investment strategies to be used by the Funds will be successful under all or any market conditions.

The Funds may increase their cash positions to up to 100% of their assets when HPC deems it prudent to do so or when a defensive position is warranted in light of market conditions. During such times, interest income will increase and may constitute a large portion of the Funds' returns and the Funds will not participate in market advances or declines to the extent that they would have if they had been more fully invested.

A potential investor in a Fund should note that the prices of the securities and other instruments in which the Fund invests may be unavailable. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. 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 the financial and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly.

Investment and Trading Risks. All investments involve the risk of a loss of capital. HPC believes that the Funds' investment program and its research and risk-management techniques moderate this risk through the careful selection of securities and other financial instruments. No guarantee or representation is made that the Funds' investment program will be successful, and investment results may vary substantially over time. The Funds' investment program will utilize such investment techniques as option transactions, limited diversification, margin transactions, short sales, and futures contracts, which such practices can, in certain circumstances, maximize the adverse impact to which the Funds may be subject.

Equity Securities. The value of the equity securities held by the Funds are subject to market risk, including changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. While offering greater potential for long-term growth, equity securities are more volatile and more risky than some other forms of investment.

Debt and Other Income Securities. The Funds may invest in fixed-income and adjustable rate securities. Income securities are subject to interest rate, market and credit risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, industry, country or region. Credit risk relates to the ability of the issuer to make payments of principal

and interest. The values of income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

The debt securities in which the Funds may invest are not required to satisfy any minimum credit rating standard, and may include instruments that are considered to be of relatively poor standing and have predominantly speculative characteristics with respect to capacity to pay interest and repay principal. The Funds may invest in bonds rated lower than investment grade, which may be considered speculative. The Funds may also invest a substantial portion of its assets in high-risk instruments that are low rated, unrated or in default.

High-Yield Securities. The Funds may invest in high-yield securities. Such securities are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, the Funds may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments. (The Funds are not required to hedge, and may choose not to do so.) High-yield securities that are below investment grade or unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default of such securities.

Small- and Medium-Capitalization Stocks. The Funds may invest its assets in stocks of companies with smaller market capitalizations. Small- and medium-capitalization companies may be of a less seasoned nature or have securities that may be traded in the over-the-counter market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies. In addition to being subject to the general market risk that stock prices may decline over short or even extended periods, such companies may not be well-known to the investing public, may not have significant institutional ownership and may have cyclical, static or only moderate growth prospects. Additionally, stocks of such companies may be more volatile in price and have lower trading volumes than larger capitalized companies, which results in greater sensitivity of the market price to individual transactions. Accordingly, investors in the Funds should have a long-term investment horizon.

Small- and medium-capitalization securities may be followed by relatively few securities analysts with the result that there tends to be less publicly available information concerning these securities compared to what is available for exchange-listed or larger companies. The securities of these companies have more limited trading volumes than those of larger issuers and may be subject to more abrupt or erratic market movements than the securities of larger, more established companies or the market averages in general, and the Funds may be required to deal with only a few market makers when purchasing and selling these securities. Transaction costs in small- and medium-capitalization stocks may be higher than those involving larger capitalized companies. Companies in which the Funds may invest may also have limited product lines, markets or financial resources and may lack management depth and may be more vulnerable to adverse business or market developments.

Exchange Traded Funds. The Funds may invest in a type of investment company called an exchange-traded fund (“ETF”). ETFs are a type of investment security, representing an interest in a passively managed portfolio of securities selected to replicate a securities index, such as the S&P 500 Index or the Dow Jones Industrial Average, or to represent exposure to a particular industry or sector. Unlike open-ended mutual funds, the shares of ETFs and closed-ended investment companies are not purchased and redeemed by investors directly, but instead are purchased and sold through broker-dealers in transactions on a stock exchange. Because ETF and closed-end fund shares are traded on an exchange, they may trade at a discount from or a premium to the net asset value per share of the underlying portfolio of securities. As a relatively new type of security, the trading characteristics of ETFs may not yet be fully developed or understood by potential investors. In addition to bearing the risks related to investments in equity securities, investors in ETFs designed to replicate a securities index bear the risk that the ETF’s performance may not correctly replicate the performance of that particular index. Investors in ETFs, closed-end funds and other investment companies bear a proportionate share of the expenses of those funds, including management fees, custodial and accounting costs, and other expenses. Trading in ETF and closed-ended fund shares also entails payment of brokerage commissions and other transaction costs.

Exchange-traded Notes. The Funds may invest in exchange-traded notes (“ETN”). ETNs are senior, unsecured, unsubordinated debt securities whose returns are based on the performance of a particular market index or other reference asset minus applicable fees. ETNs are listed on an exchange and trade in the secondary market. However, an ETN can also be held until maturity, at which time the issuer pays a return linked to the performance of the market index or other reference asset to which the ETN is linked minus certain fees. ETNs do not make periodic coupon payments and principal typically is not protected.

The value of an ETN may be influenced by, among other things, time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying markets, changes in applicable interest rates, the performance of the market index or other reference asset, changes in the issuer’s credit rating, and economic, legal, political or geographic events that affect the market index or other reference asset. ETNs are also subject to the counterparty credit risk of the issuer. The market value of ETN shares may differ from their market index or reference asset. This difference may be due to the fact that the supply and demand in the market for ETN shares at any point in time is not always identical to the supply and demand in the market for the securities underlying the index or other reference asset that the ETN seeks to track. ETNs also incur certain expenses not incurred by their applicable index or reference asset. An ETN that is tied to a specific index may not be able to replicate and maintain exactly the composition and relative weighting of securities, commodities or other components in the applicable index.

Some ETNs that use leverage in an effort to amplify the returns of an underlying index or other reference asset can, at times, be relatively illiquid and, therefore, may be difficult to purchase or sell at a fair price. Leveraged ETNs are subject to the same risk as other instruments that use leverage in any form. While leverage allows for greater potential return, the potential for loss is also greater.

Convertible Securities. Convertible securities (“Convertibles”) are generally debt securities or preferred stocks that may be converted into common stock. Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks). A Convertible’s value usually reflects both the stream of current income payments and the value of the underlying common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of

market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion and ultimately default risk, as discussed below. Convertibles are also prone to liquidity risk as demand can dry up periodically, and bid/ask spreads on bonds can widen significantly.

An issuer may be more likely to fail to make regular payments on a Convertible than on its other debt because other debt securities may have a prior claim on the issuer's assets, particularly if the Convertible is preferred stock. However, Convertibles usually have a claim prior to the issuer's common stock.

In addition, for some Convertibles, the issuer can choose when to convert to common stock, or can "call" (redeem) the Convertible. An issuer may convert or call a Convertible when it is disadvantageous for the Funds, causing the Funds to lose an opportunity for gain. For other Convertibles, the Funds can choose when to convert the security to common stock or to put (sell) the Convertible back to the issuer.

Because Convertible arbitrage also involves the short sale of underlying common stock, this strategy is also subject to stock-borrow risk, which is the risk that the Funds will be unable to sustain the short position in the underlying common shares.

Interest Rate, Credit Default and Total Return Swaps. Swap agreements are types of derivatives. The Funds may enter into interest rate, credit default or total return swap transactions. Interest rate swaps involve the exchange by a Fund with another party of their respective commitments to pay or receive interest (for example, an exchange of floating rate payments for fixed-rate payments). In interest rate swap transactions, there is a risk that yields will move in the direction opposite of the direction anticipated by the Fund, which would cause the Fund to make payments to its counterparty in the transaction that could adversely affect Fund performance.

In a credit default swap transaction, the buyer of the swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of an entity. In addition to the risks applicable to swaps generally, credit default swap transactions involve special risks because they are difficult to value, are highly susceptible to liquidity and credit risk, and generally pay a return to the party that has paid the premium only in the event of an actual default by the issuer of the underlying obligation (as opposed to a credit downgrade or other indication of financial difficulty).

Total return swap transactions involve the exchange by a Fund with another party to pay or receive the total return of a defined asset in return for receiving or paying a stream of cash flows. In total return swap transactions there are the risks that the counterparty will default on its payment obligation to the Fund in the transaction and that the Fund will not be able to meet its obligations to the counterparty in the transaction.

Derivative Investments. Derivatives are financial contracts whose value depends on, or is derived from, an underlying product, such as the value of a securities index. The risks generally associated with derivatives include the risks that: (1) the value of the derivative will change in a manner detrimental to the Funds; (2) before purchasing the derivative, the Funds will not have the opportunity to observe its performance under all market conditions; (3) another party to the derivative may fail to comply with the terms of the derivative contract; (4) the derivative may be difficult to purchase or sell; and (5) the derivative may involve indebtedness or economic leverage, such that adverse changes in the value of the underlying asset could result in a loss substantially greater than the amount invested in the derivative itself or in heightened price sensitivity to market fluctuations.

Derivatives markets can be highly volatile. The profitability of investments by the Funds in the derivatives markets depends on the ability of HPC to analyze correctly these markets, which are influenced by, among other things, changing supply and demand relationships, governmental, commercial and trade programs and policies designed to influence world political and economic events, and changes in interest rates. In addition, the assets of the Funds may be pledged as collateral in derivatives transactions. Thus, if a Fund defaults on such an obligation, the counterparty to such transaction may be entitled some or all of the assets of the Fund as a result of the default.

Credit Derivatives. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. Such instruments may include one or more debtors. Payments under credit derivatives may be made during the exercise period of the contracts. Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default or acceleration, etc. Such payments may be for notional amounts, actual losses or amounts determined by formula.

The market for credit derivatives is relatively illiquid, and there are considerable risks that may make it difficult either to buy or sell the contracts as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay. There are also risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk. The value of this type of instrument depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to trading derivatives related to such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement can not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. There can be no assurance that derivatives that the Funds wish to acquire will be available at any particular times, at satisfactory terms or at all.

Option Transactions. The purchase or sale of an option by the Funds involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying investment for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying investment does not change in price in the manner expected, so that the option expires worthless and the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying investment in excess of the premium payment received.

Futures Contracts and Options on Futures Contracts. In entering into futures contracts and options on futures contracts, there is a credit risk that a counterparty will not be able to meet its obligations to the Funds. The counterparty for futures contracts and options on futures contracts traded in the United States exchanges is the clearinghouse associated with such exchange. In general, clearinghouses are backed by the corporate members of the clearinghouse who are required to share any financial burden resulting from the non-performance by one of its members and, as such, should significantly reduce this credit risk. In cases where

the clearinghouse is not backed by the clearing members, it is normally backed by a consortium of banks or other financial institutions. There can be no assurance that any counterparty, clearing members or clearinghouse will be able to meet its obligations to the Funds.

In addition, under the Commodity Exchange Act of 1974, as amended (the “CEA”), futures commission merchants (“FCMs”) are required to maintain customers’ assets in a segregated account. If the Funds engage in futures and options contract trading and the FCMs with whom the Funds maintain accounts fail to so segregate the Funds’ assets or are not required to do so, the Funds will be subject to a risk of loss in the event of the bankruptcy of any of their FCMs. Even where customers’ funds are properly segregated, the Funds might be able to recover only a pro rata share of its property pursuant to a distribution of a bankrupt FCM’s assets.

Futures Cash Flow. Futures contracts gains and losses are marked-to-market daily for purposes of determining margin requirements. Option positions generally are not, although short option positions will require additional margin if the market moves against the position. Due to these differences in margin treatment between futures and options, there may be periods in which positions on both sides must be closed down prematurely due to short-term cash flow needs. Were this to occur during an adverse move in the spread or straddle relationships, a substantial loss could occur.

Each exchange on which futures are traded and the CFTC typically have the right to suspend or limit trading in the contracts that each such exchange lists. Such a suspension or limitation could render it impossible for the Funds to liquidate their positions and thereby expose it to losses. In addition, there is no guarantee that exchange and other secondary markets will always remain liquid enough for HPC to close out existing futures positions. It is also possible that an exchange or the CFTC could order the immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Futures Markets May Be Illiquid. Most United States commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can be either taken or liquidated unless traders are willing to effect trades at or within the limit. Futures prices have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent HPC from promptly liquidating unfavorable positions and could subject the Funds to substantial losses, which could exceed the margin initially committed to such trades.

Futures Trading is Highly Leveraged. The margin deposit required to enter into a futures position is typically 2-10% of the total value of the contract. As a result, if the Fund’s account is margined, a relatively small price movement in a commodity futures contract may result in a loss to the investor equal to or substantially greater than the amount of the deposit. Combined with the volatility of futures prices, the leveraged nature of futures trading can cause futures traders to sustain large and sudden losses of their capital. When the market value of a particular open position changes to a point where the margin on deposit in a participating investor’s account does not satisfy the applicable maintenance margin requirements imposed by the Funds’ FCM(s), the Funds, and not HPC, will receive a margin call from the FCM(s). If the Funds do not satisfy the margin call within a reasonable time (which may be as brief as a few hours), the FCM(s) will close out the Funds’ position(s).

Futures Trading is Volatile and Speculative. Futures markets are highly volatile. Futures contracts are influenced by, among other things: changing supply and demand relationships, governmental actions, agricultural and commercial trade programs and policies, national and international political events, national and international economic events, weather and other natural occurring phenomena, and prevailing psychological characteristics of the marketplace. There is no assurance that HPC will engage in profitable trades for the Funds or that the Funds will not incur substantial losses.

Possible Effects of Speculative Positions and Trading Limits. The CFTC and certain commodity exchanges have established limits referred to as “speculative position limits” on the maximum net long or short position which any person may hold or control in a particular commodity futures contract. HPC does not anticipate that current position limits will adversely affect the contemplated trading of the Funds, but no assurance is given that such limits may not adversely affect such accounts in the future.

Currency trading is speculative and volatile. Currency prices are highly volatile. Price movements for currencies are influenced by, among other things: changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; United States and foreign political and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of the market place. Further, in currency markets specifically, fiscal, monetary, and exchange control programs and policies of governments play a large role in the fluctuation of prices between currency pairs. In addition, governments may from time to time intervene, directly and by regulation, in certain markets, particularly in the market for currencies. Such intervention is often intended to influence prices directly.

Currency trading can be highly leveraged. The low margin deposits normally required in currency trading (typically between 1% - 20% of the value of the contract purchased or sold) permits an extremely high degree of leverage. Accordingly, a relatively small price movement in a contract may result in immediate and substantial losses to the investor. Like other leveraged investments, in certain markets, any trade may result in losses in excess of the amount invested.

Currency trading presents unique risks. The currency market consists of a direct dealing market, in which a participant trades directly with a participating bank or dealer, and a brokers’ market. The brokers’ market differs from the direct dealing market in that the banks or financial institutions serve as intermediaries rather than principals to the transaction. In the brokers’ market, brokers may add a commission to the prices they communicate to their customers, or they may incorporate a fee into the quotation of price.

Risks Related to Structured Credit Products. Special risks may be associated with the Funds’ investments in structured credit products, collateralized debt obligations and synthetic credit portfolio transactions. For example, synthetic portfolio transactions may be structured with two or more classes of tranches that receive different proportions of the interest and principal distributions on a pool of credit assets. The yield to maturity of a tranche may be extremely sensitive to the rate of defaults in the underlying reference portfolio. A rapid change in the rate of defaults may have a material adverse effect on the yield to maturity. It is therefore possible that the Funds may incur losses on its investments in structured products regardless of their ratings by S&P or Moody’s. Additionally, the securities in which HPC is authorized to invest include securities that are subject to legal or contractual restrictions on their resale or for which there is a relatively inactive trading market. Securities subject to resale restrictions may sell at a price lower than similar securities that are not subject to such restrictions.

Illiquid Investments. The Funds may invest in securities, loans or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile, and may fluctuate due to a variety of factors that are inherently difficult to predict including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financial condition of obligors on the Funds' assets. The Funds may not be able to sell assets 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 illiquid assets and restricted 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.

Restricted Securities. The Funds may invest in restricted securities that are subject to substantial holding periods or that are not traded in public markets. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. No assurance can be given that any such restricted securities will be eligible to be traded on a public market even if a public market for securities of the same class were to develop. It is highly speculative as to whether and when an issuer will be able to register its securities so that they become eligible for trading in public markets.

Securities Regulations Concerning Private Placements. The Funds may invest in securities that are not registered under the Securities Act. The Funds will purchase such securities in reliance upon an exemption from registration pursuant to the provisions of the Securities Act including those provided by Regulation D thereunder. Unless such securities are subsequently registered under the Securities Act, they may not be offered or sold except pursuant to an exemption therefrom, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable securities law. Therefore, securities purchased pursuant to such exemptions are often illiquid.

Distressed Securities. The Funds may purchase, directly or indirectly, securities and other obligations of companies that are experiencing significant financial or business distress, including companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such purchases may result in significant returns, they involve a substantial degree of risk and may not show any return for a considerable period of time. In fact, many of these securities and investments ordinarily remain unpaid unless and until the company reorganizes and/or emerges from bankruptcy proceedings, and as a result may have to be held for an extended period of time. A wide variety of considerations, including, for example, the possibility of litigation between participants in a reorganization or liquidation proceeding or a requirement to obtain mandatory or discretionary consents from various governmental authorities or others, may affect the value of these securities and investments. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations that limit the access of HPC to reliable and timely information concerning material developments affecting a company, or that cause lengthy delays in the completion of the liquidation or reorganization proceedings. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is unusually high. There is no assurance that HPC will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to the company in which the Funds invest, the Funds may lose its entire investment or may be required to accept cash or securities with a value less than the Funds' original investment.

Risks Associated with Bankruptcy Cases. The Funds' investment activities, particularly involving companies in distressed situations, may result in becoming involved as a creditor in bankruptcy cases. In addition, the Funds may purchase securities or assets of, or claims against, companies in bankruptcy.

- Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to object to significant actions, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of the Funds.
- Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and the Funds; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to reorganize and may be required to liquidate assets.
- The debt of companies in financial reorganization will in most cases not pay current interest, may not accrue interest during the reorganization and may be adversely affected by an erosion of the issuer's fundamental values. Such investments can result in a total loss of principal.
- U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for purposes of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that the Funds' influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority over the claims of certain creditors (for example, claims for taxes) may be quite high.
- There are instances where creditors and equity holders lose their ranking and priority, such as when they take over management and functional operating control of a debtor. In those cases where the Funds, by virtue of such action, is found to exercise "domination and control" of a debtor, the Funds may lose its priority if the debtor can demonstrate that it was adversely impacted or other creditors and equity holders were harmed by the Funds.
- The Funds may purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser.

Repurchase Agreements and Reverse Repurchase Agreements. The Funds may use repurchase agreements and reverse repurchase agreements to finance the purchase of assets. In a repurchase agreement, a Fund sells a financial instrument at one price and simultaneously agrees to buy it back from the purchaser at a higher price on a later date. This type of arrangement is effectively a secured borrowing by the Fund. The use by the Funds of repurchase agreements involves many of the same risks of leverage since the proceeds derived from such repurchase agreements may be invested in additional investments. Repurchase agreements involve the risk that the market value of the investments acquired with the proceeds of the repurchase agreement may decline below the price of the financial instrument the Funds has sold but is obligated to repurchase. If the buyer of the financial instrument under a repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the

Funds' obligation to repurchase the financial instrument, and the Funds' use of the proceeds of the repurchase agreement may effectively be restricted pending such decision. Also, the Funds would bear the risk of loss to the extent that the proceeds of the repurchase agreement are less than the value of the financial instrument subject to such agreement.

In a reverse repurchase agreement, a Fund buys a financial instrument at one price and simultaneously agrees to sell it back to the seller at a higher price on a later date. This type of arrangement is similar to financing the purchase of financial instruments in that it permits the Funds to borrow a financial instrument while not paying for the use of such instrument until a later date. Reverse repurchase agreements could involve risks in the event of a default or insolvency of the other party to the agreement, including possible delays or restrictions upon the Funds' ability to dispose of the underlying financial instrument.

Forward Trading. The Funds may invest in forward contracts and options thereon, which, unlike futures contracts, are not traded on exchanges, and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. For example, there are no requirements with respect to record-keeping, financial responsibility or segregation of customer funds or positions. In contrast to exchange-traded futures contracts, interbank traded instruments rely on the dealer or counterparty being contracted with to fulfill its contract. As a result, trading in interbank non-U.S. exchange contracts may be subject to more risks than futures or options trading on regulated exchanges, including, but not limited to, the risk of default due to the failure of a counterparty with which the Funds have forward contracts. Although HPC seeks to trade with responsible counterparties, failure by a counterparty to fulfill its contractual obligation could expose the Funds to unanticipated losses. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Funds due to unusually high or low trading volume, political intervention or other factors. The imposition of credit controls by government authorities might also limit such forward (and futures) trading to less than that which HPC would otherwise recommend, to the possible detriment of the Funds. Neither the CFTC nor banking authorities regulate forward currency trading through banks. In respect of such trading, the Funds would be subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to the Funds.

Non-U.S. Exchanges and Markets. The Funds may engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges and is frequently less regulated. For example, certain of those exchanges may not provide the same assurances of the integrity (financial and otherwise) of the marketplace and its participants, as do U.S. exchanges. There also may be less regulatory oversight and supervision by the exchanges themselves over transactions and participants in such transactions on those exchanges. Some non-U.S. exchanges, in contrast to U.S. exchanges, are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has dealt and is not the responsibility of an exchange or clearing association. Furthermore, trading on certain non-U.S. exchanges may be conducted in such a manner that all participants are not afforded an equal opportunity to execute certain trades and may also be subject to a variety of political influences and the possibility of direct government intervention. Investment in non-U.S. markets would also

be subject to the risk of fluctuations in the exchange rate between the local currency and the dollar and to the possibility of exchange controls. Foreign brokerage commissions and other fees are also generally higher than in the United States.

Currency Risk. The value of the Funds' assets may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when the Funds change investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments. The Funds may seek to mitigate the risk of currency exchange fluctuation through the active and systematic use of currency hedges.

Emerging Markets. The securities markets of emerging countries are generally smaller, less developed, less liquid, and more volatile than the securities markets of the U.S. and developed foreign markets. Disclosure and regulatory standards in many respects are less stringent than in the United States and developed foreign markets. Accounting and auditing standards in many markets are different, and sometimes significantly differ from those applicable in the United States or Europe. There is substantially less publicly available information about companies located in emerging markets than there is about companies in other more developed jurisdictions. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations has been extremely limited.

Many emerging countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and securities markets of certain emerging countries.

Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values, and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of these countries also have been and may continue to be adversely affected by economic conditions in the countries with which they trade. The economies of countries with emerging markets may also be predominantly based on only a few industries or dependent on revenues from particular commodities. In addition, custodial services and other costs relating to investment in foreign markets may be more expensive in emerging markets than in many developed foreign markets, which could reduce the Fund's income from such securities.

In many cases, governments of emerging countries continue to exercise significant control over their economies, and government actions relative to the economy, as well as economic developments generally, may affect the capacity of issuers of emerging country debt instruments to make payments on their debt obligations, regardless of their financial condition. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest payments, or other similar developments that could affect investments in those countries. There can be no assurance that adverse political changes will not cause the Funds to suffer a loss of any or all of its investments and, in the case of fixed-income securities, interest thereon.

Many emerging countries are undergoing important political and economic changes that are making their economies more free-market oriented. However, there could be future political and economic changes that may return the situation to closed and centrally controlled economies with price and foreign exchange controls. Many of these countries lack the legal, structural and cultural basis for the establishment of a dynamic, orderly, market-oriented economy. Many of the promising changes that are being seen at present could be reversed, causing significant impact on the Funds' investment returns.

Lack of Diversification. Although HPC will structure the Funds' portfolios so that investments (both individually and in the aggregate) have desirable risk/reward characteristics and so that the Funds may be able to satisfy investor withdrawal/redemption requests, the Funds are not subject to any restrictions with respect to investments in any particular issuer, industry, geography or type of investment. HPC intends to achieve a diversified portfolio of investments for the Funds. However, the Funds could have a non-diversified portfolio and may have large amounts of Fund assets invested in a small number of investments. Such a lack of diversification substantially increases market risks and the risk of loss associated with an investment in the Funds.

Portfolio Turnover. The Funds may, from time to time, engage in short-term trading. Short-term trading refers to the practice of selling securities held for a short time, ranging from several months to less than a day. The objective of short-term trading is to take advantage of what HPC believes are changes in a market, industry or individual company. Short-term trading increases the Funds' transaction costs, which could affect the Funds' performance.

Short Selling. The Funds may engage in short selling as part of its general investment strategy. Short selling involves selling securities that are not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the Funds to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, because the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. The Funds' obligations under its short sales will be marked to market daily and collateralized by the Funds' assets held at the broker, including its cash balance and its long securities positions. Because short sales must be marked to market daily, there may be periods when short sales must be settled prematurely, and a substantial loss would occur. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short-selling exposes the Funds to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise. Short sales may be utilized to enhance returns and hedge the portfolio. The Funds anticipates that the frequency of short sales will vary substantially in different periods. There are no prescribed limits to the amount of Fund assets that may be subject to short sales.

Hedging. HPC, on behalf of the Funds will not, in general, attempt to hedge all market or other risks inherent in their respective portfolio positions, and will hedge certain risks, if at all, only partially. The Funds may choose not, or may determine that it is economically unattractive, to hedge certain risks – either in respect of particular positions or in respect of its overall portfolio. The Funds' portfolio composition will commonly result in various directional market risks remaining un-hedged.

HPC, on behalf of the Funds, generally may enter into hedging transactions with the intention of reducing or controlling risk. Even if HPC is successful in doing so, the cost of hedging may have the effect of reducing returns. Furthermore, it is possible that HPC's hedging strategies will not be effective in controlling risk, due

to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged, increasing rather than reducing both risk and losses.

To the extent that HPC hedges, its hedges may not be static but rather might need to be continually adjusted based on HPC's assessment of market conditions, as well as the expected degree of non-correlation between the hedges and the portfolio being hedged. The success of HPC's hedging strategy may depend on its ability to implement this dynamic hedging approach efficiently and cost effectively, as well as on the accuracy of HPC's ongoing judgments concerning the hedging positions to be acquired.

Leverage and Margin Transactions. In order to raise additional cash for investment, the Funds may borrow money from banks and other sources and will pay interest thereon. Any investment gains made with the additional monies in excess of interest paid will cause the net asset values of the Funds to rise faster than would otherwise be the case. On the other hand, if the investment performance of the additional securities purchased fails to cover their cost (including any interest paid on the money borrowed) to the Funds, the net asset values of the Funds will decrease faster than would otherwise be the case. This is the speculative factor known as "leverage." In order to secure various financing arrangements, the Funds may pledge, grant a security interest in, or otherwise transfer portfolio investments and other assets of the Funds to lenders or creditors. Because investors are equity holders of the Funds, their rights are therefore junior to and generally subject to the satisfaction of all prior claims of all creditors. The amount of money the Funds may borrow is limited by applicable margin limitations imposed by regulations adopted by the Federal Reserve Board. The Funds may also purchase securities in uncovered margin transactions. In the event of adverse market movements or other factors, the Funds may have to meet calls for substantial additional margin which may limit the Funds' assets available for other investments or may force the Funds to liquidate positions at an inopportune time. In addition, a change in the general level of interest rates may adversely affect the Funds.

Highly Volatile Instruments. The prices of financial instruments in which the Funds may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Funds' 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. The Funds are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses.

Contractual and Litigation Risks. Unlike the purchase of freely tradable shares in the open market, some of the transactions in which the Funds purchase securities will involve substantial contractual obligations by the issuer of such securities requiring the issuer to take certain actions, such as issuing the underlying securities upon exercise of conversion rights and registering the underlying securities with the appropriate federal and state authorities. In order for the Funds' investment strategy to be effective, the issuer of such securities must abide by its contractual obligations. The Funds intend to structure its investments so as to reduce the risks associated with an issuer's failure to satisfy its contractual obligations, but there can be no assurance that an issuer always will abide by its contractual obligations. The Funds intend to aggressively enforce its rights under its contractual relationships with issuers, although HPC understands and will be mindful of the costs of litigation. If an issuer fails to meet its contractual obligations, in addition to the possibility of being involved in costly litigation, the Funds may be unable to dispose of the securities at appropriate prices, or may experience substantial delays in doing so, and thus the Funds may not be able to realize the anticipated profit with respect to such investment for a substantial period of time, if ever.

Failure of Broker-Dealers. Institutions, such as brokerage firms or banks, may hold certain of the Funds' assets in "street name." Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Funds. In addition, as the Funds may borrow money or securities or utilize operational leverage with respect to its assets, the Funds will post certain of its assets as collateral securing the obligations or leverage ("Margin Securities"). The Funds' broker(s) generally holds the Margin Securities on a commingled basis with margin securities of its other customers and may use certain of the Margin Securities to generate cash to fund the Funds' leverage, including pledging such Margin Securities. Some or all of the Margin Securities may be available to creditors of the Funds' broker(s) in the event of insolvency. The Funds' broker(s) has netting and set off rights over all the assets held by it (which may indirectly include amounts held for the Funds' benefit in the special segregated bank account) to satisfy the Funds' obligations under agreements with the Funds' broker(s), including obligations relating to any margin or short positions.

Default of Futures Commission Merchant. The Funds could be unable to recover assets held at any of its FCMs in the event of a bankruptcy of that FCM. Although FCMs are required to segregate customer accounts pursuant to the CEA, there is no equivalent of Securities Investors Protection Corporation insurance (applicable in the case of securities broker dealer bankruptcies) that would apply in the event of the FCM's bankruptcy. In such an event, an investor may suffer a total loss of all funds on deposit with a defaulting FCM.

Risk of Default of Exchanges. Exchange-traded futures and/or options on futures contracts may be utilized by HPC and although these exchanges are highly regulated and have never defaulted in the past, there is a risk that these exchanges could fail to perform in clearing executed transactions.

HPC's Methodology. Trading decisions of HPC are on a discretionary basis using fundamental and/or technical analysis and no assurance can be given that such trading strategies used by HPC will be successful, or that losses could not occur. Commodity and futures trading typically involves a much higher frequency of trading and higher turnover of positions that would be found in other types of investments. Trade duration can range from a few seconds to a few months with intra-day trades being a common occurrence. In entering orders into Funds' accounts, HPC will use market, limit, stop, and other qualified orders, if in its judgment, that appears appropriate under given market conditions. In addition, when liquidating a position, the Firm may place a reversal order (i.e., the current position is liquidated and an opposite one is established).

FCM Margin Requirement Adjustments. Any or all of the Fund's FCMs may, in such FCM's sole discretion, raise the margin requirements applicable to the Funds upon minimal notice or no notice at all, and such margin requirement adjustments may occur at any time, including during such periods in which the Funds' portfolio is undergoing a significant drawdown. A direct result of such an event is that the Funds may be forced to exit futures positions under extremely unfavorable conditions, thereby causing the Funds to incur substantial losses.

OTC Transactions. It is possible that the Funds may engage in transactions involving securities traded on "over the counter" ("OTC") markets. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes the Funds to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. Therefore, to the extent that the Funds engage in trading on OTC

markets, the Funds could be exposed to greater risk of loss through default than if it confined its trading to regulated exchanges.

Special Situations. The Funds may invest in the securities of issuers involved in (or the target of) acquisition attempts or tender offers or involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction will be unsuccessful or unconsummated, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled issuers in which the Funds may invest, there is a potential risk of loss by the Funds of their entire investment in such issuers.

Hard-to-Value Investments/Assets. The Fund may maintain in a separate, side-pocketed account or issue a new class of shares, as applicable, in order, inter alia, to isolate ownership of investments that do not have a readily ascertainable market value, as determined by HPC in its reasonable judgment (“Hard-to-Value Investments/Assets”). The Funds may not be able to readily dispose of such Hard-to-Value Investments/Assets. For accounting purposes, each such Investments/Assets will be carried on the books of the Funds at fair value. There is no guarantee that fair value will represent the value that will be realized by the Funds on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. The Fund accounts or shares attributable to Hard-to-Value Investments/Assets are not redeemable at the option of the holder and may only be redeemed at such time as HPC determines in its sole discretion (which generally will not be until such time as a realization event has occurred with respect to the applicable Hard-to-Value Investments/Assets).

Dependence on Key Personnel. HPC is dependent on the services of the Manager and there can be no assurance that it will be able to retain the Manager. The departure or incapacity of Mr. Graham Morris could have a material adverse effect on HPC’s management of the investment operations of the Funds.

Side Letters. The Funds or HPC may enter into agreements with certain investors that will result in different terms of an investment in a Fund than the terms applicable to other investors. As a result of such agreements, certain investors may receive additional benefits which other investors will not receive (e.g., additional information regarding a Fund’s investment portfolio, different withdrawal/redemption terms, lower fee rates). The Funds and HPC will not be required to notify the other investors of any such agreement or any of the rights and/or terms or provisions thereof, nor will the Funds or HPC be required to offer such additional and/or different terms or rights to any other investor. The Funds or HPC may enter into any such agreement with any investor at any time in the sole discretion of HPC.

Prospective investors should refer to additional risk factors set forth in the applicable Governing Documents of the Clients.

Item 9
Disciplinary Information

In the past ten years, there have been no legal or disciplinary events involving the Firm or any of its management persons that are material to the Firm's advisory business or to the integrity of the Firm's management.

Item 10
Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as broker-dealers or registered representatives of a broker-dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Adviser

Neither the Firm nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. Each of HPC and the GP is exempt from CFTC registration and NFA membership as a commodity pool operator with respect to the Funds in reliance on CFTC Regulation 4.13(a)(3).

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

HPC also participates in two information sharing arrangements with two third parties. Each third party may use the information for its own trading strategies. There are significant constraints on how the information may be used by the third parties in order to mitigate any potential conflicts; however, there is a potential conflict of interest related to any information sharing regarding securities.

There are no other relationships or arrangements that are material or pose a material conflict to the Firm's advisory business.

D. Selection of Other Advisors or Managers

HPC does not recommend or select other investment advisers for the Funds.

Item 11

Code of Ethics, Participation or Interests in Client Transactions and Personal Trading

A. Code of Ethics

HPC has adopted a Code of Ethics (“**Code**”) pursuant to Rule 204A-1 under the Advisers Act, which describes the Firm’s fiduciary duties and responsibilities to its Clients, requires that the Firm’s members, officers, directors and employees (collectively, the Firm’s “Access Persons”) act in the best interests of Clients to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Clients to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. The Firm’s Access Persons are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate party of any actual or suspected violations of such laws by the Firm or its Access Persons. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of the Firm’s Access Persons. The Code requires Access Persons to report to the CCO all reportable securities transactions on a quarterly basis and reportable securities holdings on an initial and an annual basis. Access Persons are also required to pre-clear with the CCO transactions in most reportable securities. The Code also includes policies and procedures to prevent the misuse and disclosure of material nonpublic information (i.e., “insider trading”) and other confidential information and policies and procedures addressing conflicts of interest; outside activities of employees; gifts and business entertainment; and pre-clearance and reporting of political contributions. Access Persons are provided with a copy of the Code and must annually certify that they have received it and have complied with its provisions.

HPC will provide a copy of its Code to any existing or prospective Fund investor or Client upon request to the CCO at the address or via the telephone number or email address on the cover page of this Brochure.

B. Recommendations Involving Material Financial Interests

C. Investing Personal Money in the Same Securities as Clients

D. Trading Securities At/Around the Same Time as Clients’ Securities

Neither HPC nor its related persons recommend to Clients, or buys or sells for Client accounts, securities in which the Firm or a related person has a *material* financial interest. As discussed below and as permitted in the Clients’ Governing Documents, the Firm’s related persons may invest in the same securities that are recommended to a Client, subject to certain requirements, stipulations and guidelines set forth in HPC’s Code. HPC, its affiliates and/or its related persons may, and do, invest in the Funds. The fact that such persons have a financial ownership interest in the Funds creates a potential conflict in that it could cause the Firm to make different investment decisions than if such persons did not have such a financial ownership interest. That being said, HPC believes that investment by the Firm’s related persons in the Funds aligns the interests of the related persons and external investors.

The Firm generally does not itself trade securities on a principal basis with the Clients (“Principal Transaction(s)”). However, transactions between a Fund or Client account and (1) an account of the Firm and/or its related persons or (2) an account or Fund in which 25% or more of its assets are owned by the Firm, an affiliate and/or any of the Firm’s related persons, will be deemed a Principal Transaction. To the extent that the Firm and/or its related persons engage (or are deemed to engage) in a Principal Transaction, any such transaction will comply with the applicable Governing Documents and Section 206(3) of the Advisers Act. Specifically, in the event that the Firm decides to engage in a Principal Transaction, it will

disclose to investors of the applicable Funds (or independent representative of any such Fund) and/or other applicable Clients the material terms of the transaction and receive approval from such Fund investors or Clients, as applicable, prior to settling any such transaction.

To the extent permitted by the applicable Governing Documents and SEC requirements, the Firm may effect “Cross Transactions” with Clients, where the Firm may cause a Client to purchase investments from another Client, or it may cause a Client to sell investments to another Client. The Firm would recommend the Clients to enter into such transactions only if the transactions were consistent with the best interests of the Clients and at a price that the Firm and/or its related persons believe constitutes best execution for Clients. Neither the Firm nor any related party receives any commission or commission equivalent in connection with these transactions.

Under the terms of the applicable Governing Documents, HPC, its affiliates and/or related persons (collectively, the “Affiliated Persons”), may engage in other business activities and may render services similar to those performed on behalf of a Client and manage and trade accounts for other investors, as well as themselves and shall not by reason of engaging in such other activities be deemed to have acted in conflict with the interests of such Client. The Affiliated Persons may use the same information and investment objectives and investment strategies used in the performance of services for a Client for such other accounts. Without limiting the generality of the foregoing, the Affiliated Persons will not be precluded from engaging directly or indirectly in any other business or other activity, including exercising investment advisory and management responsibility and buying, selling or otherwise dealing with securities and other investments for their own accounts, for the accounts of family members, for the accounts of other funds and for the accounts of individual and institutional clients (collectively, “Other Accounts”). Such Other Accounts may have investment objectives or may implement investment strategies similar to those of a Client. The Affiliated Persons may also have investments in certain of the Other Accounts.

The Affiliated Persons will attempt to allocate investment opportunities that come to their attention on a fair and equitable basis among the Clients for which participation in the respective opportunity is considered appropriate *pro rata* in proportion to the relative net worth of each such Client account. In determining whether participating by an account is appropriate, the Affiliated Persons shall take into account, among other considerations: (a) whether the risk-return profile of the proposed investment is consistent with the objectives of the Clients, which objectives may be considered (i) solely in light of the specific investment under consideration or (ii) in the context of the portfolio’s overall holdings and available capital; (b) the potential for the proposed investment to create an imbalance in the portfolio of a particular Client; (c) liquidity requirements of a Client; (d) potential tax consequences; (e) legal or regulatory restrictions; (f) the need to re-size risk in the portfolio of a Client; and (g) whether the Clients have a substantial amount of investable cash (e.g., during a “ramp-up” period). Notwithstanding the foregoing, there can be no assurance that an investment opportunity which comes to the attention of any of the Affiliated Persons will not be allocated to one or more particular Clients, with one or more other Clients being unable to participate in such investment opportunity or participating only on a limited basis. Because these considerations may differ for Clients in the context of any particular investment opportunity, investment activities of the Clients may differ considerably from time to time

From time to time, subject to satisfaction of the policies and procedures set forth in the Code, the Compliance Manual and the Governing Documents, the Firm or a related person of the Firm may invest in the same securities that are recommended to a Client. A potential conflict of interest could arise in that the Firm or the interested related person of the Firm could benefit from the Fund’s ownership of, or subsequent sale of, the applicable security. However, the Code and the Compliance Manual are designed to identify and

manage conflicts of interest to the extent they arise in connection with related persons' personal securities transactions and other investment activities of HPC's related persons. In particular, the Code requires that the Firm's related persons abide by policies and procedures, including pre-clearance procedures, a minimum holding and blackout periods, in connection with certain of their personal securities trading activities, and such activities are monitored under the Code to ensure compliance with such policies and procedures.

Item 12

Brokerage Practices

A. Factors Used to Select or Recommending Broker-Dealers

HPC has the authority to determine the broker or dealer to be used for each securities transaction for the Clients. In selecting brokers or dealers to execute transactions, the Firm need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. HPC will always seek to obtain best execution for the Clients' portfolio transactions, which is not determined only by the lowest possible commission cost but also by the overall qualitative execution. The Firm considers a number of factors when evaluating a broker-dealer, including but not limited to any combination of the following:

- Reputation, which may include statistics or other information by independent consultants on the relative quality of executions/financial services by each broker-dealer;
- Financial strength and stability;
- Quality of execution – i.e., accurate and timely execution, clearance and dispute resolution;
- Error correction capabilities;
- Availability and costs of securities to borrow in relation to short sales;
- Block trading and block positioning capabilities;
- Willingness to execute difficult transactions;
- Access to underwritten offerings and secondary markets;
- Ongoing reliability;
- Overall costs of a trade – i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads, in the context of the Firm's knowledge of negotiated commission rates currently available and other current transaction costs;
- Nature of the security and the available market makers;
- Desired timing of the transaction and size of trade;
- Confidentiality of trading activity;
- Market intelligence regarding trading activity; and
- The receipt of brokerage or research services (if applicable).

The factors that HPC focuses on in determining best execution may vary depending on the particular securities or other investment instruments it trades on behalf of Clients.

1. Research and Other Soft Dollar Benefits

Soft dollar arrangements (also known as commission-sharing arrangements or “CSAs”) generally arise when an investment adviser obtains products and services, other than securities execution, from a broker-dealer in return for directing discretionary Client securities transactions to the broker-dealer. In effect, the commissions paid by an adviser's Clients are used to pay for the soft dollar benefits afforded to the adviser.

As of the date of this Brochure, the Firm does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers,

or third parties, on a soft dollar commission basis; nor does it plan to in the near future. To the extent the Firm ever uses soft dollars on behalf of its Clients, it will seek to do so within the “safe harbor” of Section 28(e) of Securities Exchange Act of 1934, as amended (the “Exchange Act”).

2. Brokerage for Client Referrals

From time to time, HPC may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a Client or recommend investors to the Funds. The Firm may place portfolio transactions with brokers who have made such recommendations or provided capital introduction opportunities, if the Firm determines that it is otherwise consistent with seeking best execution. In no event will HPC select a broker-dealer as a means of remuneration for recommending the Firm or any other product managed by HPC (or an affiliate) or affording the Firm with the opportunity to participate in capital introduction programs.

3. Directed Brokerage

HPC is responsible for selecting brokerage counterparties and the Firm generally does not permit Client directed brokerage.

B. Aggregating Trading for Multiple Client Accounts

When appropriate, the Firm may, but is not required to, aggregate Client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Aggregated orders will be allocated to Client accounts in a systematic non-preferential manner. If the aggregated order does not fill at one price, resulting in partial fills, allocations to Client accounts will be made on an average pricing basis.

Item 13
Review of Accounts

A. Frequency and Nature of Periodic Review and Responsible Parties

The Manager, in consultation with other investment staff, reviews the holdings and monitors the Clients' portfolios on a continuous and ongoing basis. Reviews are conducted in accordance with the limits and guidelines provided in the applicable Governing Documents.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Client portfolios are reviewed on a continuous basis such that no one factor or group of factors triggers additional review.

C. Content and Frequency of Regular Reports

Written audited financial statements will be provided to investors in each Fund, generally within 120 days of the Fund's fiscal year end. HPC will also distribute to Fund investors monthly unaudited statements and such other information as the Firm determines.

Item 14
Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties

HPC does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Clients.

B. Compensation to Non-Advisory Personnel for Client Referrals

As of the date of this Brochure, neither HPC nor any of its related persons compensates any person who is not a supervised person for client referrals. However, a portion of the Management Fee and/or Performance Allocation may be remitted to third parties introducing investors to a Fund, or HPC may use its own resources to compensate third parties for such introductions. No such compensation will be paid by a Fund. Any such referral arrangements will be structured in accordance with SEC Marketing Rule 206(4)-1 and affected prospects will be informed of the arrangement.

Item 15
Custody

HPC or the GP is deemed to have custody of the Funds' assets pursuant to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). In connection with Custody Rule requirements, HPC maintains the Funds' assets with qualified custodians and ensures that each Fund is audited by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board ("PCAOB"), in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), and each Fund's audited financial statements are delivered to the underlying Fund investors within 120 days of each Fund's fiscal year end.

HPC does not maintain physical or constructive custody of the SMA Clients' assets or securities.

Item 16
Investment Discretion

HPC provides investment advice directly to the Clients on a discretionary basis in accordance with the investment guidelines set forth in the Governing Documents. Such authority generally permits the Firm to determine, amongst other things, the securities to be bought and sold, the timing and nature of the transactions, the price at which a security is transacted, the brokers or dealers used to execute the transaction, and the custodians where a Client's assets are held.

Item 17

Voting Client Securities

The Firm exercises proxy voting authority on behalf of its Funds and may exercise such authority over its SMA Clients, depending on the terms of the Governing Documents. Pursuant to Rule 206(4)-6 under the Advisers Act, the Firm (i) has adopted and implemented written policies and procedures to ensure proxies are voted in the best interests of Clients; (ii) will disclose information about its proxy policies and procedures; (iii) will provide, upon request, information to Clients and Fund investors about how proxies were voted; and (iv) retains certain records related to proxy voting practices.

The Firm's investment philosophy is that issuer management is best suited to make the decisions essential to the company's ongoing operation. Therefore, the Firm will generally vote proxies in line with issuer management. However, in the best interest of its Clients, in circumstances where the Firm believes that issuer management's recommendation will not maximize value for a Client or where it would inappropriately insulate issuer management from accountability to shareholders or regulatory oversight, the Firm will vote against issuer management. In such cases, the reasoning for the decision, along with a record of the vote, will be retained by the CCO.

There could be occasions when the Firm is required to vote a proxy while having a conflict of interest with a Client. To protect the Client, the CCO will present the conflict to the Manager or to outside legal counsel for consultation and conduct an analysis for materiality. If it is determined that a material conflict of interest exists, the CCO shall determine whether one or more of the following steps will be taken: (i) inform the relevant Client or Fund investors (or independent agent appointed to represent Fund investors, as applicable) of the existence of a material conflict and seek a recommendation for how to vote the proxy; (ii) fully disclose the material facts regarding the conflict and seek the consent of the relevant Client or Fund investors (or independent agent) to vote the proxy as recommended by the Firm; and/or (iii) vote the recommendation of issuer management. In addition, the CCO will document the matter and preserve such documentation.

Item 18
Financial Information

A. Balance Sheet

The Firm does not require or solicit prepayment of more than \$1,200 in fees from any Client six months or more in advance and therefore does not need to include a balance sheet with this Brochure.

B. Financial Condition

The Firm does not believe any financial conditions currently exist that are reasonably likely to impair its ability to meet contractual or other commitments to the Clients.

C. Bankruptcy Petitions in Previous Years

The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.