

# Dilation Capital Management LP

## Part 2A of Form ADV

### Firm Brochure

680 Fifth Avenue, 17th Floor  
New York, New York 10019

March 2024

This Brochure provides information about the qualifications and business practices of Dilation Capital Management LP (“Dilation” or “Investment Manager”). If you have any questions about the contents of this Brochure, please contact us at 212-757-7508.

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

Dilation is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

This summary of material changes reflects only the material changes since Dilation's most recent filing in March 2023. There were no additional material changes to the business activities of Dilation since its most recent amended filing of Part 2A of Form ADV in March 2023.

We encourage all recipients of this brochure and private offering materials to read these documents carefully in their entirety and to contact us should you have any questions.

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## Item 4: Advisory Business

Dilation Capital Management LP (the “Investment Manager”) a limited partnership organized under the laws of the state of Delaware, United States, is registering with the Securities and Exchange Commission (the “SEC”) as an investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”). Brian L. Eizenstat controls the Investment Manager as the managing member of Dilation Capital Management GP LLC, its general partner. Dilation Partners GP, LLC (the “Manager”), a limited liability company organized under the laws of the state of Delaware, United States and an affiliate of the Investment Manager, serves as the manager to the Master Fund and has overall responsibility for the investment strategy of the Master Fund, subject to the policies and control of the Master Fund Board of Directors (as defined below). The Manager also serves as the general partner of the U.S. Partnership. Mr. Eizenstat is the managing member of the Manager.

The Investment Manager and the Manager also serve as investment manager, manager and general partner, as applicable, of Dilation Partners **Long**, LP, Dilation Offshore **Long**, Ltd., and Dilation Master Fund **Long**, Ltd. (collectively, the “Long Only Funds”). The Fund invests all of its investable assets through “master-feeder” structure in Dilation Master Fund Long, Ltd. (the “Master Fund”). The Master Fund’s portfolio consists primarily of the long positions held in the Long Only Funds. The Investment Manager and the Manager may in the future serve in similar capacities to other investment funds, managed accounts, proprietary accounts and special purpose vehicles.

U.S. Partnership and may in the future serve as investment manager to other investment funds, managed accounts, proprietary accounts and special purpose vehicles.

A summary of the currently open and available Tranches of Shares and their terms (as more fully described elsewhere herein) is as follows:

### Tranche A1

- Management Fee: 1.00%;
- Incentive Allocation: 20% over 7% Hurdle
- Lock-up: 1 year
- Redemptions: Quarterly with 65 days’ notice

### Tranche A2

- Management Fee: 1.00%;
- Incentive Allocation: 20% over MSCI World Index
- Lock-up: 1-year
- Redemptions: Quarterly with 65 days’ notice

### Tranche F-A1

- Management Fee: 0.50%;
- Incentive Allocation: 25% over 7% Hurdle
- Lock-up: 1-year
- Redemptions: Quarterly with 65 days’ notice

### Tranche F-A2

- Management Fee: 0.50%;
- Incentive Allocation: 25% over MSCI World Index
- Lock-up: 1-year
- Redemptions: Quarterly with 65 days’ notice

For all classes

- Management Fees are accrued monthly and paid quarterly in advance
- Incentive allocations are accrued monthly and allocated annually
- Incentive allocations will be based on a high watermark

The Investment Manager invests globally and thematically, leveraging its deep research and knowledge. The Investment Manager seeks investment opportunities in publicly-traded companies with great management teams and major secular growth drivers. The Investment Manager generally invests in the following sectors and related sub-sectors: telecommunications, media and technology; industrials; business services; and payments. The Investment Manager may invest in additional sectors in the future.

The Master Fund's investment ideas are drawn predominantly from the universe of long positions in which the Flagship Funds (as defined below) invest, although the Investment Manager (as defined below) may determine that certain investments contained in the Flagship Funds' portfolio are not appropriate for the Master Fund and vice versa.

While the Investment Manager employs the investment strategy for the Master Fund on a "long-only" basis, the Master Fund may engage in hedging with respect to currency exposures and may hold positions that when combined, form a "long" directional trade. Accordingly, there may be times when the Master Fund holds positions that are not "long" even though the term "Long" is included in the name of the Fund.

The Fund has entered into an Investment Management Agreement with the Investment Manager and the Master Fund has entered into a separate Investment Management Agreement with the Investment Manager and the Manager (each, an "Investment Management Agreement"), each of which remains in effect through December 31 of each year and from year to year thereafter, except that each may be terminated by any party thereto at any time upon at least sixty-five (65) days' prior written notice.

The Investment Manager and/or its affiliates may, from time to time, offer one or more shareholders or investors in any other investment funds, managed accounts and proprietary accounts sponsored or managed by the Investment Manager, the Manager or their affiliates, including the Flagship Funds (each, an "Other Account" and collectively, the "Other Accounts"), and/or other third-party investors the opportunity to co-invest with the Master Fund in particular investments. The Investment Manager and its affiliates are not obligated to arrange co-investment opportunities, no shareholder will be obligated to participate in such an opportunity, and the Investment Manager may offer co-investment opportunities only to certain of the persons referenced above in its sole discretion. The Investment Manager and its affiliates have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular shareholder and may allocate co-investment opportunities instead to investors in Other Accounts or to third parties.

If the Investment Manager or its affiliates determine that an investment opportunity is too large for the Master Fund, the Investment Manager and its affiliates may, but will not be obligated to, make proprietary investments therein. The Investment Manager or its affiliates may receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by the Fund. Other terms and rights applicable to such co-investors (including without limitation, redemption rights, information rights and the terms related to the particular structure of any co-investment vehicle) may also differ from the terms and rights applicable to investors in the Fund as well as among co-investors.

Prospective shareholders generally must be non-U.S. persons or Permitted U.S. Persons and must meet other suitability requirements. "Permitted U.S. Persons" are (i) tax-exempt U.S. persons within the meaning of the Internal Revenue Code that are subject to ERISA, or are otherwise exempt from payment of U.S. federal income tax or (ii) a pass-through entity for U.S. federal tax purposes substantially all of the ownership interests in which are held by tax-exempt U.S. persons. Permitted U.S. Persons must be

"accredited investors", as defined in Regulation D promulgated under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and either "qualified purchasers", as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "Company Act"), or "knowledgeable employees", as defined under Rule 3c-5 of the Company Act, and must also meet other suitability requirements. The Board of Directors, in its discretion, may decline to accept the subscription of any prospective shareholder. (See "Suitability Requirements.")

Dilation does not participate in wrap fee programs.

As of December 31, 2023, Dilation managed client assets totaling approximately \$43.178 million, all of which is managed on a discretionary basis.

## Item 5: Fees and Compensation

### Management Fee

As described above in Item 4 and pursuant to the Investment Management Agreement between the Fund and the Investment Manager, the Fund pays the Investment Manager a fee for management services (the "**Management Fee**") for each fiscal quarter equal to the applicable Management Fee Rate multiplied by the NAV of each series of Shares as of the beginning of such fiscal quarter.

"**Management Fee Rate**" means 0.25% (1.0% annualized) for Tranche A1 and A2 Shares, and 0.125% (0.5% annualized) for Tranche F-A1 Shares and Tranche F-A2 Shares.

The Management Fee will be prorated for any subscription by a shareholder that is effective other than as of the first day of a fiscal quarter. In the event of a redemption by a shareholder other than as of the last day of a fiscal quarter, the Investment Manager will pay to the Fund an amount equal to the pro rata portion of the Management Fee, based on the actual number of days remaining in such fiscal quarter, and the Fund will distribute such amount to the redeeming shareholder.

The Investment Manager, in its sole discretion, may elect to reduce, waive or calculate differently the Management Fee with respect to any employee, affiliate or friend<sup>1</sup> of the Investment Manager, or any family member or estate planning vehicle of such person or any strategic advisor to the Investment Manager and its affiliates (collectively, the "**Dilation Affiliates**").

In consideration for the Management Fee, the Investment Manager provides office space and utilities and professional and other personnel to the Fund. The Investment Manager bears the costs of providing such goods and services, and all of its own overhead costs and expenses.

### Incentive Allocations

#### **Hurdle Incentive Allocation – Tranche A1 Shares and Tranche F-A1 Shares**

Generally, at the end of each fiscal year of the Master Fund, the Master Fund will reallocate from the NAV of each series of shares of the Master Fund corresponding to each series of Tranche A1 Shares or Tranche F-A1 Shares to the NAV of the Class M Shares of the Master Fund (the "Hurdle Incentive Allocation") an amount equal to the applicable Hurdle Incentive Allocation Rate (as defined below) multiplied by the net realized and unrealized appreciation in the NAV of such series of shares of the Master Fund, adjusted for (i) any redemption of shares of such series of the Master Fund since the last calculation of the Prior High NAV (as defined below) of such series of shares of the Master Fund, and (ii) the Management Fee and any other expenses of the Fund (other than Investor-Related Taxes) corresponding to such series of shares of the Master Fund that are not reflected in the NAV of the Master Fund (the "Adjusted NAV"); provided, however, that such Hurdle Incentive Allocation will only be made with respect to a series of shares of the

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<sup>1</sup> Management Fee waivers with respect to "friends" will be capped at \$10,000,000 of invested capital in the Dilation Funds.

Master Fund corresponding to a series of Tranche A1 Shares or Tranche F-A1 Shares to the extent that it does not cause the value of such series of shares of the Master Fund as of the end of a fiscal year to fall below the Threshold Return (as defined below); provided, further, that a Hurdle Incentive Allocation will be made only with respect to the excess of the Adjusted NAV of a series of shares of the Master Fund corresponding to a series of Tranche A1 Shares or Tranche F-A1 Shares over its Prior High NAV.

The "Hurdle Incentive Allocation Rate" means 20% for Tranche A1 shares and 25% for Tranche F-A1 Shares.

The "Threshold Return" is the value that a series of shares of the Master Fund corresponding to a series of Tranche A1 Shares or Tranche F-A1 Shares would reach at fiscal year-end if such series of shares of the Master Fund achieved an annualized rate of return equal to 7.0% per annum from the beginning of such fiscal year (the "Threshold Rate"), as adjusted for redemptions. The Threshold Rate is not cumulative from year to year. Thus, if the Threshold Return is not achieved in a year with respect to a series of shares of the Master Fund corresponding to a series of Tranche A1 Shares or Tranche F-A1 Shares, the shortfall is not carried forward into subsequent periods.

In the event of a redemption of Tranche A1 Shares or Tranche F-A1 Shares prior to the end of a fiscal year, for purposes of determining the Hurdle Incentive Allocation, the Threshold Rate with respect to the shares of a series of the Master Fund corresponding to such Tranche A1 Shares or Tranche F-A1 Shares within a series will be pro-rated through such Redemption Date at a cumulative monthly rate of 0.583% (7.0% per annum).

#### **Benchmark Incentive Allocation – Tranche A2 Shares and Tranche F-A2 Shares**

Generally, at the end of each fiscal year of the Master Fund, the Master Fund will reallocate from the NAV of each series of shares of the Master Fund corresponding to a series of Tranche A2 Shares or Tranche F-A2 Shares to the NAV of the Class M Shares of the Master Fund an incentive allocation (a "Benchmark Incentive Allocation" and together with the Hurdle Incentive Allocation, each, an "Incentive Allocation") equal to the applicable Benchmark Incentive Allocation Rate (as defined below) multiplied by the amount by which the Net Return for such series of shares of the Master Fund exceeds the Benchmark Amount for such series of shares of the Master Fund; provided, however, that the Net Return upon which the calculation of the Benchmark Incentive Allocation is based will be reduced to the extent of any unrecovered balance remaining in the Underperformance Carryforward corresponding to such series of shares of the Master Fund.

"Benchmark Incentive Allocation Rate" means 20% for Tranche A2 Shares and 25% for Tranche F-A2 Shares.

#### ***Incentive Allocation Generally***

The first Incentive Allocation, if any, is expected to be calculated for the period beginning on the Initial Closing (or subsequent date of issuance) through December 31, 2022.

An Incentive Allocation will also be determined with respect to shares of the Master Fund which correspond to Shares within a series that are redeemed other than at the end of a fiscal year and upon the dissolution of the Fund.

The Manager, in its sole discretion, may elect to reduce, waive or calculate differently an Incentive Allocation with respect to any Dilation Affiliate.

The Investment Manager, in its sole discretion, may elect to reduce, waive or calculate differently the Incentive Allocation with respect to any Dilation Affiliate.<sup>2</sup>

#### Other Expenses Charged to the Funds

The Fund bears its own operating and other expenses and its pro rata share of the expenses of the Master Fund, including, but not limited to, investment-related expenses (e.g., brokerage commissions and transaction costs, clearing and settlement charges, custodial fees, interest expense, research-related expenses and expenses related to obtaining research and market data (including legal fees associated therewith)), including, without limitation, third-party research and market data, including research and market data that may be considered “big data” or “alternative data”, news and quotation equipment and services (including fees for data and software providers)), investment and research related travel expenses (including costs of travel, meals and lodging), third party trading-related software, including trade order management software (i.e., software used to route trade orders), sales and use taxes incurred in connection with such preceding expenses, legal and compliance expenses (which include, without limitation, responding to formal and informal inquiries, indemnification expenses and expenses associated with regulatory filings relating to the Fund, the Fund and/or the Master Fund and for their respective portfolios), insurance costs incurred in connection with the Fund’s, and the Master Fund’s business (including, without limitation, acquiring and maintaining D&O and/or E&O insurance for the Fund’s and the Master Fund’s Directors and the Manager, the Investment Manager and their affiliates), accounting, audit and tax preparation expenses, organizational expenses, expenses relating to the offer and sale of the Shares, taxes, fees and expenses of the Administrator and the Directors and officers (including AML Officers, expenses related to the maintenance of the Fund’s, and the Master Fund’s registered office, corporate licensing, extraordinary expenses and other similar expenses. The allocation of expenses can create potential conflicts of interest. Expenses of the Fund, other than the Management Fee, Investor-Related Taxes and any expenses which the Board of Directors determines in its sole discretion should be allocated to a particular shareholder or shareholders, generally will be shared by all of the shareholders pro rata in accordance with the aggregate NAV of their Shares. Any shareholder-specific allocations (e.g., Investor-Related Taxes and any other expenses that are allocated to a particular shareholder) will be effected by way of compulsory redemption of such shareholder’s Shares and automatic reapplication of such redemption proceeds to subscribe for Shares in their own series or sub-series.

If any of the above expenses are incurred jointly for the account of the Fund (and/or the Master Fund) and any Other Account, such expenses will generally be allocated among the Fund (and/or the Master Fund) and such Other Accounts in proportion to the size of the investment made by each in the activity or entity to which the expense relates, by the net asset value of the Fund (or the Master Fund) and any Other Accounts, or in such other manner as the Investment Manager considers fair and equitable under the circumstances, taking into consideration the nature of such expenses.

To the extent that any Fund expenses are provided or paid for by the Manager or the Investment Manager, the Fund will reimburse the Manager or the Investment Manager, as the case may be, for such expenses. However, the Investment Manager may, in its sole and absolute discretion, bear any of the Fund’s expenses; *provided* that if the Investment Manager bears any such expenses, it will not be required to continue to bear such future expenses and may thereafter cause the Fund to bear such expenses.

Certain of the Fund’s organizational and initial offering expenses may, for accounting purposes, be amortized by the Fund for up to a 60-month period. Amortization of such expenses over a period that is up to 60 months is a divergence from GAAP, which might, in certain limited circumstances, result in a qualification of the Fund’s annual audited financial statements. If the Fund amortizes its expenses but terminates before such expenses are fully amortized, the unamortized portion of the organizational expenses will be debited against the Fund’s assets at that time. If a shareholder redeems all or any portion

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<sup>2</sup> Incentive Allocation waivers with respect to “friends” will be capped at \$10,000,000 of invested capital in the Dilation Long Funds.



of its Shares prior to the end of the 60-month period during which the Fund is amortizing expenses, the Board of Directors may, but is not required to, accelerate a proportionate share of the unamortized expenses based upon the amount being redeemed and reduce redemption proceeds by the amount of such accelerated expenses.

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

As described above in Item 5, Dilation or its affiliates will receive performance-based compensation in the form of Incentive Allocation. The fact that a significant portion of Investment Manager's compensation is directly computed on the basis of profits generated by the sale or disposition of the Dilation Funds assets may create an incentive for the Investment Manager to make investments on behalf of the Fund that is riskier or more speculative than would be the case in the absence of such compensation.

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

Dilation provides discretionary investment management and advisory services to the Dilation Funds directly, subject to the direction and control of the General Partner of each Fund, and not individually to the shareholders.

The minimum initial subscription for Class F-A Shares and Class A Shares is \$5,000,000. Thereafter, the minimum subscription for additional Shares is \$250,000. Notwithstanding the foregoing, the Board of Directors, in its discretion, may accept subscriptions of a lesser amount or establish different minimum amounts in the future; *provided* that no initial subscription for less than \$100,000 (or such other amount as specified under Cayman Islands law from time to time) will be accepted. Investors are required to meet certain suitability qualifications in order to comply with applicable federal securities laws and regulations. Typically, these investors are high net worth individuals, pension plans (corporate, state and foreign), sovereign wealth funds, endowments, foundations, banks, pooled investment vehicles (e.g., funds-of-funds), trusts, estates or charitable organizations, and corporate or business entities.

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

The investment objective of the Fund (through its investment in the Master Fund) is to generate, on a "long-only" basis, significant compounding of capital over multiple years, rather than to optimize or limit short-term volatility. In pursuing this objective, the Investment Manager believes an increasing misalignment exists in the investment community with many hedge funds managing portfolios to shorter-duration risk-adjusted return metrics. While such a strategy may limit short-term volatility and generate high Sharpe ratios, such strategy may also limit investors' ability to capture tremendous long-term potential from compounding. The Investment Manager's focus on seeking to generate strong returns over multiple years represents an effort to realign investors with the goal of compounding their investment over time. The Investment Manager believes that proper alignment between the duration of investments and the length of a shareholder's investment in the Fund is an important contributor to the Fund's success.

The Investment Manager invests globally and thematically, leveraging its deep research and knowledge. The Investment Manager seeks investment opportunities in publicly-traded companies with great management teams and major secular growth drivers. The Investment Manager generally invests in the following sectors and related sub-sectors: telecommunications, media and technology; industrials; business services; and payments. The Investment Manager may invest in additional sectors in the future.

The Investment Manager primarily invests in liquid listed equity securities as well as equity-related securities and derivatives, including, without limitation, options, swaps, futures and forwards. The Investment Manager will not make investments in private companies or investments in crypto-currencies.

The Investment Manager generally employs four principles to guide the investment strategy of the Fund:

1. Well researched concentrated investment portfolios should outperform diversified investment portfolios;
2. Investment duration remains the last major area of arbitrage and likely the most enduring in the public equity markets.

By tailoring and managing the Master Fund's portfolio around these core principles, the Investment Manager strives to generate multi-year performance in excess of the broad equity market indices. The Master Fund's long portfolio generally consists of 15 to 20 positions. The Master Fund will have approximately 15 core positions that comprise approximately 80% or more of the Master Fund's net asset value. The top 5 positions will typically represent over 40% of the Master Fund's net asset value and the top 10 positions will typically represent 65% or more of the Master Fund's net asset value. In general, the maximum position size will be 12% (at the time of acquisition). The Investment Manager anticipates that there will be several long positions, each expected to comprise 1% to 2% of the Master Fund's net asset value, which will represent either initial positions or positions of outstanding companies trading at relatively expensive valuations that the Investment Manager anticipates growing into larger positions over time. A concentrated portfolio requires significant conviction in the detailed research underlying each position.

The Investment Manager utilizes an investment approach and structure that is similar in many ways to that employed by private equity firms, even though the Master Fund invests in the public equity markets. The Investment Manager shares three guiding investment principles of many private equity funds: concentration, compounding, and duration. The Investment Manager seeks to invest the capital of the Master Fund in publicly-traded companies with CEOs and management teams who have significant equity ownership in their companies and who have created and grown outstanding businesses.

The culmination of the Investment Manager's due diligence process will typically result in an investment memorandum and detailed model. The research process will usually be highly collaborative between an analyst and the Portfolio Manager to ensure continuity of information flow and that such analysts' time is being used most productively. The Portfolio Manager reviews the thesis, including the investment memo and model on an ongoing basis with the analyst to assess the upside, downside and probabilities of success and failure of each idea. This iterative process results in a decision whether to make an investment, pass on the idea entirely, or continue to research such investment.

While remaining a passive investor, the Investment Manager engages constructively with management teams to provide perspective on maximizing long-term shareholder returns and to build long-term relationships with such management teams.

## Risks

### *Risks Relating to Management and Operations*

Prospective shareholders should carefully consider the risks involved in an investment in the Fund, including, but not limited to, those discussed below. Various risks discussed below may apply to some or all of the Master Fund's investment strategies and types of financial instruments in which the Master Fund invests. Different or new risks not addressed below may arise in the future and, therefore, the following list is not intended to be exhaustive. Prospective shareholders should consult their own legal, tax and financial advisors about the risks of an investment in the Funds. Any such risk could have a material adverse effect on the Fund and the shareholders.

**No Operating History.** Each of the Fund and the Master Fund is a newly formed entity and does not have any operating history upon which current and prospective shareholders can evaluate their anticipated performance. The past investment performance of the Investment Manager and its affiliates should not be

construed as an indication of the future results of an investment in the Fund. The Master Fund's investment program should be evaluated on the basis that there can be no assurance that the Investment Manager's assessment of the short-term or long-term prospects of investments will prove accurate or that the Master Fund will achieve its investment objective.

**Dependence on the Investment Manager.** The success of the Master Fund is dependent upon the ability of Mr. Eizenstat to manage the Master Fund and effectively implement the Fund's investment program. The Master Fund's governing documents do not permit the shareholders to participate in the management and affairs of the Fund. If the Investment Manager were to lose the services of Mr. Eizenstat or the Fund or any Other Accounts were to incur substantial losses, the Investment Manager may not be able to provide the same level of service to the Master Fund as it has in the past or continue operations. The loss of the services of Mr. Eizenstat or the Investment Manager's key personnel could have a material adverse effect on the Master Fund and the shareholders' investments therein.

**Misconduct of Personnel of the Investment Manager and of Third-Party Service Providers.** The Master Fund relies on personnel of the Investment Manager and its affiliates, counterparties and other service providers that are not controlled by the Investment Manager. Accordingly, risks associated with errors by such personnel are inherent in the business and operations of the Fund. Misconduct by such personnel could cause significant losses may include binding the Fund and may including binding the Master Fund to transactions that are not properly authorized, that present unacceptable risks or that conceal unsuccessful trading activities (which may result in unknown and unmanaged risks or losses). Losses could also result from misconduct by such personnel, including, for example, failing to recognize trades and misappropriating assets. In addition, such personnel may improperly use or disclose confidential information. Notwithstanding the foregoing, the Investment Manager has adopted measures to prevent and detect misconduct, including an exhaustive process for hiring firm personnel and for engaging with reliable third-party service providers. However, such measures may not be effective in all cases.

**Retention and Motivation of Key Employees.** The success of the Master Fund is dependent upon the talents and efforts of highly skilled individuals employed by the Investment Manager and the Investment Manager's ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that the Investment Manager's investment professionals will continue to be associated with the Investment Manager throughout the life of the Master Fund, and the failure to attract or retain such investment professionals could have a material adverse effect on the Master Fund and the shareholders' investments therein. Competition in the financial services industry for qualified employees is intense and there is no guarantee that, if lost, the talents of the Investment Manager's investment professionals could be replaced.

**Outsourced Trading.** BTIG, LLC ("BTIG") provides substantially all of the Master Fund's trading functions on an outsourced basis. This means that key trading functions is provided by a third party under an arm's-length contract on terms that the Investment Manager has determined to be commercially reasonable. This differs from the practices of many asset managers, which rely on employees of the investment adviser and its affiliates to perform all or most of the key trading functions attendant to the operation of a complex regulated business.

In particular, BTIG exercises substantially all of the discretion as it relates to pricing, timing and routing of certain non-directed, non-held trade orders. While the Investment Manager will review the trading activity conducted by BTIG on behalf of the Funds to ensure that, by selecting BTIG in advance as broker for all or substantially all of the Funds brokerage activity which will permit BTIG discretion on certain economic terms the Investment Manager is still satisfying its best execution obligations, it is possible that, in the exercise of the aforementioned discretion, BTIG will have executed trades under sub-optimal terms. Prospective investors should consider the possible negative economic effects on the Master Fund of allocating substantially all execution discretion to BTIG, irrespective of the other controls maintained by the Investment Manager.

Prospective investors should also consider the risks inherent in a structure where the Investment Manager does not exert direct control over the individuals carrying out key operational tasks such as trading. BTIG has, and will continue to have, clients other than the Investment Manager and the Master Fund. These other demands could place limitations on, or reduce the responsiveness of, BTIG and may result in harm to the Master Fund (and thus the Fund).

**Increased Regulatory Oversight.** Increased regulation (whether promulgated under securities laws or any other applicable law) and regulatory oversight of and changes in law applicable to private investment funds and their managers may impose administrative burdens on the Investment Manager, including, without limitation, responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert the Investment Manager's time, attention and resources from portfolio management activities. Such regulatory inquiries are generally confidential in nature, may involve a review of an individual's or a firm's activities or may involve studies of the industry or industry practices, as well as the practices of a particular institution.

**Systems and Operational Risks.** The Fund depends on the Investment Manager to develop and implement appropriate systems for the Fund's activities. On a daily basis, the Master Fund relies heavily on financial, accounting and other data processing systems to execute and settle transactions across numerous and diverse markets and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Master Fund's activities. Certain of the Master Fund's and the Investment Manager's activities are dependent upon systems operated by third parties, including prime brokers, custodians, ISDA counterparties, the Administrator, market counterparties and other service providers, and the Investment Manager may not be in a position to verify the risks or reliability of such third-party systems. However, the Investment Manager shadows the books and records of the Administrator and seeks to detect errors or other issues as soon as practicable. Failures in the systems employed by the Investment Manager, prime brokers, the Administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Master Fund's operations may cause the Master Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Fund and the shareholders' investments therein.

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

The service providers of the Investment Manager and the Fund are subject to the same electronic information security threats as the Investment Manager. If a service provider fails to adopt or adhere to

adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Master Fund and personally identifiable information of the shareholders may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of the Investment Manager's or the Master Fund's proprietary information may cause the Investment Manager or the Master Fund to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Master Fund and the shareholders' investments therein.

#### *Risks Relating to the Structure of the Fund*

**Significant Fees and Expenses.** The fees and expenses of the Fund may be significant. The Fund must generate sufficient income to offset such fees and expenses to avoid a decrease in the NAV of the Fund.

**Anchor Investors and Substantial Investors; Possible Effect of Redemptions on the Value of the Shares and Additional Information.** Substantial redemptions by shareholders (including any Anchor Investors) could require the Master Fund to liquidate investments more rapidly than otherwise desirable in order to raise the necessary cash to fund the redemptions and, at the same time, achieve a market position appropriately reflecting a smaller equity base.

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

**In-Kind Distributions.** The Fund expects to, and the Board of Directors will use commercially reasonable efforts to, satisfy all redemptions in cash. However, the Board of Directors may, in consultation with the Investment Manager, make distributions in cash or in kind, or in a combination of cash and in kind if doing so is in the best interests of the Fund as a whole under then-existing circumstances. Redemption proceeds that are paid in kind to a shareholder will be, to the extent reasonably practicable, proportionately allocated to such redeeming shareholder based on such shareholder's pro rata interest in any asset that is distributed in-kind. In-kind distributions may be made to shareholders directly or indirectly through a distribution of interests in one or more trading vehicles or special purpose vehicles holding financial instruments owned by the Master Fund or participations therein.

**Incentive Allocation.** The Manager expects to receive the Benchmark Incentive Allocation (if any) from the Master Fund with respect to each series of shares of the Master Fund corresponding to each series of Tranche A2 Shares or Tranche F-A2 Shares based on such series of shares of the Master Fund outperforming the MSCI World Index. Accordingly, it is possible that a Benchmark Incentive Allocation will be made even though such series of shares of the Master Fund has depreciated during the period for which a Benchmark Incentive Allocation is being calculated (e.g., the MSCI World Index loses 10% of its value but such series of shares of the Master Fund only depreciates by 5.0%). In addition, it is possible that a Benchmark Incentive Allocation will exceed the net capital appreciation allocated to such series of shares of the Master Fund during the period for which a Benchmark Incentive Allocation is being calculated (e.g., the MSCI World Index loses 20% of its value and such series of share of the Master Fund

appreciates by 1.0%). A shareholder holding Tranche A2 Shares or Tranche F-A2 Shares may also be subject to a Catch-Up Incentive Allocation in a subsequent fiscal year even if no Benchmark Incentive Allocation is otherwise allocable in such subsequent year because of failure to outperform the MSCI World Index.

**“Master-Feeder” Structure.** The Fund invests all of its investable assets through a “master-feeder” structure in the Master Fund. The “master-feeder” fund structure presents certain risks to shareholders. The Master Fund will incur expenses and liabilities that will be paid by the Fund prior to making distributions to the Fund. The Fund may be materially affected by the actions of other feeder funds investing in the Master Fund, such as the U.S. Partnership. Consequently, if another feeder fund, such as the U.S. Partnership, were to redeem from the Master Fund, the remaining feeder funds, including the Fund, may experience higher pro rata operating expenses, thereby producing lower returns, and the Master Fund may become less diverse due to a redemption by a larger feeder fund, resulting in increased portfolio risk. The Master Fund is a single entity and its creditors may enforce claims against all assets of the Master Fund. Similarly, the Fund is single entity and its creditors may enforce claims against its assets.

**Portfolio Valuation.** Valuations of the Master Fund’s portfolio, which affects the amount of the Management Fee and the Incentive Allocation, may involve uncertainties and judgmental determinations. Third-party pricing information may at times not be available regarding certain of the Master Fund’s securities, derivatives and other assets. A disruption in the secondary markets for the Master Fund’s investments may limit the ability of the Master Fund to obtain accurate market quotations for purposes of valuing its investments and calculating the NAV of the Master Fund’s shares. If the Master Fund’s valuation should prove to be incorrect, the NAV of the Master Fund’s investments could be adversely affected (and, consequently, the NAV of the Fund).

**Side Letters; Different Terms.** The Fund and the Investment Manager may enter into “side letter” agreements with shareholders primarily to accommodate a shareholder’s particular legal, tax or regulatory requirements. However, with the exception of the Anchor Investors as set forth herein, the Fund and the Investment Manager will not grant more favorable or different incentive allocations or management fees, redemption rights, portfolio transparency rights or co-investment rights in any “side letter” agreement.

**Redemption Notification Period.** A shareholder may not redeem any of its Shares until after the Administrator receives written notice of the shareholder’s intention to make a redemption of its Shares. During such notice period, the shareholder’s Shares remain at risk and may decrease in value from the date that notice of redemption is made to the Administrator until the effective date of redemption.

#### *Risks Related to Investment Activities*

**Risks of Investments Generally.** An investment in the Fund involves risks, including the risk that the entire amount invested may be lost. The Master Fund invests in and actively trades securities and other financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the equity markets and the potential illiquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that the Fund’s investment objective will be achieved.

**Investment and Due Diligence Process.** Before making investments, the Investment Manager conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Investment Manager may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding an investment, the Investment Manager relies on the resources reasonably available to it, which in some circumstances whether or not known to the Investment Manager at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

**Long Strategy.** The success of the Master Fund's long investment strategy depends upon the Investment Manager's ability to identify and purchase securities that are undervalued. The identification of investment opportunities in the implementation of the Master Fund's investment strategy is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Master Fund's positions were to fail to converge toward, or were to diverge further from values expected by the Investment Manager, the Master Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Master Fund to close out one or more positions. Furthermore, the financial and valuation models used to determine whether a position presents an attractive opportunity consistent with the Investment Manager's long strategy may become outdated and inaccurate as market conditions change.

**Undervalued Securities.** The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Master Fund's investments may not adequately compensate for the business and financial risks assumed.

**Leverage; Interest Rates; Margin.** While the Master Fund generally does not intend to use leverage, it may do so from time to time to fund withdrawals and other short-term portfolio management decisions. The use of leverage has attendant risks and can substantially increase the adverse impact to which the Master Fund's investment portfolio may be subject. In addition, any leverage used by the Master Fund is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

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

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

To the extent the Master Fund purchases an option in the U.S., there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

**Lending of Portfolio Securities.** The Master Fund may lend securities on a collateralized and an uncollateralized basis from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the Master Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

**Diversification and Concentration.** As described above, it is anticipated that the Master Fund's long portfolio will be concentrated in approximately 15-20 positions. The Master Fund's portfolio may be significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Master Fund (and thus the Fund) to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

**Lack of Control.** The Master Fund invests in securities of companies that it does not control, which the Master Fund may acquire through market transactions or through purchases of securities directly from the issuer. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Master Fund does not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve the Master Fund's interests.

**Fundamental Analysis.** The Investment Manager's investment process is grounded in fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to the Master Fund's trading strategies, the Master Fund may not be able to realize its investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Investment Manager misinterprets the meaning of certain data, the Fund may incur losses.

**Analytical Model Risks.** The Master Fund employs certain strategies which depend upon the reliability, accuracy and analysis of the Investment Manager's analytical models. To the extent such models (or the assumptions underlying them) do not prove to be correct, the Master Fund may not perform as anticipated, which could result in substantial losses. All models ultimately depend upon the judgment of the Investment Manager and the assumptions embedded in them. To the extent that with respect to any investment, the judgment or assumptions are incorrect, the Fund can suffer losses.

**Alternative Data.** The Investment Manager obtains and uses alternative data in its investment process. Alternative data may consist of data sets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases (this data is sometimes referred to as "big data" or "alternative data"). The Investment Manager intends to apply this alternative data to better anticipate micro- and macro-economic trends and otherwise to develop or improve trading or investment themes. The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense, including technological efforts, that are borne by the Master Fund (and indirectly by the Fund). No assurance can be given that the Investment Manager will be successful in utilizing alternative data in its investment process.

**Necessity for Counterparty Trading Relationships; Counterparty Risk.** The Master Fund established relationships to obtain financing, derivative intermediation and prime brokerage services that permit the Master Fund to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Master Fund will be able to maintain such relationships or establish new such relationships. An inability to establish or maintain such relationships would limit the Master Fund's trading activities, and could create losses, preclude the Master Fund from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent the Master Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships before the Master Fund establishes additional relationships could have a significant impact on the Master Fund's business due to the Master Fund's reliance on such counterparties.



**Counterparty Fraud.** Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying an investment. The Investment Manager relies upon the accuracy and completeness of representations made by counterparties to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Master Fund may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

**Counterparty Insolvency.** The Master Fund's assets may be held in one or more accounts maintained for the Master Fund by counterparties, including its prime brokers, and ISDA counterparties. There is a risk that any of such counterparties could become insolvent. The insolvency of the Master Fund's counterparties is likely to impair the operational capabilities or the assets of the Master Fund. Although the Investment Manager regularly monitors the financial condition of the counterparties it uses, if one or more of the Master Fund's counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the U.S. Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of the Master Fund's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, the Master Fund may use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Master Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Master Fund and its assets. Investors should assume that the insolvency of any Master Fund counterparty would result in a loss to the Fund, which could be material.

**Competition; Availability of Investments.** Certain markets in which the Master Fund may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Investment Manager will be able to identify or successfully pursue attractive investment opportunities in such environments.

**Significant Positions in Securities; Regulatory Requirements.** In the event the Master Fund acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, the Master Fund may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the Master Fund and the Investment Manager. Any such requirements may impose additional costs on the Master Fund and may delay the acquisition or disposition of the securities or the Master Fund's ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit the Master Fund's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the Master Fund's position limits were aggregated with an affiliate's position limits, the effect on the Master Fund and resulting restriction on its investment activities may be significant. If at any time positions managed by the Investment Manager were to exceed applicable position limits, the Investment Manager would be required to liquidate positions, which might include positions of the Master Fund, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, the Master Fund might have to forego or modify certain of its contemplated trades.

In addition, if the Master Fund, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the Exchange Act, the Master Fund may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances the Master Fund will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

**Exposure to Material Non-Public Information.** From time to time, the Investment Manager may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Master Fund may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer.

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

**Initial Public Offerings.** Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the Shares.

**Non-U.S. Investments.** While the Master Fund invests in companies inside the United States, the Master Fund may make investments in companies outside the United States. Investing in the securities of companies in non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, gross sale or disposition proceeds or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Master Fund's investment opportunities. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in such countries than there is in the U.S. As a result, the Master Fund may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Master Fund's rights in such markets. For example, securities traded on non-U.S.

exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the U.S. Commodity Futures Trading Commission, the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Master Fund under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

**Co-Investments with Third Parties.** The Master Fund may co-invest with third parties through joint ventures or other entities. Third-party involvement with an investment may negatively impact the returns of such investment if, for example, the third-party co-venturer has financial difficulties, has economic or business interests or goals that are inconsistent with those of the Master Fund or is in a position to take (or block) action in a manner contrary to the Master Fund's investment objective. In circumstances where such third parties involve a management group, such third parties may enter into compensation arrangements relating to such investments, including incentive compensation arrangements. Such compensation arrangements will reduce the returns to participants in the investments.

#### Risks Related to Specific Investments

**Equity Securities.** The Master Fund's investment portfolio includes equity and equity-related securities of U.S. and non-U.S. companies. The value of equity securities of public companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Master Fund may suffer losses if it will invest in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Master Fund has not hedged against such a general move.

**Derivative Instruments Generally.** Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. In addition, the Master Fund may, in the future, take advantage of opportunities. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which the Fund may participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Fund.

**Call Options.** There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the gain by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money.

**Put Options.** There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

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

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

**Futures Contracts.** The Master Fund may invest in futures contracts or options thereon. Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Master Fund from promptly liquidating unfavorable positions and subject the Master Fund to substantial losses. In addition, the Master Fund may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

**Forward Trading.** Forward contracts and options thereon, unlike futures contracts, are generally not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually widespread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Master Fund due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Investment Manager would otherwise recommend, to the possible detriment of the Master Fund. Market illiquidity or disruption could result in major losses to the Master Fund.

**Swap Agreements.** The Master Fund may enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease the Master Fund's exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. The Master Fund is not limited to any particular form of swap agreement if consistent with the Fund's investment objective. Whether the Master Fund's use of swap agreements will be successful depends on the Investment Manager's ability to select appropriate

transactions for the Master Fund. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Master Fund's portfolio. Moreover, the Master Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Master Fund also bears the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Master Fund to post or maintain required collateral. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Master Fund's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

**Other Derivative Instruments.** The Master Fund may enter into swaps and other derivative instruments. It may take advantage of opportunities with respect to certain other derivative instruments that are not currently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Fund and believed by the Investment Manager to be legally permissible. Special risks may apply to instruments that are invested in by the Master Fund in the future that cannot be determined at this time or until such instruments are developed or invested in by the Master Fund. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

**High Volatility.** The prices of derivative instruments, including currencies, futures and option prices, can be highly volatile. Price movements of derivative contracts in which the Master Fund portfolio's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Master Fund's portfolio is also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

**Regulation in the Derivatives Industry.** There are many rules related to derivatives that may negatively impact the Master Fund, such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared over-the-counter ("OTC") instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of the Investment Manager and the Master Fund, and increase the amount of time that the Investment Manager spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to the Master Fund.

**Currencies.** The Master Fund may enter into spot and forward currency contracts or invest in currency futures contracts and options on currencies and futures to hedge currency risk by shifting exposure to foreign currency fluctuations from one currency to another with respect to the Master Fund. Currency transactions made on a spot (*i.e.*, cash) basis are at the spot rate prevailing in the currency exchange market. A forward currency contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces the Master Fund's exposure with respect to its investment to changes in the value of the currency it will deliver and increases the Master Fund's exposure to changes in the value of the currency it will receive for the duration of the contract.

**Exchange Traded Funds.** Exchange-traded funds ("ETFs") are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific

indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF investors are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each investor of an ETF bears a pro rata portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of the Fund's expenses (*e.g.*, Management Fees and operating expenses), shareholders may also indirectly bear similar expenses of an ETF.

#### Risks Relating to Sector-Specific Investments

**Risks of Sector-Specific Investments.** The Master Fund generally invests in the following sectors and subsectors of the equities markets: telecommunications, media and technology; industrials; business services; payments; and consumer. The industry-specific risk factors below are intended to provide a non-exclusive summary of certain risks attendant to certain industries in which the Master Fund generally invests. The Master Fund may invest in sectors and sub-sectors other than those listed below; furthermore, the Master Fund may invest in companies in the sectors listed below that are subject to additional risks not described below. These investments may represent core positions of the Master Fund, the profit or loss from which may have a material impact on the Master Fund's performance.

**Investing in Technology Companies.** Investing in securities and other instruments of technology companies involves substantial risks. These risks include: the fact that certain companies in the portfolio of the Master Fund may have limited operating histories; rapidly changing technologies and products which may quickly become obsolete; cyclical patterns in information technology spending which may result in inventory write-offs, cancellation of orders and operating losses; scarcity of management, engineering and marketing personnel with appropriate technological training; the possibility of lawsuits related to technological patents; changing investor sentiments and preferences with regard to technology sector investments (which are generally perceived as risky) with their resultant effect on the price of underlying securities; and volatility in the stock markets affecting the prices of technology company securities, which may cause the performance of the Master Fund to experience substantial volatility. The Master Fund may also invest in the securities of issuers in the business services sector (such as providers of credit risk analysis and reporting, educators, payroll providers, merchant processors and staffing providers, among others), which investments generally involve a number of the risks associated with the technology sector.

**Investing in Media and Telecommunications Companies.** The Master Fund may invest in media companies (which may engage in the production or distribution of television, film, radio, internet and other content) and telecommunications companies (which may provide traditional and wireless telephone services, paging, data transmission services, equipment retailing and internet services). Whereas traditionally media and telecommunications companies were considered to be in different sectors, these sectors have increasingly converged and oftentimes overlap in the services they provide. Companies in the media and telecommunications sector may encounter distressed cash flows due to the need to commit substantial capital to meet increasing competition, particularly in formulating new products and services using new technology. In addition, media and telecommunications companies may be subject to greater price volatility than the overall market due to a variety of factors, including: changing government regulations, changing consumer tastes, intense competition, and strong market reactions to technological developments throughout the industry.

**Investing in the Industrials Sector.** The Master Fund may invest in companies in the industrials sector, such as those involved in construction and manufacturing, transportation, industrial machinery and equipment, materials, metals and mining, and aerospace and defense. The industrials sector can be significantly affected by general economic trends, including employment, economic growth, and interest rates; changes in consumer sentiment and spending; the supply of and demand for specific industrial and

energy products or services; government regulation and spending; and global competition. For example, adverse changes in the prices of certain commodities and unit volume reductions resulting from an oversupply of materials used in industrials and energy equipment and services industries can adversely affect those industries. Furthermore, a company in the industrials sector can be subject to liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control.

**Investment in Payments Companies.** The Master Fund may invest in companies in the payments sector, which may include entities that facilitate or are involved in the movement of funds and which may not be chartered banking institutions. Companies in the payments sector may provide consumer-facing products and services, products targeted to business customers, and back-end processing for other financial institutions. Many of the areas in which payments businesses compete evolve rapidly with changing and disruptive technologies, shifting user needs, and frequent introductions of new products and services. The global payments industry is highly competitive, rapidly changing, highly innovative, and increasingly subject to regulatory scrutiny. The cost of compliance or the failure of a payments company to comply with a series of complex regulations in this sector could have an adverse impact on such payments company, and thus the Master Fund's investment therein. Since the payments sector is a heavily and increasingly regulated sector, all participants in the space face costs and risks associated with compliance with applicable federal, state, and local laws and regulations, including those related to licensing and supervision, anti-money laundering, the Bank Secrecy Act, financial privacy and cybersecurity and data security. Such regulatory costs and risks include the direct cost of compliance as well as risks and costs related to noncompliance, including, for example, litigation and regulatory proceedings, monetary fines, and prohibitions and restrictions on current and future products and services as well as on the business relationships used to provide such products and services.

**Investing in Consumer Companies.** The Master Fund may invest in companies in the consumer sector. The success of consumer product manufacturers and retailers is tied closely to the performance of the overall domestic and global economy, interest rates, competition and consumer confidence. Success depends heavily on disposable household income and consumer spending. Also, companies in the consumer discretionary sector may be subject to severe competition, which may have an adverse impact on their respective profitability. Changes in demographics and consumer tastes can also affect the demand for, and success of, consumer products and services in the marketplace.

#### *Risks Relating to Private Investment Funds Generally*

**Legal and Regulatory Environment for Private Investment Funds and their Managers.** The legal and regulatory environment worldwide for private investment funds (such as the Fund) and their managers is evolving, and changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Fund to pursue its investment program and the value of investments held by the Master Fund. There has been an increase in scrutiny of the alternative investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Fund to pursue its investment program or employ brokers and other counterparties could have a material adverse effect on the Fund and the shareholders' investments therein.

**Alternative Investment Fund Managers Directive.** The Alternative Investment Fund Managers Directive (the "AIFM Directive") regulates: (i) alternative investment fund managers (each, an "AIFM") based in the European Economic Area (the "EEA"); (ii) the management of any alternative investment fund ("AIF") established in the EEA (irrespective of where an AIF's AIFM is based); and (iii) the marketing of any AIF, such as the Fund, to professional investors in the EEA.

Under the AIFM Directive, certain conditions must be met to permit the marketing of the Shares to any potential and existing investors in the EEA. The ability of the Fund or the Investment Manager to offer the Shares in the EEA will depend on the relevant EEA state permitting the marketing of non-EEA domiciled funds under the national private placement regimes implementing the AIFM Directive and the ability of the

Fund and the Investment Manager to comply with such national private placement regimes, where available. Compliance with the requirements of such regimes may increase the costs of the administration of the Fund significantly, including the costs of regulatory reporting, custody and prime brokerage services provided to the Fund. As such, the Fund's ability to market the Shares to EEA investors may be limited.

**Systemic Risk.** Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearing houses, banks, securities firms and exchanges with which the Master Fund interacts, as well as the Master Fund, are all subject to systemic risk. A systemic failure could have material adverse consequences on the Master Fund and on the markets for the securities in which the Master Fund seeks to invest.

**Assumption of Business, Terrorism and Catastrophe Risks.** Opportunities involving the assumption by the Master Fund of various risks relating to particular assets, markets or events may be considered from time to time. The Master Fund's portfolio is subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events, including, without limitation, outbreaks of an infectious disease, pandemics or any other serious public health concern, acts of God, fire, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events and events that could adversely affect the health or life expectancy of people. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by the Master Fund in assuming these risks and, depending on the size of the loss, could adversely affect the return of the Fund.

**Sanctions.** The Master Fund's operations are or may become subject to economic sanctions laws and regulations of various jurisdictions. At any given time, whether under applicable law, by contractual commitment or as a voluntary risk management measure, the Master Fund may be required, or elect, to comply with various sanctions programs, including the Specially Designated Nationals and Blocked Persons List and Sectoral Sanctions programs administered by OFAC, the sanctions regimes administered by subsidiary organs of the United Nations Security Council, the Sanctions Orders of the Cayman Islands (including as extended to the Cayman Islands by Order of the government of the United Kingdom from time to time), and the Restrictive Measures adopted by the European Union. Some sanctions that may apply to the Master Fund prohibit or restrict dealings with particular identified persons. Other potentially applicable sanctions programs broadly prohibit or restrict dealings in certain countries or territories or with individuals and entities located in such countries or territories. In addition to such current sanctions, additional sanctions may be imposed in the future. Such sanctions may be imposed with little or no advance warning or "safe harbor" for compliance and may be ambiguous, including as to the scope of financial activities that regulators may ultimately deem to be covered by the sanctions.

Sanctions may negatively impact the Master Fund's ability to effectively implement its investment strategy and have a material adverse impact on the Master Fund's investment program. Sanctions may adversely affect the Master Fund in various ways, including by preventing or inhibiting the Master Fund, or the Investment Manager on the Master Fund's behalf, from making certain investments, forcing the Master Fund to divest from investments previously made, and leading to substantial reductions in the revenues, profits and value of companies in which the Master Fund has invested. In addition, if the Master Fund or the Investment Manager, were to violate or be deemed in violation of any such sanction, it could face significant legal and monetary penalties. Depending on the scope and duration of a particular sanctions program, compliance by the Master Fund may result in a material adverse effect on the Fund and the shareholder's investments therein.

#### *Risks Relating to Market Conditions Generally*

**General Economic and Market Conditions.** The success of the Master Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Master Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of the Master Fund's investments. Volatility or illiquidity could



impair the Master Fund's profitability or result in losses. The Master Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

**Governmental Interventions.** Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Master Fund's strategies.

**Potential Interest Rate Increases.** The United States has experienced a decade-long period of historically low interest rate levels. Any future interest rate increases may result in periods of volatility and cause the value of the securities held by the Master Fund to decrease, which may result in substantial redemptions from the Fund that, in turn, force the Master Fund to liquidate such securities at disadvantageous prices negatively impacting the performance of the Master Fund.

**Discontinuation of LIBOR.** On March 5, 2021, The London Interbank Offered Rate ("LIBOR") regulator, the Financial Conduct Authority and administrator, ICE Benchmark Administration, Limited, announced that the publication of the one-week and two-month USD LIBOR maturities and non-USD LIBOR maturities ceased immediately after December 31, 2021, with the remaining USD LIBOR maturities ceasing immediately after June 30, 2023. In the U.S., the Alternative Rates Reference Committee (the "ARRC"), a group of market participants convened in 2014 to help ensure a successful transition away from USD LIBOR has identified the Secured Overnight Financing Rate ("SOFR") as its preferred alternative rate. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-backed repurchase transactions. As a general matter, the expected discontinuation of LIBOR may significantly impact financial markets; specifically, discontinuation may impact financial contracts to which the Master Fund is a party. Generally, the transition to SOFR may (i) cause the value of a Reference Rate to be uncertain or to be lower or more volatile than it would otherwise be; (ii) result in uncertainty as to the functioning, liquidity or value of certain financial contracts; (iii) involve actions of regulators or rate administrators that adversely affect certain markets or specific financial contracts; and (iv) impact the strategy, products, processes, legal positions and information systems of market participants, including the Master Fund and its counterparties. The impact of the discontinuation of LIBOR on financial markets generally may adversely affect the performance of the Master Fund.

**MiFID II.** The package of European Union market infrastructure reforms known as "MiFID II", in effect from January 3, 2018, is expected to have a significant impact on the European capital markets.

MiFID II increases regulation of trading platforms and firms providing investment services in the European Union. Among its many market infrastructure reforms, MiFID II has brought in: (i) significant changes to pre- and post-trade transparency obligations applicable to financial instruments admitted to trading on EU trading venues (including a new transparency regime for non-equity financial instruments); (ii) an obligation to execute transactions in shares and derivatives on an EU regulated trading venue; and (iii) a new focus on regulation of algorithmic and high frequency trading. These reforms may lead to a reduction in liquidity in certain financial instruments, as some of the sources of liquidity exit European markets and may result in significant increases in transaction costs.

## **Item 9: Disciplinary Information**

Dilation nor any of its officers, directors, members, partners or employees (the "Employees"), have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

### Item 10A.

No management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### Item 10B.

No management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

### Item 10C.

Dilation Partners GP, LLC (the “Manager”), a limited liability company organized under the laws of the state of Delaware, United States and an affiliate of the Investment Manager, serves as the manager to the Master Fund and has overall responsibility for the investment strategy of the Master Fund, subject to the policies and control of the Master Fund Board of Directors.

### Item 10D.

Dilation does not recommend or select other advisers for shareholders.

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

Pursuant to Rule 204A-1 of the Advisers Act, Dilation has adopted a written Code of Ethics predicated on the principal that the Investment Manager owes a fiduciary duty to the Fund and its Shareholders. The Code of Ethics is designed to address and avoid potential conflicts of interest and is applicable to all Employees. The Investment Manager requires its Employees to act in the Fund’s best interests, abide by all applicable regulations and avoid any action that is, or could even appear to be, legally or ethically improper.

Dilation’s Code of Ethics governs personal securities trading by its employees. Generally, Supervised Persons will not purchase or sell the following securities in a personal account. Any exception to this policy must be approved in advance by the CCO.

- Equity securities (i.e., common stock) and certain exchange traded funds (“ETFs”);
- Options on equity securities, certain ETFs, on currencies; and
- All forms of limited partnership and limited liability company interests, including investments in private investment funds (such as hedge funds), and interests in investment clubs.

The following securities will not be subject to the general prohibition stated above:

- Debt (including corporate, sovereign and municipal) and preferred securities;
- Shares of ETFs that contain ten (10) or more underlying investments (“broad-based ETFs”), including options on broad-based ETFs;
- Direct obligations of the U.S Government (i.e., Treasury securities);
- Bankers acceptances, certificates of deposit, commercial paper, and high quality short term debt obligations (defined as any instrument that has a maturity at issuance of less than 366 days and that is rated in one of the two highest rating categories by a Nationally Recognized Statistical Rating Organization), including repurchase agreements;
- Shares issued by money market funds;
- Shares of open-end mutual funds registered with the SEC;
- Interests in “529 College Savings Plans”;
- Shares issued by unit investment trusts that are invested exclusively in one or more open-end mutual funds; and

- Interests by pooled investment vehicles for which Dilation serves as the investment adviser.

Each employee is required to advise the CCO and receive approval prior to opening any new investment or trading account and must report their personal securities holdings and transactions to the CCO on at least a quarterly basis. Previously owned securities have been grandfathered in but may not be added to the original holding. Employees are required to obtain approval of the sale of previously owned securities. All personal security transactions will be subject to a 30-day holding period. Any exceptions to this must be approved in writing by the CCO.

A copy of Dilation's Code of Ethics will be made available upon request.

## **Item 12: Brokerage Practices**

The Master Fund currently outsources its trading functions to BTIG, LLC ("BTIG"). On a periodic basis (at least quarterly), the Investment Manager will review the trading activity conducted by BTIG on behalf of the Master Fund to ensure best execution, considering a variety of factors, which may include, without limitation, the following: price quotes; the size of the transaction; the nature of the market for the security; the timing of the transaction; the difficulty of execution; the broker/dealer's facilities, reliability, promptness and financial stability; the broker/dealer's reputation for diligence and integrity (including in correcting errors); confidentiality considerations; the quality and usefulness of research products and services and investment ideas presented by the broker/dealer, including access to company management and deal flow; and other factors. There is no obligation to solicit competitive bids or to seek the lowest available commission cost or spread. The use of commissions or "soft dollars" to pay for research and brokerage products or services will fall within the safe harbor created by Section 28e of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

BTIG, LLC (the "Prime Broker") serves as prime broker and custodian to the Master Fund and clear (generally on the basis of payment against delivery) the Master Fund's securities transactions which may be effected through their and other brokerage firms. The Prime Broker receives a reasonable and customary fee calculated in accordance with the applicable prime brokerage and services agreement. The Prime Broker is primarily regulated in the conduct of its brokerage business by the SEC and FINRA. The Master Fund is not committed to continue its prime brokerage or custodial relationship with the Prime Broker for any minimum period, and the Investment Manager, in consultation with the Master Fund Board of Directors and without providing notice to shareholders, may select other or additional brokers or custodians to act as prime broker(s) and custodian(s) to the Master Fund.

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

All investments are carefully reviewed and approved by the Investment Manager's investment team. Shareholders receive unaudited monthly performance reports of the Fund and an annual financial report of the Fund audited by the Fund's independent auditors. The Funds' investments are reviewed on a continuous basis and the investment personnel meet regularly to discuss investment ideas, economic developments, industry outlook and other issues related to current portfolio holdings and potential investment opportunities.

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

Dilation does not receive economic benefits from non-clients for providing investment advice and other advisory services.

Dilation does not currently compensate anyone for client referrals.

## **Item 15: Custody**

Pursuant to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), Dilation maintains custody of certain Client funds and securities because of the authority Dilation or its affiliates has over these assets. Dilation's general policy will be to ensure that Client funds and securities are maintained with qualified custodians.

Pursuant to the Custody Rule and applicable guidance, Dilation maintains compliance by ensuring that:

- The Dilation Funds will be audited on an annual basis by an independent accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules.
- It will distribute audited financial statements prepared in accordance with generally accepted accounting principles to all members, shareholders or other beneficial owners within 120 days of the end of its fiscal year of the Funds.

## **Item 16: Investment Discretion**

The board of directors of the Fund has ultimate responsibility for the management, operations and the investment decisions made on behalf of the Fund, but has delegated investment discretion over the Fund's assets to the Investment Manager pursuant to the terms of the Investment Management Agreement. For a further discussion of these and related items, see Item 4 (Advisory Business).

The Directors also serve as the members of the board of directors of the Master Fund (the "Master Fund Board of Directors").

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

In compliance with Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended, the Investment Manager has adopted proxy voting policies and procedures. In addition, the Investment Manager has engaged the services of Institutional Shareholder Services, Inc. ("ISS"), on behalf of the Fund and other clients, including other investment funds, managed accounts and proprietary accounts in which the Fund will not have an interest (including Other Accounts and Accounts), to monitor proxy proposals, amendments, consents or resolutions (collectively, "Proxies") pertaining to portfolio securities, provide research and recommendations for voting Proxies, cast such votes in accordance with the Investment Manager's policies and maintain records with respect to such votes. The general policy of the Investment Manager is to vote Proxies in accordance with ISS's recommendations, but the Investment Manager may decide not to vote in accordance with the ISS recommendations if it believes that the specific ISS recommendation is not in the best interests of the Accounts. Generally, shareholders in the Fund and Accounts may not direct the Investment Manager's vote in a particular Proxy solicitation. Conflicts of interest may arise between the interests of the Master Fund and/or Accounts on the one hand and the Investment Manager or its affiliates on the other hand. The Investment Manager addresses conflicts of interest principally by relying on the Proxy voting recommendations of ISS. However, the Investment Manager is not bound by those recommendations and may vote Proxies contrary to ISS's recommendations when the Investment Manager deems it to be in the best interests of the Accounts to do so. In any event, to the extent such a conflict exists, the Investment Manager will cause the Accounts to vote proxies in a manner it believes to be in the best interests of the Accounts and in accordance with its Proxy voting policies and procedures. Shareholders may obtain a copy of the Investment Manager's Proxy voting policies and its Proxy voting record upon request.

## **Item 18: Financial Information**

Dilation (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients or (iii) has not been subject to any bankruptcy proceeding during the past 10 years.