

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

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**March 30, 2024**

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**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF AQUATIC CAPITAL MANAGEMENT LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT 312-858-6200. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.**

**ADDITIONAL INFORMATION ABOUT AQUATIC CAPITAL MANAGEMENT LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT [WWW.ADVISERINFO.SEC.GOV](http://WWW.ADVISERINFO.SEC.GOV).**

**REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.**

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## **ITEM 2 – MATERIAL CHANGES**

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This brochure was last updated in March 2023. Our business has not materially changed since the prior update, except we have deployed more capital into the Argo Funds (as defined below) and hired additional employees.

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## ITEM 4 – ADVISORY BUSINESS

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Aquatic Capital Management LLC (“Aquatic”) is a Delaware limited liability company that was formed on November 7, 2018, to provide asset management services to U.S. and foreign private funds that launched on May 1, 2021. Aquatic is registered with the Securities and Exchange Commission (“SEC”) as an investment adviser under the Investment Advisers Act of 1940, as amended. Aquatic is also registered as a commodity pool operator with the Commodity Futures Trading Commission (“CFTC”) under the Commodity Exchange Act, as amended, and is a member of National Futures Association (“NFA”) in such capacity.

Aquatic is wholly owned and managed by Aquatic Holdings LP, a Delaware limited partnership (“Aquatic Holdings”), which is principally owned by trust vehicles established for the benefit of the family of Jonathan Graham (“Mr. Graham”). Aquatic Partners LLC, a Delaware limited liability company and an affiliate of Aquatic, serves as the general partner of the private investment funds that Aquatic advises.

As of the date hereof, Aquatic intends exclusively to act as a discretionary investment adviser to private investment funds, which are grouped into two “master/feeder” structures (referred to herein as the “Nautilus Funds” and the “Argo Funds,” respectively). The Nautilus Fund family is comprised of an onshore feeder fund and a master fund, while the Argo Fund family consists of an onshore and offshore feeder fund as well as a master fund. Aquatic may advise other investment vehicles in the future. The strategies employed for the benefit of the master funds are primarily implemented through “Trading Funds,” affiliated private investment funds for which Aquatic or an affiliate serves as an investment adviser. The Nautilus Funds, Argo Funds and Trading Funds are referred to herein collectively as the “Funds.”

Aquatic has the flexibility to employ a broad array of investment strategies on behalf of the Funds that Aquatic determines are consistent with the Funds’ investment objectives, and Aquatic is not limited in terms of the types of securities it may invest on behalf of the Funds. The specific investment objectives and strategies utilized by the Funds vary to some extent between the two fund families, as further described below. See “*Methods of Analysis, Investment Strategies and Risk of Loss.*”

As of the date on the cover, Aquatic managed approximately \$5.54 billion in regulatory assets under management on a discretionary basis on behalf of the Funds (and no assets on a non-discretionary basis).

**All discussions of the Funds in this Brochure, including but not limited to their investments, the investment strategies used in managing the Funds, the fees and other costs associated with an investment in the Funds, and conflicts of interest faced by the Aquatic in connection with their management of the Funds, are qualified in their entirety by reference to each Fund’s respective confidential offering memorandum (if any) and governing documents (referred to collectively as the “Offering Documents”).**

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## ITEM 5 – FEES AND COMPENSATION

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In lieu of paying Aquatic an asset-based management fee, each Fund generally bears its pro rata share of all operating and overhead expenses incurred by Aquatic, Aquatic Partners, and/or their respective affiliates (such expenses, “Aquatic Operating and Overhead Expenses”). The Aquatic Operating and Overhead Expenses include, but are not limited to: (i) employee related expenses, including all direct and indirect salaries, bonuses and other compensation (e.g., deferred and incentive-based compensation and the funding thereof, excluding any compensation paid to Mr. Graham), payroll costs (for the provider, taxes and processing), unemployment insurance, severance, non-compete payments, benefits (e.g., medical and other health insurance, life insurance, disability insurance and retirement plan administrator), reimbursement for training and education and industry conferences (including travel and meals), placement fees, recruiting agency fees, relocation expenses, background checks, immigration costs (legal and regulatory) and all other related employee fees and expenses; (ii) information and technology related expenses, including all fees, expenses and upgrade costs related to hardware, data, colocation, infrastructure (e.g., custom hardware, dark fiber, microwave and other networks), data centers (including leases and support costs), cloud computing services, support services, software and software development, depreciation of hardware and software costs, finance charges for leased equipment, API development, systems engineering, development and operation, development of analytical programs, risk management programs, trading tools, quote and order logic and management programs, information technology and data security programs and other systems designed to manage and control cyber security risk, hedging tools, connectivity, data, data hosting, and other similar items; and (iii) overhead expenses, including rent, depreciation of leasehold improvements, utilities, supplies, non-Fund related business travel (e.g., firm-sponsored off-site activities, continuing education, business meetings, recruiting, marketing or investor relations, etc.), food and beverage-related expenses (e.g., employee lunches, office pantry costs, team dinners and outings, etc.), administrative services and other similar items. Each Fund reimburses Aquatic and its affiliates for the Aquatic Operating and Overhead Expenses for its pro rata share of such expenses regardless of whether such Fund has realized any profit.

Aquatic seeks to allocate Aquatic Operating and Overhead Expenses fairly among the Funds in accordance with one or more equitable allocation protocols established by Aquatic from time to time. Aquatic will generally allocate expenses pro rata among the Funds based on each Fund’s investment into the Trading Fund(s) as of the period the expense occurred (i.e., based on gross or levered assets). In certain circumstances, the allocation may be based on each Fund’s Net Asset Value, but Aquatic expects such occurrences to be infrequent. Aquatic believes its allocation methodology is reasonable, however, other reasonable options may exist that may yield different results. While the allocation of Aquatic Adviser Operating and Overhead Expenses among Funds is designed to generally reflect each Fund’s consumption of resources of Aquatic (and its affiliates) and generation of revenue, certain Aquatic Operating and Overhead Expenses may be specifically allocated only to certain Funds, a significant portion of certain Aquatic Operating and Overhead Expenses may be specifically allocated to certain Funds, and some Aquatic Operating and Overhead Expenses will be allocated ratably among the Funds. The apportionment of Aquatic Operating and Overhead Expenses among the Funds involves subjective determinations, which may involve conflicts of interest.

Further, each Fund must pay its pro rata share of Aquatic Operating and Overhead Expenses even if such expenses are not used for the benefit of such Fund or its investors, which presents a conflict of interest. Aquatic and its affiliates will derive certain material benefits as a result of receiving reimbursements for the Aquatic Operating and Overhead Expenses. Such benefits include the Funds bearing a share of the development costs of Aquatic’s and/or its affiliates’ intellectual property, data, hardware and trading

infrastructure, as well as the costs associated with certain resources used by the personnel of Aquatic and/or its affiliates (collectively, the “Aquatic IP”) that would otherwise be borne by Aquatic and/or its affiliates, enabling Aquatic and/or its affiliates to earn certain personal or business tax credits and allowing Aquatic and/or its affiliates to attract and retain personnel that it might not otherwise be able to attract or retain. For example, Aquatic Operating and Overhead Expenses borne by a Fund may be used to fund or advance the development of the Aquatic IP and to pay the compensation of Aquatic personnel, even though such Aquatic IP will not be owned by the relevant Fund (and, in certain cases, not being used for the benefit of such Fund), and such Aquatic IP and personnel may be used by or employed on behalf of, respectively, other funds or proprietary accounts launched by Aquatic. In addition, Aquatic and its affiliates may enter into certain arrangements whereby Aquatic IP is licensed to third-parties and Aquatic and its principals and affiliates (collectively, the “Aquatic Parties”) may provide related consulting services and the Fund and the investors may not be entitled to receive a portion of the revenue generated by such arrangements.

Aquatic believes this arrangement is more beneficial to investors than a traditional asset-based management fee as the Funds will benefit from the use of the Aquatic IP and Aquatic’s unique services. In addition to the Aquatic Operating and Overhead Expenses, Aquatic receives a performance-based fee as described below in “*Performance-Based Fees and Side-by-Side Management.*”

**Other Fees and Expenses.** Each Fund will incur other expenses in connection with its operations, in addition to any fees payable to Aquatic, including transaction fees, brokerage commissions, custody fees and other related costs and expenses that will be incurred by the Funds with respect to the transactions for their account. Brokerage arrangements are described in more detail below in “*Brokerage Practices.*”

Each Fund has incurred legal and organizational expenses in connection with its formation and offering, which may be borne by each Fund (and, therefore, indirectly by its investors). In addition, each Fund also bears ongoing operating expenses, which may include, without limitation, (i) expenses and filing fees related to the ongoing offering of Interests and filing fees; (ii) brokerage fees and commissions and other transaction costs and investment-related expenses incurred in connection with the Fund’s investment and trading activities, including research expenses and the costs of any independent accountants or other experts or consultants engaged by the Investment Adviser in connection with specific investments; (iii) any interest, fees (including commitment fees), and costs of Fund-related borrowings (including borrowings related to positions held on margin); (iv) routine operational costs such as printing and duplication expenses, bank fees, legal, accounting, director services, bookkeeping, recordkeeping, auditing, consulting and other professional expenses, administration (including the costs and expenses of the administrator), clerical and tax preparation expenses, all taxes (if any) imposed on a Fund (or that a Fund is required to withhold or pay with respect to any of its partners), and fees payable to governments or agencies; (v) its pro rata portion of any E&O, D&O, cyber or any other form of insurance related to the Fund and its management and operations; (vi) exchange, board of trade or other trading or execution facility membership or participation expenses; (vii) travel expenses of Aquatic related to a Fund’s activities; (viii) market data, reference data, all other data used in the research process and data processing expenses and connectivity charges; (ix) custody charges; (x) fees and costs payable in connection with preparing and mailing reports to limited partners; (xi) fees and expenses associated with preparing and submitting regulatory filings and compliance related expenses (e.g., expenses relating to the preparation and filing of Aquatic’s SEC Form ADV and Form PF, CFTC Forms CPO-PQR and CTA-PR and NFA Forms PQR and PR and the expenses relating to Aquatic’s registration as a CPO and commodity trading advisor and membership in NFA); (xii) ERISA bonding expenses, if applicable; (xiii) all other ordinary and out-of-pocket expenses of the Fund; and (xiv) extraordinary expenses (e.g., litigation costs (including expenses incurred in connection with any settlement related to a portfolio investment), indemnification obligations (including indemnification of the Advisory Committee members and any other person indemnified under a partnership agreement or any other agreements that a Fund is a party to), expenses of

registering a Fund with any governmental agency under the requirements of any applicable law, and costs incurred in connection with a reorganization or restructuring of the Fund), if any.

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## ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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As compensation for its management of the Funds, Aquatic will be entitled to receive a performance-based fee (a “Performance Fee”) from each Fund family. Generally, the Performance Fee will equal the sum of: (i) a base percentage of the New Net Profit (as defined below) of an ownership interest in the relevant Fund (an “Interest”) generated in the relevant calculation period until such New Net Profit reaches a specific threshold, beyond which a (ii) higher percentage of any additional New Net Profit over such threshold generated in such calculation period.

“New Net Profit” in relation to any Interest is the amount, if any, by which the Net Asset Value of such Interest exceeds the High Water Mark from the beginning to the end of the relevant calculation period. Net Asset Value for such purposes is reduced, as of any month-end date of determination, by all expenses and Performance Fees previously paid, but not by the Performance Fee being calculated.

The “Net Asset Value of an Interest” shall be equal to the book capital account of such Interest on the valuation date specified in the relevant Fund’s Offering Documents.

The “High Water Mark” associated with an Interest is the greater of (i) the Net Asset Value of such Interest as of the last day of the relevant calculation period on which a Performance Fee was last paid with respect to such Interest, after taking into account the amount of such Performance Fee; and (ii) an amount equal to the initial capital contribution made with respect to such Interest.

The Performance Fee will be calculated separately with respect to each Interest at the end of each calendar year and upon any withdrawal or distribution from a Fund on any date other than the end of a calendar year (but only with respect to the Interest being withdrawn).

At the end of a calculation period, all Interests subject to a Performance Fee during such period may be consolidated or “rolled-up,” when appropriate, to simplify accounting for the Fund. A partial withdrawal of a particular Interest will have the effect of reducing the High Water Mark associated with such Interest as of the applicable withdrawal date (as established in the relevant Fund’s Offering Documents) by the same proportion as such withdrawal reduces the Net Asset Value of such Interest.

Aquatic may in the future, in lieu of receiving the Performance Fee, receive such economics in the form of an incentive allocation and/or determine to pay the Performance Fee or take such incentive allocation at the feeder fund level rather than the master fund level. Aquatic may, in its sole discretion, reduce, waive or rebate the Performance Fee with respect to any of a Fund’s underlying investors, including the Founder Investors (as defined below) or the Strategic Investor, affiliates and/or employees of Aquatic or its affiliates.

**Conflicts of Interest Related to Performance-Based Compensation.** A significant percentage of the appreciation (if any) which would otherwise be allocated to the investors in the Funds is paid to Aquatic. The Performance Fee is based upon unrealized, as well as realized, gains, and such unrealized gains may never be recognized by the investor; therefore, the Performance Fee may be greater than if it were based solely on realized gains. Further, as noted above, certain investors may not pay the Performance Fee or

may be subject to a reduced Performance Fee. This gives rise to a potential conflict of interest as Aquatic may have an incentive to favor the Funds for which it or its affiliates receive a Performance Fee (or receive a larger Performance Fee) over the Funds for which they receive a lower (or no) Performance Fee by, for example, seeking to allocate more profitable investment opportunities to the Funds for which Aquatic or its affiliates receive a greater Performance Fee. However, Aquatic has implemented an equitable allocation methodology (see “*Brokerage Practices*” below). As such, Aquatic does not expect to encounter any significant conflicts of interest in the allocation of trading opportunities among the Funds.

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## ITEM 7 – TYPES OF CLIENTS

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Aquatic will provide investment advice solely to the private investment funds operated by Aquatic and its affiliates. Aquatic operates the Funds in reliance upon the exclusion from the definition of an “investment company” described in Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “1940 Act”). In order to qualify for this exclusion, investment in such Funds is generally limited to U.S. persons who are “qualified purchasers,” as defined in Section 2(a)(51) of the 1940 Act, non-U.S. investors, and “knowledgeable employees,” as defined in Rule 3c-5 under the 1940 Act. In general, the definition of “qualified purchaser” includes individuals with \$5,000,000 or more in “investments” (as defined by the Securities Exchange Commission (“SEC”), and entities with \$25,000,000 or more in “investments,” as well as certain other specified categories of entities.

In the future, Aquatic may determine to offer investment advisory services to other private funds operated by Aquatic or other third parties.

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## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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**Fund Strategies.** The primary investment objective of each of the Funds is to seek long-term positive returns that are uncorrelated, over time, with traditional asset classes. In seeking to achieve this objective, Aquatic intends to employ quantitative investment and trading strategies. These quantitative strategies arise from the systematic application of mathematical, statistical, machine-learning and other models to historical and real-time data in an attempt to discover persistent patterns in the evolution of market prices, asset volatilities, trading costs, and other relevant fundamental and economic data. These models generally target profit opportunities arising from the temporary “mispricing” of traded instruments due to over, under, or delayed reactions to relevant events, deviations from certain statistical patterns, dislocations resulting from temporary imbalances of supply and demand, or inefficiencies resulting from the behavior of other market participants. The models will then be combined with information about such Fund’s current investment positions and real-time market data to create buy and sell orders. These orders generally will be executed through an automated trading system, though occasionally manual trades may be placed in a manner consistent with the process of the quantitative system.

There are no material limitations on the strategies a Fund has the ability employ, other than that they will be quantitative in nature. Each Fund’s strategies may use different data, statistical or other techniques, and these data and techniques will vary from time to time due to changing market conditions. Without limiting the scope of potential strategies, such strategies could target varying investment horizons, involve trading on different exchanges or other trading venues, cover differing investment universes and asset types, and each of these characteristics may change materially over time. A Fund will take into account



turnover rates, transaction costs, and volatility and such Fund's risk profile in its management of its investment portfolio.

While the strategies employed by a Fund are quantitative in nature, certain subjective and qualitative elements are expected to play a significant role in the overall investment strategy. For example, Aquatic may use its subjective judgment to determine the weightings and selection of the various models, to decide which models to research or implement at which times and for which investment universes, to select the markets and instruments to target, to determine the values of various control parameters that influence the behavior of the strategies or to override certain signals generated by the models where Aquatic believes that such signals may not accurately reflect market trends.

**Certain Risk Factors.** Aquatic's trading strategies are speculative, involve substantial risk, including the risk of loss of an investor's entire investment. The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Further, investing in securities involves risk of loss that each of Aquatic's clients must be prepared to bear before investing. Potential clients should consider the following risks before engaging Aquatic to manage their assets.

#### General

*General Investment Risks.* All investments in financial instruments entail the risk of loss. A Fund has the ability to invest in a wide variety of financial instruments, including, without limitation, equities, equity-linked securities and equity-related securities, ETFs, options, futures contracts and other commodity interests, swaps, currencies, interest rate products, sovereign bonds, fixed-income and fixed-income related products and mutual fund shares, all of which involve particular risks. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions, including, but not limited to, national and international economic conditions, local epidemics and global pandemics, national and international political circumstances (including wars, terrorist acts or security operations), domestic and international financial policies and performance, conditions affecting particular investments such as the financial viability, sales and product lines of corporate issuers, national and international politics and governmental events, and changes in income tax laws. Moreover, a Fund may have only limited ability to vary its investment portfolio in response to changing economic, financial and investment conditions. No guarantee or representation is made that a Fund's investment program will be successful, and investment results may vary substantially over time.

*Limited Diversification.* A Fund's portfolio may not be as diversified as other investment vehicles. Because Aquatic from time to time may concentrate a Fund's investments in a limited number of industries or issuers and/or strategies, a Fund's performance may become more susceptible than a diversified portfolio to fluctuations in value or loss resulting from adverse economic or business conditions that affect those industries, issuers, or strategies. Accordingly, investors should expect that a Fund's performance may be subject to high volatility.

*Financial Market Dislocation, Illiquidity and Volatility.* The upheaval in the U.S. and global financial markets as a result of the coronavirus, as well as Russia's military invasion of Ukraine in February 2022 and the banking crisis of March 2023, has created, and may continue to create, uncertainty and instability for all market participants. In addition, the impact of market, legal, regulatory, reputational, and other unforeseen risks affecting market participants cannot be predicted and could adversely affect a Fund's business, restrict the ability of a Fund to acquire, sell, or liquidate investments at favorable times and/or prices, restrict a Fund's investment and trading activities, and impede a Fund's ability to achieve its investment objectives.

To the extent that similar or other adverse marketplace events occur again, they may have an adverse impact on the availability of credit to businesses generally and lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect certain of a Fund's investments to greater or lesser extents. Such marketplace events also may restrict the ability of a Fund to sell or liquidate investments at favorable times or for favorable prices (although such marketplace events may not foreclose a Fund's ability to hold such investments until maturity).

A Fund may be adversely affected by a decrease in market liquidity and/or market volatility for certain of the financial instruments that it trades (which could impair Aquatic's ability to adjust a Fund's positions and risk in response to trading losses or other adverse developments). Illiquid investments may have to be held for lengthy periods of time and may have no readily ascertainable market value. As a result, such financial instruments may take more time and expense to value and/or sell, and the realizable price upon a disposition of such financial instruments may differ materially from their fair value. Pursuant to its emergency powers, an exchange or regulatory authority can suspend or limit trading in a particular instrument, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. The possibility also exists that governments may intervene to stabilize or fix exchange rates, restricting or substantially eliminating trading in the affected currencies.

The illiquidity of positions held by a Fund could cause a Fund to suspend calculation of its Net Asset Value or to suspend withdrawals. The size of a Fund's positions may magnify the effect of a decrease in market liquidity for the financial instruments it trades. As in the past, changes in the overall market leverage (e.g., deleveraging or liquidations by other market participants of the same or similar positions) also may adversely affect a Fund's positions.

Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions. While volatility can create profit opportunities for a Fund, it can also create the specific risk, in the case of a Fund, that historical or theoretical pricing relationships could be disrupted or changed indefinitely, causing what should otherwise be comparatively low-risk positions, including, but not limited to, short positions established for hedging purposes, to incur losses. On the other hand, the lack of volatility can also result in losses for certain of a Fund's positions that profit from price movements.

*Terrorist Attacks, War and Natural Disasters.* Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and could prevent Aquatic and the Funds from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and natural disasters have created many economic and political uncertainties in the past and may do so in the future, which may adversely affect the United States and world financial markets and the Funds for the short or long-term in ways that cannot presently be predicted.

A more recent example is Russia's military invasion of Ukraine in February 2022, which resulted in the United States and other countries imposing significant, wide-ranging economic sanctions against Russia. These sanctions include, for example, the freezing of certain Russian assets, prohibition of trading in certain Russian securities, and prohibitions on business dealings with specific Russian corporate entities, large financial institutions, officials, and oligarchs. The aforementioned sanctions and any additional sanctions or other governmental or regulatory actions (as well as the potential for wider conflict, which could include retaliatory actions by Russia, such as cyberattacks on other governments or corporations) could result in significant market disruptions, including disruptions in the oil and gas markets and material adverse effects on global supply chains, inflation, and growth, all of which could materially

affect the Funds' investment and trading activities. In addition, potential governmental actions could directly affect certain financial instruments in which the Funds invest and trade.

*Epidemics and Pandemics.* Many countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and, currently, COVID-19 (commonly known as the "coronavirus"). The epidemic or pandemic outbreak of an infectious disease in a country or region of the world or globally, together with any resulting restrictions on travel, transportation or production of goods or quarantines imposed, could have a negative impact on the national, regional or global economy and business activity in any of the countries in which a Fund may invest and thereby adversely affect the performance of a Fund's investments. While the long-term economic impact of the coronavirus is presently uncertain, such outbreak and any future outbreak of an infectious disease or any other serious public health concern in a country, region or globally could materially harm a Fund's investments. In addition, the coronavirus led to significant volatility in the securities, commodities and other markets and the coronavirus and any future outbreak of an infectious disease or any other serious public health concern may lead to additional volatility and illiquidity of a Fund's investments.

*Leverage.* The low margin and collateral deposits required to trade certain financial instruments may permit a high degree of leverage. A Fund has the ability to "leverage" investment returns with options, forwards and other derivative instruments.

In addition, a Fund may utilize bank and/or Broker-provided financing in order to increase the capital available for investment in its trading of equities and similar financial instruments. The degree of leverage that a Fund may utilize is not limited to any predetermined level. Additionally, the use of leverage by a Fund will be subject to applicable legal, bank or Broker imposed leverage limitations, to the extent applicable. The amount of borrowings a Fund may have outstanding at any time may be large in relation to its capital. Consequently, the level of interest rates, generally, and the rates at which a Fund can borrow, in particular, will affect the operating results of a Fund.

As a result of trading with a high degree of leverage, a relatively small price movement in a financial instrument may result in immediate and substantial losses to a Fund. Thus, like other leveraged investments, any trade may result in losses in excess of the amount invested. A Fund may lose more than its initial margin deposit on a trade. In addition, if a Fund is in a leveraged position, any losses would be more pronounced than if leverage were not used and, under particularly adverse circumstances, could exceed its capital.

*Leveraged Exposure to the Trading Funds.* The Funds may invest in the same Trading Funds and may use different leverage in doing so. The allocation and reallocation of capital by such Funds to and from the Trading Funds could materially adversely affect such Trading Funds and such movements may be compelled by the terms of their leveraging arrangements. At times, the amount of leverage being used on behalf of certain groups of investors in a particular Trading Fund may vary significantly. As a result of the possible application of different leverage terms to different groups of investors in a Trading Fund, such Trading Fund as a whole may be subject to liabilities relating to only one group of investors in such Trading Fund, which, in turn, could negatively impact one set of investors but not others.

*Default and Counterparty Risk.* The brokers, banks and other financial institutions with which a Fund does business or at which a Fund's assets are held may encounter financial difficulties that impair the operational capabilities or the capital position of a Fund. Past events in the financial markets have challenged the financial stability of a number of established financial institutions. Should one of a Fund's brokers, banks or other counterparties become bankrupt and/or fail to segregate a Fund's assets on deposit as required, a Fund may be subject to a risk of loss. In addition, there can be no guarantee in the event of a broker's insolvency that the pool of customer property held by such institution pursuant to applicable

law will be sufficient to satisfy all customer claims, including those of a Fund. Further, even if a Fund does not lose the assets on deposit with one or more brokers (or other financial institutions with which a Fund may deal), a Fund could incur market losses as a result of financial difficulties at such institutions (including, but not limited to, in situations where a Fund may be unable to access its assets and/or execute transactions through its brokers or other financial institutions in a timely manner). In addition, any non-U.S. financial intermediary may be subject to bankruptcy or other regulatory regimes different from those applicable to U.S. institutions, and in doing business with such non-U.S. financial intermediaries, a Fund may not be afforded certain of the protective measures provided by U.S. laws and regulations (e.g., the Bankruptcy Code and the Securities Investor Protection Act of 1970). Although Aquatic will attempt to limit its risk in this area, there is no action that Aquatic can take that can completely eliminate it.

While Aquatic will select counterparties that it believes are creditworthy and will attempt to monitor their creditworthiness regularly, Aquatic generally does not have access to information to enable it to perform extensive credit analyses of its counterparties. Furthermore, any misconduct on behalf of the counterparties, including, without limitation, fraudulent activities, will increase a Fund's possible risk exposure.

*Custodial Risk.* Aquatic is required to maintain certain client assets at one or more qualified custodians. A custodian will have custody of Fund assets, including securities, cash, distributions and rights accruing to a Fund's securities accounts. A Fund may incur a loss on securities and funds held in custody in the event of a custodian's or sub-custodian's insolvency, negligence, fraud, poor administration or inadequate recordkeeping. Additionally, Aquatic's and Funds' operations could be impacted by the banks' insolvency in that there may be a delay in trade settlement, delivery of securities, etc. If the custodian holds cash on behalf of a Fund account, a Fund may be an unsecured creditor in the event of the insolvency of the custodian. Establishing multiple custodial relationships could mitigate custodial risk in the event of a bank failure.

*Bank Deposits Risk.* Deposits maintained at an FDIC-insured bank are covered up to \$250,000 per depositor, per insured bank, for each account ownership category, in the event of a bank failure. Any deposits over \$250,000 in cash at a single bank may be lost in the event the bank fails. Any deposit in excess of the maximum amount insured by the FDIC is an uninsured deposit. Diversifying banking relationships could serve to minimize the potential uncertainty and destabilizing effect on Aquatic's operations because of concern regarding the financial viability of a single banking institution. In addition, valuation of companies may experience significant price declines, volatility, and liquidity concerns as a result of short- and long-term financing to continue operations at normal levels.

*Trading on Exchanges in Non-U.S. Jurisdictions.* The Funds will engage in trading on exchanges outside the United States. Trading on such exchanges is not regulated by any United States governmental agency and may involve certain risks not applicable to trading on United States exchanges. For example, some foreign exchanges are "principals markets" in which performance is the responsibility only of the individual member with whom the trader has entered into a trade and not of an exchange or clearing organization. Moreover, such trading may be subject to whatever regulatory provisions are applicable to transactions effected outside the United States, whether on foreign exchanges or otherwise. Trading on foreign exchanges involves the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums and investment controls, or political or diplomatic events that might adversely affect the Funds' trading activities. The risks of investing in non-U.S. securities and other financial instruments may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of securities and markets and higher brokerage commissions and custody fees. Furthermore, foreign trading is also subject to the risk of changes in the exchange rate between United States dollars and the currencies in which financial instruments traded on such exchanges are settled. Some foreign futures exchanges require margin for open positions to be converted to the "home

currency” of the contract. Whenever margin is held in a foreign currency, a Fund is exposed to potential gains or losses if exchange rates fluctuate. Although the CFTC is prohibited by statute from promulgating rules that govern in any respect any rule, contract term or action of any foreign commodity exchange, the CFTC has full authority to regulate the sale of foreign futures contracts within the United States and has adopted regulations that may restrict the Fund and the contracts and markets on which a Fund trades, which may have an impact on a Fund’s future performance results.

*Currency and Exchange Rate Risks.* A Fund is expected to invest in financial instruments denominated in currencies other than the U.S. dollar or in financial instruments which are determined with references to currencies other than the U.S. dollar. A Fund, however, will generally value its assets in U.S. dollars. The value of a Fund’s assets will fluctuate with U.S. dollar exchange rates as well as with price changes of its investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which a Fund may make investments will reduce the effect of increases and magnify the U.S. dollar equivalent of the effect of decreases in the prices of a Fund’s financial instruments in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of a Fund’s non-U.S. dollar financial instruments. Changes in foreign currency exchange rates may also affect the value of dividends and interest earned, gains and losses realized on the sale of financial instruments and net investment income and gains, if any, of a Fund.

*Systems Risks.* The Funds depend on Aquatic to develop and implement appropriate systems for the Funds’ activities. The Funds rely extensively on computer programs and systems to, among other things, trade, clear and settle securities transactions, to evaluate certain securities based on real time trading information, to facilitate research, forecast security prices, construct and monitor its portfolio and net capital, generate orders, allocate trades, perform risk management operations, back office, financial, accounting and other data processing and to generate risk management and other reports that are critical to oversight of the Funds’ activities. The ability of its systems to accommodate an increasing volume of transactions could also constrain Aquatic’s ability to manage the portfolio. In addition, certain of the Funds’ and Aquatic’s operations interface with or depend on systems that make use of computerized automation, which is facilitated by proprietary and third-party software, and are operated by third parties, including prime brokers, OEMS, shadow accounting providers and market counterparties and their respective sub-custodians, and other service providers, and Aquatic may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain malfunctions, defects, failures or interruptions, including, but not limited to, those caused by worms, viruses and power failures. Any such malfunction, defect, failure or interruption could have a material adverse effect on the Funds. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect Aquatic’s ability to monitor its investment portfolio and its risks. Any failures in systems critical to the Funds’ trading (even for a short period of time) could, in certain market conditions, cause a Fund to experience significant trading losses or to miss opportunities for profitable trading. Aquatic is not liable to the Funds for losses caused by systems failures or due to any breakdown in the means of the communication normally used to ascertain the value of the Funds’ investments or to conduct trading in such investments.

*Cyber Security Risk.* With the increased use of the Internet and because information technology (“IT”) systems and digital data underlie most of a Fund’s operations, a Fund, Aquatic, and a Fund’s service providers and vendors (collectively “Service Providers”) are exposed to the risk that their operations and data may be compromised as a result of internal and external cyber failures, breaches or attacks (“Cyber Risk”). This could occur as a result of malicious or criminal cyber attacks. Cyber attacks include actions taken to: (i) steal or corrupt data maintained online or digitally, (ii) gain unauthorized access to or release confidential information, (iii) shut down the Service Provider website through denial-of-service attacks or

(iv) otherwise disrupt normal business operations. However, events arising from human error, faulty or inadequately implemented policies and procedures or other systems failures unrelated to any external cyber threat may have effects similar to those caused by deliberate cyber attacks. Moreover, the ever-changing methods and technologies used to obtain unauthorized access to systems through means such as third-party acts, computer error, malicious code, employee error or malfeasance mean that such issues are not known until used against a potential target. Therefore, Aquatic and the Service Providers may be unable to anticipate the destructive or invasive methods and technologies that could be used against their systems or to implement adequate protections.

Successful cyber attacks or other cyber failures or events affecting a Fund, Aquatic or the Service Providers may adversely impact a Fund or its investors or cause an investment in a Fund to lose value. For instance, such attacks, failures or other events may interfere with the processing of subscriptions and withdrawals, impact a Fund's ability to calculate its Net Asset Value, cause the release of private investor information or confidential Fund information, impede trading or cause reputational damage. Such attacks, failures or other events could also subject a Fund or its Service Providers to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. Insurance protection and contractual indemnification provisions may be insufficient to cover these losses. A Fund or its Service Providers may also incur significant costs to manage and control Cyber Risk. While a Fund and its Service Providers have established IT and data security programs and have in place business continuity plans and other systems designed to prevent losses and mitigate Cyber Risk, there are inherent limitations in such plans and systems, including the possibility that certain risks have not been identified or that cyber attacks may be highly sophisticated. In addition, a breach in the security of the systems used by Aquatic or the Service Providers could result in the theft, disclosure, or loss of investor, proprietary, and other sensitive information relating to Aquatic and/or a Fund, which in turn could lead to litigation in which a Fund could incur liability.

Cyber Risk is also present for issuers of securities or other financial instruments in which a Fund invests, which could result in material adverse consequences for such issuers, and may cause a Fund's investment in such issuers to lose value.

*Disaster Recovery and Data Security.* In managing a Fund, Aquatic relies on IT and data management systems, which can fail or be subject to interruption or destruction caused by natural or man-made occurrences such as extreme weather, fires, earthquakes, power loss, telecommunications failures, terrorist attacks, hacking, break-ins, sabotage, intentional acts of destruction, vandalism, or similar events or misconduct. Any failure, interruption or destruction of Aquatic's IT systems or data management systems could have a material adverse impact on the operations of Aquatic and/or a Fund.

Aquatic has in place information security, incident response, backup, and disaster recovery procedures intended to prevent or mitigate damage if such an event occurs. However, a breach could nevertheless occur, and such procedures could fail or be insufficient to avoid, mitigate or remedy the breach.

### Strategy Risks

*Reliance on Quantitative Analysis.* Aquatic's investment strategies will primarily rely upon quantitative models and systems. Such models and systems may entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that Aquatic will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose the Funds to the risk of significant losses. The efficacy of the trading signals produced by each Fund's models and systems is dependent on a number of factors, including, without limitation, the analytical and mathematical foundation of such models and systems, the accurate incorporation of such principles in a complex technical and coding environment, the quality of the data introduced into such models and

systems, and the successful deployment of the outputs into the investment process. In addition, the analytical techniques used by Aquatic cannot provide any assurance that the Funds will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by Aquatic change in ways not anticipated by Aquatic. The effectiveness of quantitative models and systems may diminish over time, and attempts to apply existing quantitative models and systems to new or different markets, strategies or financial instruments may prove ineffective.

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

*Algorithmic Trading Risks.* Aquatic will make significant use of "algorithmic" or "black box" trading strategies or systems. Algorithmic trading is generally accomplished through the use of computer algorithms and systems to automatically make trading decisions, submit orders and manage those orders after submission, all without human intervention. Aquatic's algorithmic trading activities, including risk management, depend on the integrity and performance of the hardware, software and communications systems supporting them, including, without limitation, co-location hardware and components rented from third-party service providers or vendors. Extraordinary transaction volume, hardware or software failure, programming defects or flaws, power or telecommunications failure or a natural disaster, including, without limitation, in respect of any co-location, could cause Aquatic's computer systems to operate at an unacceptably slow speed or even fail. Any significant degradation or failure of the systems Aquatic uses to gather and analyze information, enter transaction orders, process data, monitor risk levels and for other purposes may result in substantial losses on transactions, liability to other parties, lost profit opportunities, increased operational expenses and/or diversion of technical resources. These factors could have a material adverse effect on Aquatic's revenues and materially reduce, or even eliminate, Aquatic's available capital.

*General Risks of Arbitrage Transactions.* The success of arbitrage strategies (whether merger arbitrage, volatility arbitrage, capital structure arbitrage or otherwise) depends often on the ability to execute two or more simultaneous transactions at desired prices. Should such transactions not be executed simultaneously at the desired prices, losses may be incurred on both sides of the transaction. Additionally, separate costs are incurred on both sides of an arbitrage transaction, and substantial favorable price moves may be required before a profit can be realized. There can be no assurances that the hedging and arbitrage strategies used by Aquatic will be successful. The market values of related financial instruments may not move in correlation with each other or in ways anticipated by Aquatic, and intervening events may cause hedged positions not to perform as anticipated. A hedged position may perform less favorably in generally rising markets than an unhedged position.

*Spread Trading.* A Fund's strategy may involve spread positions between two or more financial instrument positions. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. Such positions, however, do entail a substantial risk that the price differential could change unfavorably causing a loss to the spread position. A Fund's strategy also may involve arbitraging among two or more financial instruments. This means, for example, that a Fund may purchase (or sell) financial instruments (on a current basis) and take offsetting positions in the same or related financial instruments. To the extent the price relationships between such positions remain constant, no gain or loss on the positions will occur. These offsetting positions entail substantial risk that the price differential could change unfavorably causing a loss to the position. Moreover, the arbitrage business is extremely competitive, and many of the major participants in the business are large investment banking firms with substantially greater financial resources, larger research staffs and more investment

professionals than will be available to a Fund. Arbitrage activity by other larger firms may tend to narrow the spread between the price at which a financial instrument may be purchased by a Fund and the price Aquatic expects to receive upon consummation of a transaction.

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

*Technical Trading Systems.* Aquatic will rely on technical trading systems. The buy and sell signals generated by technical trading systems are not based on analysis of fundamental supply and demand factors, general economic factors or anticipated world events but generally upon a study of actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest. For any technical trading system to be profitable, there must be price moves or “trends” – either upward or downward – in some financial instrument that the system can track and those trends must be significant enough to dictate entry or exit decisions. Trendless markets have occurred in the past and are likely to recur. In a trendless or erratic market, a technical trading system may fail to identify a trend on which action should be taken or may overreact to minor price movements and thus establish a position contrary to overall price trends, which may result in losses. In addition, a technical trading system may be profitable for a period of time, after which the system fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their systems on a periodic basis. Any factor (such as increased governmental control of, or participation in, the markets traded) that lessens the prospect of sustained price moves in the future may reduce the likelihood Aquatic’s technical systems will be profitable. Any factor that would make it more difficult to execute trades at a technical trading system’s signal prices, such as a significant lessening of liquidity in a particular market, also would be detrimental to profitability.

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

*Short Sales.* A short sale involves the sale of a financial instrument that a Fund does not own in the expectation of purchasing the same financial instrument (or a financial instrument exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, the Funds may often borrow the financial instrument, and such Funds are obligated to return the financial instrument to the lender, which is accomplished by a later purchase of the financial instrument by the relevant Fund. When a Fund makes a short sale of a financial instrument on a U.S. exchange, it must leave the proceeds thereof with a broker and it must also deposit with a broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a non-U.S. exchange, such transactions will be governed by local



law. A short sale involves the risk of a theoretically unlimited increase in the market price of the financial instrument and a corresponding loss to the relevant Funds. The extent to which Aquatic engages in short sales depends upon its investment strategy and perception of market direction; the Funds do not necessarily have a policy limiting the amount of capital they may deposit to collateralize their obligations to replace borrowed financial instruments sold short.

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

*Competition and Alpha Decay.* Aquatic deploys trading signals that are derived from data sources that may be available to other investment managers as well. There is a chance that by looking at similar data sources, these other firms might construct similar signals, potentially leading to a situation where multiple firms are competing for exposure to a certain position or set of positions. Such competition could act as a force to push financial instrument prices in the direction of Aquatic's desired position before it is able to acquire its desired position size, thereby eroding potential returns. To the extent that information regarding Aquatic's positions or trades becomes or is required to be made publicly available, there is a material risk that other market participants may seek to reverse engineer Aquatic's quantitative strategies from such public information. As described above, the use of Aquatic's investment strategies by other persons, whether as a result of reverse engineering, "front running" or other actions, may have a material adverse effect on the performance of the Funds.

*Crowding.* Crowding is an additional complication that can arise from Competition and Alpha Decay (see above). It is possible that other investment managers acquire signals similar to the ones that Aquatic utilizes, and in the process, accumulate portfolios that bear similar positions to the ones Aquatic holds for its clients; in such instances these are referred to as "Crowded" portfolios. Sudden changes to a Crowded portfolio can impact all parties whose portfolios bear a meaningful correlation. For example, if one investment manager should befall conditions that cause it to quickly liquidate a Crowded portfolio to which Aquatic has exposure, such actions could cause market impact and result in poor performance for Aquatic's client accounts.

*Multiple Trading Systems.* Aquatic has the ability to utilize multiple trading systems in its trading on behalf of a Fund, and such systems may generate trading signals independent of each other. Thus, there is the possibility that a Fund could hold offsetting positions in the same or similar financial instruments at the same time or during the same period of time, thereby incurring multiple brokerage commissions with little or no net change in a Fund's holdings. There is also the possibility that the different trading systems may from time to time enter orders for the same instruments in the same direction, and therefore compete for the same trades. Such competition could prevent orders for a Fund from being executed at desired prices.

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

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

*Execution of Orders.* A Fund's trading strategies depend on the ability to establish and maintain an overall market position in a combination of financial instruments selected by Aquatic. A Fund's trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, systems failures or human error attributable to employees, Brokers, agents or other service providers. In such events, a Fund might only be able to acquire some, but not all, of the components of such position, or if the overall position were to need adjustment, a Fund might not be able to make such adjustment. As a result, a Fund would not be able to achieve the market position selected by Aquatic, and might incur a loss in liquidating its position.

*Turnover.* A Fund's capital may be invested on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions, mark-ups and fees. These commissions and fees will reduce the applicable Fund's profits.

*Hedging Transactions.* A Fund has the ability to utilize financial instruments for investment purposes and for risk management and hedging purposes. Since the characteristics of many financial instruments change as markets change or time passes, the success of a Fund's strategy will also be subject to Aquatic's ability to continually recalculate, readjust and execute its strategy in an efficient and timely manner. While a Fund may enter into transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such transactions. Imperfect correlation between positions across a Fund's portfolio may prevent a Fund from achieving its intended exposure or position size, which may expose a Fund to risk of loss. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be mitigated, such as credit risk (relating both to particular financial instruments and counterparties) and "widening" risk.

Although risk management and monitoring is an integral component of Aquatic's strategy, Aquatic does not, and is not required to, apply specific risk management or portfolio diversification policies in managing any Fund's portfolio other than those described in the Offering Documents for such Fund. To the extent that Aquatic engages in transactions intended to hedge certain of the Funds' market risks, such Funds may have exposure to movements of indices, economies or other market characteristics. Aquatic does not expect to attempt to hedge or mitigate all, or even most, of such risks. In fact, a number of the risks to which any Fund's portfolio is subject cannot be effectively hedged or mitigated.

*New Strategies.* While Aquatic might develop new investment strategies in the future, any such strategies may not be successful. Were Aquatic to attempt to implement new strategies, the risk/reward profile of a Fund could be shifted significantly towards increased levels of risk. A Fund only can be successful if Aquatic is able to trade and invest successfully, and there can be no assurance that this will be the case.

## Instrument Risks

*Equity Securities.* The Funds will trade in equity securities. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and, as such, generally entitle holders to an interest in the assets of the issuer, if any, remaining after all more senior claims to such assets have been satisfied. Holders of common stock generally are entitled to dividends only if and to the extent declared by the governing body of the issuer out of income or other assets available after making interest, dividend and any other required payments on more senior securities of the issuer. The value of equity securities may fluctuate in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, management decisions, decreased demand for an issuer's products or services, increased production costs, general economic conditions, interest rates, currency exchange rates, investor perceptions and market liquidity. The Funds may acquire long and short positions in listed and unlisted common equities and preferred equities of issuers domiciled in developed or in emerging market countries. The Funds may invest in equity securities regardless of market capitalization, including small-cap companies. The securities of smaller companies may involve more risk and their prices may be subject to more volatility.

*Small-Cap Stocks.* The Funds will invest in small-cap companies. While smaller companies may have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger corporations. In addition, the Funds may be unable to sell certain small-cap stocks at an advantageous time or price. In most cases, the frequency and volume of their trading is substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. Also, due to thin trading in some of these stocks, an investment in these stocks may be considered less liquid than an investment in many larger-capitalization stocks, making purchases or sales at desired prices or in desired quantities more difficult. When making large sales, the Funds may have to sell the securities at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the trading volume of the securities of smaller companies. Accordingly, such stocks may be required to be held for a lengthy period of time and often require more time to sell and result in higher selling expenses than the sale of securities for which there is an active market. In some cases, a Fund's disposition of the securities may be dependent upon a major issuer liquidity event (i.e., a sale of the issuer).

*Trading in ETFs.* The Funds have the ability to invest in ETFs both long and short. ETFs are funds that track a particular basket or index of securities traded on a public exchange. In this manner, ETFs are similar to open-ended index mutual funds. However, ETFs are traded like stocks on stock exchanges. Accordingly, although investments in mutual funds and ETFs are subject to similar risks, ETFs have certain unique risks not shared by mutual funds. Some of the risks of investments in ETFs include: (i) potentially trading above or below the value of their underlying portfolios due to ETFs being purchased or sold throughout the day versus only at the end of the day; (ii) layering of fees as a Fund would be subject to an ETF's direct fees and expenses; (iii) trading in specialty or sectors which may be more volatile than a more diversified portfolio; and (iv) tax gains from distributions made by ETFs.

*Risks of Investing in Non-U.S. Securities.* Trading in securities of non-U.S. issuers, securities traded principally in securities markets outside the United States and/or securities denominated in non-U.S. currencies may involve certain special risks due to country or region specific economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations (including currency blockage), expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, imposition of required holding periods, and possible difficulty in obtaining and enforcing judgments against non-U.S. entities. Furthermore, non-U.S. issuers may be subject to different accounting, reporting, and disclosure requirements than domestic issuers. The

securities of some non-U.S. companies and non-U.S. securities markets are less liquid and at times more volatile than securities of comparable U.S. companies and U.S. securities markets. Non-U.S. brokerage commissions and other fees may be higher than in the United States.

*Options Trading.* The Funds have the ability to trade options. An option is a right, purchased for a certain price, to either buy or sell the underlying instrument or product during or at the end of a certain period of time for a fixed price. The risks in trading options are different from the risks in trading the underlying instruments or products, and trading in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. For example, if a Fund buys an option, it will be required to pay a “premium” representing the market value of the option. The value of an option may decline because of a decline in the value of the underlying asset relative to the strike price, the passage of time, changes in the market’s perception as to the future price behavior of the underlying asset or any combination thereof. Unless the price of the underlying instrument or product changes and it becomes profitable to exercise or offset the option before it expires, such Fund may lose the entire amount of the premium. Conversely, if a Fund sells an option, it will be credited with the premium, but will have to deposit margin due to its contingent liability to deliver or accept the underlying instrument or product in the event that the option is exercised. Sellers of certain options are subject to unlimited risk of loss, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the then-market value. The ability to trade in or exercise options may become restricted in the event that trading in the underlying asset becomes restricted.

*Commodities and Futures Trading.* The Funds have the ability to invest in commodities and futures contracts and options thereon. Substantially all trading in commodities and futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain financial instruments, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures trading involves trading in contracts for future delivery of standardized, rather than specific, lots of particular assets. Futures prices are highly volatile. Price movements for the futures contracts and options on futures contracts which any Fund may trade are influenced by, among other things, changes in supply and demand relationships, weather, agricultural, trade, fiscal, and monetary programs and policies of governments, U.S. and foreign political and economic events and policies, changes in national and international interest rates and rates of inflation, currency controls, devaluations and revaluations, and sentiments of the marketplace. No assurance can be given that any Fund will be profitable or that it will not incur substantial losses.

Futures are typically traded on “margin.” The open positions must be “marked to market” daily, requiring additional margin deposits if the position reflects a loss that reduces the relevant Fund’s equity below the level required to be maintained and permitting release of a portion of the deposit if the position reflects a gain that results in excess margin equity. In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits result in a high degree of leverage. Because margin requirements normally range upward from as little as two percent (2%) or less of the total value of the contract, a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially greater value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin. Such a profit or loss may materialize suddenly, since the prices of futures frequently fluctuate rapidly and over wide ranges, reflecting both supply and demand changes and changes in market sentiment.

*Security Futures Contracts.* The Funds have the ability to trade security futures contracts. Security futures contracts include both futures contracts on single stocks and futures contracts on narrow-based securities indices. They are treated as both futures and securities and, therefore, may be subject to the joint jurisdiction of commodities and securities governmental agencies (to the extent applicable).

Security futures contracts are subject to the same risks as other securities, as well as to the greater volatility and risks of futures trading. Since they are relatively new products, security futures contracts have relatively low liquidity and limited trading history.

*Over-the-Counter and Other Derivative Instruments in General.* In addition to commodities and futures contracts, the Funds have the ability to use various derivative instruments, including options, forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Use of derivative instruments presents various risks, including: (i) exposing a Fund to the risk of loss due to an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment; (ii) lack of liquidity of certain derivative instruments, especially when traded in large amounts, making it difficult to close out a position without incurring a loss; and (iii) the embedded leverage of derivative instruments may magnify the gains and losses experienced by the Funds and could cause their respective net asset values to be subject to wider fluctuations than would be the case if such Funds did not use the leverage feature in derivative instruments

*Trading in Currencies.* A Fund has the ability to trade currencies and related financial instruments. A Fund is expected to only trade such instruments in interbank and forward contract markets which Aquatic believes to be well-established and of recognized standing. Nonetheless, a Fund may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, a Fund's positions. Although certain currency trades may be effected through exchange-traded instruments, the foreign currency market remains predominantly an over-the-counter market, and is therefore subject to the risks typical to over-the-counter trading. Aquatic may effect such trades with brokers, banks and other market participants which it believes to be creditworthy.

*Forward Trading.* Forward contracts and options thereon, unlike exchange-traded futures contracts and options on 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. The principals that deal in the forward markets are not required to continue to make markets in the 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 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.

*Fixed-Income Investments.* The Funds have the ability to invest in fixed-income financial instruments. The value of fixed-income financial instruments will change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed-income financial instruments can be expected to rise. Conversely, when interest rates rise, the value of such financial instruments can be expected to decline. To the extent that interest rates move in a direction contrary to the direction anticipated by Aquatic, the overall investment performance of the relevant Fund will be affected. The market value of fixed-income financial instruments also varies according to the relative financial condition of the issuer. Investments in lower rated or unrated fixed-income financial instruments, while generally providing greater opportunity for gain and income than investments in higher rated financial instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such financial instruments).

*Government Securities.* From time to time, a Fund will invest in various types of U.S. government securities that have different levels of credit risk. Some U.S. government securities are supported by the full faith and credit of the United States and may be issued or guaranteed by the U.S. Treasury. These types of U.S. government securities have the lowest credit risk. Other U.S. government securities may be supported: (i) by the ability of the issuer to borrow from the U.S. Treasury; (ii) only by the credit of the issuing agency, instrumentality or government-sponsored corporation; and (iii) by pools. A Fund may invest in securities in any of these categories.

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

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**Investment in securities and other financial instruments involves certain significant investment risks, including loss of an investor's entire investment. The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with Aquatic's investment programs or an investment in any fund or account advised by Aquatic. Prospective clients and investors must consult their own advisers before deciding whether to make such an investment. Investors and prospective investors in a Fund should carefully review the sections on Risk Factors of the Offering Documents of the applicable Fund(s). Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of Aquatic.**

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## ITEM 9 – DISCIPLINARY INFORMATION

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Aquatic is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Aquatic or the integrity of Aquatic's management. Aquatic has no such information to report regarding Aquatic or its management persons.

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## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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**Aquatic Structure.** As stated above, Aquatic is registered with the CFTC as a commodity pool operator and is a member in good standing of NFA. Aquatic is under common ownership and control with Aquatic Partners, a firm that generally acts as the general partner of the private investment funds that Aquatic advises.

**Founder Investors.** Mr. Graham is the founder and portfolio manager of Aquatic. Mr. Graham and his family members, either individually or through trusts or other investment entities established for their benefit (the “Founder Investors”), have made, directly or indirectly, initial investments in various Funds concurrently with the launch of such Funds. As a result of their ownership and control of Aquatic, the Founder Investors will in effect have full transparency with respect to the management, investment activities and performance of the Funds and will benefit from Aquatic’s receipt of the Performance Fee. In addition, it is anticipated that the Founder Investors and other affiliated persons of Aquatic will not be charged a Performance Fee (or will be charged a reduced Performance Fee) in connection with certain investments in the Funds, and the Founder Investors may be entitled to other preferential terms with respect to subscriptions and other fund terms.

However, Aquatic believes that these conflicts are mitigated by Aquatic’s Code of Ethics, which requires firm personnel to prioritize client interests. See “*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*” below. Investments by the Founder Investors in the Funds should not be construed as a recommendation or an endorsement to other prospective investors.

**Relationship with Strategic Investor.** A significant portion of the initial investment capital in the Argo and Nautilus master funds is expected to be attributable to a direct investment by a third-party strategic investor (the “Strategic Investor”), which is currently registered with the SEC as an investment adviser. In connection with the Strategic Investor’s initial investment and the Strategic Investor agreeing to be subject to a significant lock-up period, the Strategic Investor is entitled to certain preferential terms and rights including with respect to fees, most favored nations status, capacity rights (with respect to the Funds and other collective investment vehicles managed by Aquatic), notice and consent rights (regarding matters affecting the relevant Fund and Aquatic), liquidity rights and more limited suspension provisions and transfer rights.

Although the Strategic Investor is subject to a significant lock-up period, the Strategic Investor is entitled to withdraw its investment upon the occurrence of certain specified events (including upon the occurrence of certain negotiated “cause” events, generally relating to violations of law or fund terms, and regulatory disqualifications and significant drawdowns) and have such withdrawal effected more rapidly than withdrawals requested by other investors under the same circumstances and to be subject to more limited suspension provisions. As a result thereof, the Strategic Investor may, during certain times, be able to make a withdrawal when other investors are restricted from doing so or are unable to on the same timeframe. Also, a full or substantial withdrawal by the Strategic Investor could have a material adverse effect on the ongoing operation of the Funds and Aquatic. Such a withdrawal could also result in increased operating expenses to the Funds, thereby producing lower returns, decreasing the resources available to Aquatic to effectively operate the Funds, and resulting in the remaining investors in the Funds having a materially different investment experience during the period between the Strategic Investor’s withdrawal and such investor’s withdrawal (in particular, in the event that Mr. Graham is unable to perform his investment function for Aquatic or the relevant Fund).

In addition, the Strategic Investor may (i) make investments in other funds or collective investment vehicles that trade in the same financial instruments and/or (ii) directly or indirectly take positions in such financial instruments, for its own accounts or for affiliates, that are the same or the opposite of the trades and/or positions taken by the Funds which, in each case, could adversely affect the portfolio of any Fund.

However, Aquatic believes that these conflicts are mitigated because the Strategic Investor and its personnel are not actively involved in the day-to-day management and operations of Aquatic. As stated above, Aquatic’s Code of Ethics also requires firm personnel to prioritize client interests. See “*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*” below. Investments by the

Strategic Investor in the Funds should not be construed as a recommendation or an endorsement to other prospective investors.

**Different Terms Offered by the Fund; Side Letters.** The Aquatic Parties have entered into and may from time to time enter into additional agreements (commonly known as “side letters”) with certain investors (including the Strategic Investor), permitting such investors to invest in a Fund on different terms than other investors, including with respect to subscriptions, fees and reporting. For example, certain investors may have more favorable reporting rights with respect to a Fund’s investments (i.e., greater transparency) while other investors will not have access to this information and/or other confidential information relating to a Fund. This may give an advantage to certain investors that is not available to investors who do not have the same transparency rights when making decisions regarding their investment in a Fund. Similarly, investors with preferential subscription rights may have an advantage over other investors in that they may have a right to increase their investment in a Fund at times when other investors are not able to do so. Additionally, certain investors may be subject to no fees (or lower fees), which may give such investors a better rate of return on their investment in a Fund. The establishment or existence of preferential terms and/or rights (whether granted through side letters, the establishment of a separate class or series, or otherwise) will not entitle any other investor or class of investors to the same or similar terms, and none of the Aquatic Parties will be required to obtain the consent or approval of, or give notice to, any investor or class of investors in connection therewith.

**Management of Other Client Accounts.** Aquatic Parties expect to manage or advise multiple accounts and Funds (“Other Accounts”). In particular, Aquatic intends for the Nautilus Funds and the Argo Funds currently to invest in the same Trading Funds, but may, over time, use different investment methods and strategies or varying leverage in connection with their respective investment strategies. The investment methods and strategies Aquatic Parties utilize in managing and advising the Funds may not necessarily be made in parallel among the Funds. Investments made by one Fund may not, and are not intended in all cases to, replicate the investments or the investment methods and strategies of another Fund, and in some cases, Aquatic may take positions in certain Funds that are opposite those in another Fund. Accordingly, results produced among the Funds may be materially different.

Aquatic may elect to allocate certain investments among the Funds; however, that allocation need not be made pro rata based on the capital in each account. Rather, such investments may be allocated among accounts based on Aquatic’s perception of the appropriate risk and reward ratio for each account, the intended sector strategy of each account, the liquidity of the account at the time of the investment and on a going-forward basis, and the overall portfolio composition and performance of the account.

Aquatic may have a conflict of interest in managing and advising the Funds because the financial benefit derived from certain Funds may be greater than that derived from other Funds, which could provide an incentive to favor such Funds.

**Other Activities.** Aquatic will devote only so much time and attention to the business and affairs of each Fund as it deems reasonably necessary. Aquatic may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment or trading entities or vehicles, and the Funds shall not have any right in or to any such activities or the income or profits derived therefrom.

Aquatic and its principals and affiliates may invest and trade for their own accounts, including in securities and other financial instruments that are the same as or different from those traded or held by any Fund. Consequently, Aquatic and its principals and affiliates may from time to time have proprietary investments in securities in which a client may take a position, may trade and invest simultaneously with clients and may take investment positions that are different or opposite from the positions taken by



clients. As a result, conflicts of interest may arise between clients and Aquatic or its principals or affiliates with respect to matters such as the allocation of investment opportunities, purchases and sales of securities in connection with particular trading situations and allocation of personnel, resources and expenses. To address these conflicts, Aquatic, its principals and affiliates have established policies and procedures designed to ensure that any such trading is conducted on a fair and equitable basis over time. The records of trading by Aquatic, its principals and affiliates will not be made available to the underlying investors of the Aquatic, except to the extent required by law or for the Founder Investors.

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## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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Aquatic has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading procedures, among other things. All supervised persons at Aquatic must acknowledge the terms of the Code of Ethics annually, or as amended. Upon request, Aquatic will furnish a copy of its Code of Ethics to Clients or prospective clients in the Funds.

As a matter of policy, Aquatic does not cause clients to effect transactions in which one of Aquatic's affiliates acts as broker for both the Aquatic client and the other party to the transaction (i.e., agency cross transactions). Subject to applicable law, which may include the engagement and approval of an independent intermediary, and potentially subject to the approval of the Advisory Committee, Aquatic may engage in principal transactions (i.e., a transaction in which Aquatic causes a Fund to purchase a financial instrument from, or sell a financial instrument to, Aquatic or certain affiliated persons). This creates a potential conflict of interest between Aquatic's duties to the relevant Fund and Aquatic's desire to maximize its own profits or obtain other benefits with respect to its proprietary trading activities.

In addition, Aquatic may effect transactions between the Funds (i.e., cross trades); provided, however, that, at any time that the assets of a Fund are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Aquatic will not engage in any cross trade that would give rise to a non-exempt prohibited transaction under ERISA. Cross trades may be effected directly between Funds or through open-market transactions. Effecting cross trades may increase brokerage commissions and may result in the relevant Funds holding less of a profitable investment, or more of an unprofitable investment, than would be the case if there were no cross trades.

In addition, Aquatic may, in appropriate circumstances when deemed consistent with a client's investment objectives, cause client accounts to purchase or sell securities in which Aquatic, its affiliates and/or clients, directly or indirectly, have a position or interest. See "*Other Financial Industry Activities and Affiliations*."

Aquatic's employees and persons associated with Aquatic are required to follow Aquatic's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Aquatic and its affiliates generally are permitted to trade for their own accounts in securities which are recommended to and/or purchased for clients, as described above in "*Other Financial Industry Activities and Affiliations*." The Code of Ethics is designed to assure that the personal transactions, activities and interests of the employees of Aquatic will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of certain transactions for the personal securities accounts of Aquatic's "access persons" by appropriate personnel of Aquatic and requires that

the interests of the clients be placed ahead of those of Aquatic employees in their personal trading. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is regularly monitored under the Code of Ethics in an effort to prevent conflicts of interest between Aquatic and its clients.

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## ITEM 12 – BROKERAGE PRACTICES

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Aquatic generally will have the discretion to select the brokers utilized to effect transactions for the Funds and to negotiate the rates and commissions that they will pay. In selecting brokers, Aquatic may not adhere to any rigid formulae in making the selection but will weigh a combination of criteria consistent with its obligation to seek “best execution” for its clients. Aquatic is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Brokers will be selected generally on the basis of best execution, which may be determined by considering, in addition to price and commission rates, other factors including the broker’s reliability, reputation, financial responsibility, stability, ability to execute trades, nature and frequency of sales coverage, commission rate, if any, responsiveness and research and other services (“Products and Services”).

**Research and Other Soft Dollar Benefits.** In exchange for the direction of commission dollars to certain brokers, credits (or soft dollars) may be generated which may be used by Aquatic to pay for the Products and Services provided by, or paid by, such brokers (“Credits”). Although the commission rates charged by such brokers may not be represented as reflecting such additional Products and Services, the commission rates charged by such brokers may be higher or lower than the commission rates charged by other brokers, and clients may be deemed to be paying for such other Products and Services provided by the broker which are included in the commission rate (i.e., “paying up”). Products and Services may be in any form (e.g., written, oral or online). Aquatic does not currently have any formal “soft dollar” arrangements with any brokers, but if it entered into any such arrangements, Aquatic would do so within the “safe harbor” rules set forth in Section 28(e) under the Securities Exchange Act of 1934, as amended.

In some instances, Aquatic may receive a product or service that may be used only partially for functions within Section 28(e). In such instances, Aquatic will make a good-faith effort to determine the relative proportion of the product or service used to assist Aquatic in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Aquatic in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Aquatic from its own resources, unless reimbursable by the Funds, as indicated in the Offering Documents.

Aquatic and its affiliates have not utilized brokerage commissions generated by clients to acquire Products and Services or directed any client transactions to a particular broker-dealer in return for soft dollar benefits during the last fiscal year, but may do so in the future.

**Aggregation and Allocation of Client Orders/Investments.** In some cases, Aquatic may combine purchase and sale orders of financial instruments on behalf of multiple clients as well as other accounts, including, when applicable, those of its affiliates, and all such participants in the transaction will receive the average price of all securities and other financial instruments purchased or sold in such transactions in

the transaction. Although aggregation may operate to the disadvantage of a particular client in a given transaction, Aquatic will employ an objective price allocation system that is intended to promote fairness among all accounts or entities, including client and proprietary accounts.

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### ITEM 13 – REVIEW OF ACCOUNTS

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**Account Reviews.** The Funds have engaged a third-party fund administrator who provides day-to-day administrative and bookkeeping services to the Funds. Aquatic will conduct daily trade reconciliations and reviews of the positions held by the Funds. These reviews will be conducted by Aquatic’s operations staff.

**Client Reporting.** Aquatic will furnish audited financial statements annually to all investors in the Funds within 120 days after the end of a fiscal year. Such investors will also be provided with monthly unaudited reports including information regarding such Fund’s net assets and performance.

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### ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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Aquatic currently does not directly or indirectly compensate any third parties for client referrals. However, Aquatic may in the future engage duly qualified placement agents to solicit prospective investors for one or more of the Funds. Investors in the Funds will not be subject to a load or similar charge when a placement agent is used.

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### ITEM 15 – CUSTODY

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Aquatic and/or Aquatic Partners will have custody of the funds and securities of the Funds, which will be maintained at one or more “qualified custodians,” as defined under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended. A “qualified custodian” generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. An independent public accountant will audit each of the Funds on an annual basis, and copies of the audited financial statements will be sent to the investors in the Funds, as described above in “*Review of Accounts.*”

Clients may receive periodic statements from the custodian that holds and maintains the client’s investment assets. Aquatic urges each client to carefully review such statements and compare such official custodial records to any account statements that Aquatic may provide such client. Aquatic’s statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities or other instruments.

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### ITEM 16 – INVESTMENT DISCRETION

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Aquatic exercises discretionary authority over the assets of the Funds. Aquatic will receive discretionary authority from the Funds at the outset of the advisory relationships by means of investment advisory or similar agreements and/or through the constituent documents of the Funds themselves, which grant a power of attorney in favor of Aquatic to select the identity and amount of any investments to be bought or sold for the relevant Fund. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the applicable Fund and its governing documents.

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#### **ITEM 17 – VOTING CLIENT SECURITIES**

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Aquatic holds the authority to vote proxies on behalf of the Funds; however, it is generally not Aquatic's practice to vote such proxies, as it is Aquatic's view that the outcome of such corporate decisions related to the financial instruments in which the Funds invest typically does not materially impact the implementation of Aquatic's investment strategies. Aquatic will analyze on an annual basis the estimated costs against the estimated potential benefits associated with casting such proxies on behalf of the Funds. Aquatic reserves the right to vary its proxy voting practice where it determines that doing so is in the best interests of the Funds, although it is not anticipated that Aquatic will do so. Clients generally may not direct Aquatic's vote in a particular solicitation. Clients may request a copy of Aquatic's proxy voting policies and procedures and information about how Aquatic voted any proxies on its behalf by contacting the Chief Compliance Officer at the number listed on the cover page.

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#### **ITEM 18 – FINANCIAL INFORMATION**

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Aquatic is required to provide certain financial information or disclosures about its financial condition. Aquatic has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding.

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