



# XN LP

## Part 2A of Form ADV

### The Brochure

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This brochure (the “Brochure”) provides information about the qualifications and business practices of XN LP (“XN,” “we,” “us,” and similar terms). If you have any questions about the contents of this Brochure, please contact us at [IR@xnlp.com](mailto:IR@xnlp.com) or at 646-849-0500.

XN 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.

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

## Item 2: Material Changes

This Brochure, dated March 2024, serves as an update to XN’s last annual brochure amendment dated March 2023. While this update to our Brochure contains changes and updates to certain information, including clarifying amendments to Items 5 and 8 herein, we do not believe that they constitute material changes to the Brochure filed in conjunction with our last annual updating amendment. Item 4: Advisory Business was updated to reflect XN’s current regulatory assets under management.

We encourage all recipients of this Brochure to read it carefully in its entirety. In the future, we will identify and discuss the material changes, if any, that have occurred since this update.

## Item 3: Table of Contents

Item 2: Material Changes .....	2
Item 3: Table of Contents .....	2
Item 4: Advisory Business.....	2
Item 5: Fees and Compensation .....	4
Item 6: Performance Based Fees and Side-by-Side Management.....	9
Item 7: Types of Clients .....	9
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9: Disciplinary Information .....	33
Item 10: Other Financial Industry Activities and Affiliations.....	33
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...	34
Item 12: Brokerage Practices.....	39
Item 13: Review of Accounts .....	42
Item 14: Client Referrals and Other Compensation .....	42
Item 15: Custody .....	43
Item 16: Investment Discretion .....	43
Item 17: Voting Client Securities .....	43
Item 18: Financial Information.....	44

## Item 4: Advisory Business

### *Our Firm*

XN LP is a Delaware limited partnership and an investment adviser with its principal place of business in New York, NY. XN LP commenced operations as an investment adviser in March 2020. XN LP was founded in May 2018 and is primarily owned, directly or indirectly, by Gaurav Kapadia (the “Principal”).

XN’s registration on Form ADV also covers XN Exponent GP LLC (the “Main Fund General Partner”) and XN Exponent Opportunities GP LLC (the “Opportunities Fund General Partner” and together, the “Fund General Partners”), which are both limited liability companies organized under the laws of the state of Delaware. The Main Fund General Partner is an affiliate of XN and serves or may serve as the general partner of Clients that are part of the Exponent Fund and the Vector Fund. The Opportunities Fund General Partner is an affiliate of XN and serves or may serve as the general partner of Clients that are other U.S. or offshore partnerships. The Fund General Partners’ facilities and personnel are provided by XN.

As of December 31, 2023, XN manages, on a discretionary basis, approximately \$3,286,720,636 of client regulatory assets under management.

#### *Advisory Services*

XN provides investment advisory services on a discretionary basis to its clients, which consist of private funds that are pooled investment vehicles which are offered to sophisticated investors and other large investors such as institutions and corporations (individually, the “Fund” or “Client,” and, collectively, the “Funds” or “Clients”).

XN currently serves as the investment adviser, with discretionary trading authority, to the following pooled investment vehicles:

- XN Exponent Onshore Fund LP, a Delaware limited partnership (the “Exponent Onshore Fund”);
- XN Exponent Offshore Fund LP, a Cayman Islands exempted limited partnership (the “Exponent Offshore Fund,” collectively with the Exponent Onshore Fund, the “Exponent Feeder Funds”);
- XN Exponent Master Fund LP, a Cayman Islands exempted limited partnership (the “Exponent Primary Master Fund”), which serves as the primary vehicle through which the Exponent Feeder Funds participate in investments;
- XN Exponent SPV LP, a Delaware limited partnership (the “Exponent ECI Master Fund” and, collectively with the Exponent Primary Master Fund and the Exponent Feeder Funds, the “Exponent Fund”), which serves as a vehicle through which the Exponent Feeder Funds participate in investments in certain circumstances;
- XN Vector Onshore Fund LP, a Delaware limited partnership (the “Vector Onshore Fund”);
- XN Vector Offshore Fund LP, a Cayman Islands exempted limited partnership (the “Vector Offshore Fund,” collectively with the Vector Onshore Fund, the “Vector Feeder Funds”); and
- XN Vector Master Fund LP, a Cayman Islands exempted limited partnership (the “Vector Master Fund” and, collectively with the Vector Feeder Funds, the “Vector Fund”), which serves as the primary vehicle through which the Vector Feeder Funds participate in investments.

The Exponent Fund and the Vector Fund generally invest in the same investment program, except that the Vector Fund does not generally engage in short investments for non-hedging purposes.

XN also currently serves as the investment manager with respect to the following co-investment funds and advisory Clients (collectively, the “Co-Investment Funds”):

- XNVI LLC, a Delaware limited liability company (“XNVI”);
- XN Opportunities I LP, a Delaware limited partnership (“XN Opportunities I”);
- XN Opportunities II LP, a Delaware limited partnership (“XN Opportunities II”);
- XN Opportunities III LP, a Delaware limited partnership (“XN Opportunities III”);
- XN Opportunities IV LP, a Delaware limited partnership (“XN Opportunities IV”); and

- XN Opportunities V LP, a Delaware limited partnership (“XN Opportunities V,” and, collectively with XN Opportunities I, XN Opportunities II, XN Opportunities III, and XN Opportunities IV, “XN Opportunities”).

XNVI and the XN Opportunities co-invest alongside the Exponent Fund and the Vector Fund in separate portfolio companies of the Exponent Fund and the Vector Fund.

XN may enter into additional co-investment arrangements with third parties (including, but not limited to, certain investors in the Funds). XN does not currently maintain any co-investment arrangements or advise any managed accounts or investment vehicles (such as a fund-of-one) other than as described herein but may do so in the future.

Investment advice is provided directly to the Funds and not individually to the Funds’ investors. The investment advisory services provided to each Fund are based on the investment objectives and restrictions as set out in a Fund’s Governing Documents (as defined below). Please see Item 8 for a description of the investment strategies employed by XN and their related risks.

XN provides investment advice to its Clients in accordance with the terms of each Client’s confidential offering or private placement memoranda, individual limited partnership or shareholder agreements (including side letters) and other governing documents applicable to each Client (“Governing Documents”).

The Principal (together with members of his family) invests a significant amount in the Exponent Fund and the Vector Fund, which investments have been made, directly or indirectly, through the Main Fund General Partner or certain trusts, organizations or other entities that have been formed for his (or their) benefit, or through certain charitable foundations, organizations or trusts that have been established or that are directed by him (or them) (including donor-advised funds or other estate planning vehicles).

Shares or limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940. Accordingly, interests or shares in the Funds are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements, either in private transactions within the United States or in offshore transactions.

XN does not currently participate in any wrap fee programs.

## **Item 5: Fees and Compensation**

### *General*

XN provides investment advisory services to each Client pursuant to each Client’s Governing Documents which set forth in detail the fee structure relevant for such Client. A summary of such fees is provided below. The applicable fee structure and expenses may vary among each Fund or series, sub-series and tranches of interests within a Fund. Investors and prospective investors are advised to review a relevant Fund’s Governing Documents for a more comprehensive discussion of the applicable fees and expenses.

### *Management Fee*

XN is entitled to receive a management fee from the Exponent Fund and the Vector Fund for its services (the “Management Fee”) thereto, quarterly in advance, generally (unless otherwise specified for certain series, sub-series and tranches of interests in the applicable Client’s Governing Documents) equal to one-fourth of the product of 1.50% and the balance of each capital account of each investor therein as of the first calendar day of each quarter, without taking into account the estimated “accrued” Incentive Allocation (as defined below), if any and the balance of each capital account of each investor is decreased by a corresponding amount.

For purposes of calculating the Management Fee, the Exponent Fund’s and the Vector Fund’s assets and liabilities are valued in accordance with XN’s valuation policies and procedures, as the same may be amended from time to time; provided, that certain investments of the Exponent Fund and the Vector Fund designated by XN as “special investments” or “pe investments” are valued at the lower of cost basis or fair value in accordance with XN’s valuation policies and procedures, as described in the applicable Governing Documents.

At the sole discretion of XN, the Management Fee may be waived, reduced or calculated differently with respect to the capital account(s) of any investor. The Main Fund General Partner’s capital account(s) are not debited with any Management Fee. Interests in the Exponent Fund and the Vector Fund issued to the Principal or other XN-related investors, including any other member, partner, advisor, officer or employee of the Main Fund General Partner, XN or an affiliate thereof, any member of the immediate family of such a person, and any trust or other entity for the benefit of such a person, or any charitable foundation, organization or trust established or directed by such a person (including donor-advised funds or other estate planning vehicles), and any “c-suite” level executive officer of a current, prospective or past portfolio company of the Fund, that invests directly or indirectly in the Exponent Fund and the Vector Fund (collectively, the “XN-Related Investors”) are also not subject to a Management Fee.

### *Incentive Allocation*

Generally, at the end of each fiscal year, XN is entitled to earn an incentive allocation (the “Incentive Allocation”) from the Exponent Fund and the Vector Fund determined separately with respect to each capital account established for an investor therein (a separate capital account will be established in respect of such capital contribution by an investor). The Exponent Fund and the Vector Fund offer several series, sub-series and tranches of interests into which prospective investors may invest, as further described in the applicable Governing Documents. The Incentive Allocation amounts charged to investors in the Exponent Fund and the Vector Fund are determined by the terms specific to the series, sub-series and tranche of interests in which each such investor invests but generally range from 17.5%-20% of profits in certain series, sub-series and tranches of interests with no hurdle rate and may be higher in certain series, sub-series and tranches of interests that include a hurdle rate and may be lower in certain series, sub-series and tranches of interests that have a multi-year crystallization period. Therefore, the specific Incentive Allocation amounts charged to investors are determined by the specific series and tranches of interests selected by the investor and the investments of the Exponent Fund and the Vector Fund in which the capital account of the specific investor participates (which, for the avoidance of doubt, differs among capital accounts as a result of variables including, without limitation, the timing of the specific investor’s

contribution to that capital account and the percentage of such contribution that is available from time to time for investments designated by XN as “special investments”).

For example, for certain series and tranches of interests of the Exponent Fund and the Vector Fund, the Incentive Allocation allocated in respect of the specific investor’s capital account is an amount equal to the result of (i) the applicable Incentive Allocation rate multiplied by (ii) the amount of the net capital appreciation allocated to such capital account for such fiscal year, reduced by the Management Fee debited to such capital account for such fiscal year, taking into account any gains or losses from investments designated by the Investment Adviser to be “special investments” that have been realized or deemed realized and “special investment income,” but reduced to the extent of any balance in such capital account’s “loss recovery account.” Certain other series and tranches of interests of the Exponent Fund and the Vector Fund are subject to a “progressive incentive allocation,” pursuant to which the Incentive Allocation rate in respect of such interests increases based on the rate of return of the capital accounts established in respect of such interests for such fiscal year. The Exponent Fund and the Vector Fund also offer series and tranches of interests that are subject to a cumulative hurdle that cumulative net capital appreciation must exceed prior to any Incentive Allocation being allocated to XN. The Exponent Fund and the Vector Fund also offer series and tranches of interests that are subject to an annual hurdle that net capital appreciation must exceed on an annual basis prior to any Incentive Allocation being allocated to XN. Additional details regarding the Incentive Allocation paid by all series and tranches of interests in the Exponent Fund and the Vector Fund are contained in the Exponent Fund’s and the Vector Fund’s Governing Documents, as applicable.

In the sole discretion of XN, the Incentive Allocation may be waived, reduced or calculated differently with respect to the capital account(s) of any investor. Interests issued to the Principal or any other XN-related Investors are not subject to the Incentive Allocation.

#### *Co-Investment Vehicles*

All fees for co-investment vehicles are subject to negotiation and established pursuant to each co-investment vehicle’s governing documents. Certain Clients, including each of the Co-Investment Funds, are subject to different management fee and incentive allocation arrangements as set forth in each such Client’s governing documents.

#### *Expenses*

In addition to any Management Fee and Incentive Allocation, Funds also bear their own expenses as more fully described in each Fund’s Governing Documents. These expenses may include, but are not limited to, some or all of the following: (i) due diligence, financing (including all amounts borrowed pursuant to a subscription facility), monitoring and disposition of actual and prospective investments, whether or not such investment is consummated, including, without limitation, the following: third-party investment sourcing fees, including, without limitation, fees to introducers, intermediaries and brokers (in each case including, without limitation, performance-based fees); fees and expenses related to obtaining research and market data (including, without limitation, any information technology hardware, software or other technology incorporated into the cost of obtaining such research and market data, and including fees and expenses related to obtaining, processing and analyzing research or market data that may be considered “big data” or “alternative data,” including fees and expenses related to performing due diligence (including ongoing due

diligence) on potential providers of any of such research or market data services (including, without limitation, “big data” or “alternative data” services)), news and quotation equipment and services and any fees to third-party providers of research and/or portfolio risk management services; due diligence expenses including, without limitation, consulting and appraisal fees; travel expenses (including air travel, hotels and meals); brokerage, prime brokerage and futures commission merchant fees, commissions and expenses; expenses relating to block trades; expenses relating to short sales; clearing and settlement charges (including reconciliation services); custodial fees and expenses; bank service fees; interest expenses and fees related to financings or refinancings; financing costs related to a subscription facility or any alternative financing sources; fees and expenses of proxy research and voting and class action-related services; fees and expenses of third-party professionals, including, without limitation, consultants, investment bankers, attorneys, valuation service providers and accountants; and other professional fees; (ii) organizational expenses; (iii) the Fund’s direct or indirect pro rata share of any compensation payable in connection with the management of any investment designated by XN as a “special investment” by an unaffiliated third party or management team, which may include both asset-based fees and performance-based fees or allocations; (iv) fees and expenses relating to information technology hardware, software or other technology (including, without limitation, costs of software licensing, implementation, data management and recovery services and custom development) used to research investments, evaluate and manage risk, facilitate valuations and/or facilitate compliance with the rules of any self-regulatory organization or applicable law (including, without limitation, reporting obligations), facilitate and manage the order execution of investments or otherwise manage the Fund or any trading subsidiary or special purpose vehicle; (v) fees and expenses of third-party professionals, including, without limitation, consultants, valuation service providers, attorneys, accountants and third-party administrative fees (including of any “shadow” administrator) and expenses; (vi) the costs of any litigation or investigation involving activities of the Fund or any trading subsidiary or special purpose vehicle; (vii) preparation costs of financial statements, tax returns (including estimated and final Schedules K-1) and of financial, tax and other reports to investors and expenses relating to taxes; (viii) insurance expenses, including, without limitation, premiums for cybersecurity insurance and liability insurance covering the Fund’s general partner and certain of its affiliates and the members, partners, officers, employees and agents of any of them, and any review agent appointed by the Fund; (ix) fees and expenses (including, without limitation, director registration fees) relating to such review agent or any trading subsidiary’s or special purpose vehicle’s directors; (x) costs of preparing and distributing reports and notices (including, without limitation, all costs incurred to audit such reports, provide access to a database or other internet forum and any other operational, legal, secretarial or postage expenses associated with distribution of the same); (xi) expenses incurred in connection with negotiating and complying with provisions of any side letter and expenses incurred in connection with any transfers of interests or an investor’s admission or withdrawal, unless otherwise charged to or borne by the applicable transferee or such investor; (xii) fees and expenses related to compliance with the rules of any self-regulatory organization or applicable law in connection with the activities of the Fund or any trading subsidiary or special purpose vehicle, including, without limitation, any governmental, regulatory, licensing, filing or registration fees or taxes (including, without limitation, fees and expenses incurred in connection with the preparation and filing of Form PF, Section 13 filings, Section 16 filings and other similar regulatory filings); (xiii) expenses incurred in connection with the offering and sale of the interests and other similar expenses related to the Fund (excluding fees payable to any placement agent not engaged pursuant to local legal or regulatory requirements in connection

with the offering of Interests outside the United States); (xiv) expenses incurred in connection with any amendments, modifications, revisions or restatements to the constituent documents of the Funds or any trading subsidiary or special purpose vehicle (other than any such amendments, modifications, revisions or restatements solely to benefit the Fund's general partner, XN, in its capacity as investment manager, and their respective partners or members); (xv) expenses incurred in connection with meetings with investors and prospective investors in the Fund; (xvi) extraordinary expenses, including, without limitation, indemnification expenses, fees and expenses incurred by the "partnership representative" in representing the Fund (or incurred in connection with any tax audit, examination or review by any tax authority), including, without limitation, any related administrative settlement and judicial review, and any and all taxes, other than those specifically allocated to a particular investor under the Governing Documents; (xvii) fees and expenses incurred in connection with the reorganization and/or recapitalization, dissolution, winding-up or termination of the Fund or any trading subsidiary or special purpose vehicle; and (xviii) other similar expenses related to the Fund.

For the avoidance of doubt, "similar expenses" refers to any expenses that are similar in type and nature to the expenses described in the previous paragraph, and is intended, given the dynamic ongoing nature of the business of each Fund, to cover any expenses determined by each Fund's general partner, in its sole discretion, to be primarily related to the categories listed above but not specifically enumerated. Accordingly, any description in this Brochure of the expenses that the Fund may bear (directly or indirectly) is not exhaustive.

XN allocates expenses among the Funds and XN in a manner that is fair and equitable, as determined by XN in its sole discretion, subject to each Fund's relevant Governing Document.

Certain types of costs that constitute operating expenses, organizational expenses, or other types of fees, expenses or costs that are borne directly or indirectly by the Funds can overlap with or include costs associated with regulatory compliance obligations of XN. For example, the Governing Documents of the Funds typically require the preparation and distribution of audited annual financial statements, the cost of which is borne by the Funds as an operating expense, even though this contractual requirement also serves as a means for XN to comply with requirements that are applicable to XN under SEC rules relating to the custody of client assets. Similarly, the Funds can be expected to bear organizational expenses that include costs incurred by XN to comply with regulatory standards relating to, among other things, "advertisements" and other communications with prospective investors under SEC rules. These and other direct or indirect operating expenses, organizational expenses, and other types of fees, expenses and costs generally will be allocated to the Funds to the extent permitted by the relevant organizational documents, even though the underlying requirement or activity associated with such fees, expenses or costs may relate, in whole or in part, to requirements that, from a legal or regulatory perspective, are applicable to XN, rather than to the Funds or a portfolio company.

#### *Ancillary Fees Earned by XN*

From time to time, the Principal and personnel of XN may serve as directors or advisory board members of certain portfolio companies or other entities. In connection with such services, such persons may earn fees and other income from services provided or related to portfolio investments or in connection with portfolio investments or prospective portfolio investments, such as, without



limitation, advisory fees, due diligence fees, structuring fees, servicing fees, directors' fees, break-up fees or any similar fees or other similar compensation attributable to such personnel's services ("Ancillary Fees"). XN will keep any such fees, profits, commissions, fees or other income or similar compensation earned by such personnel in connection with the provision of such services. However, generally, the management fee borne by the investors participating in the investment to which any such Ancillary Fees relate will, in aggregate, be reduced (upon their reduction to cash, if applicable) by an amount equal to the portion of such Ancillary Fees attributable to the applicable Client in accordance with the applicable Client's Governing Documents (the Client's portion of such fees will generally equal the Client's share relative to the other Clients' share in such investment and an investor's portion will generally be such investor's share in the applicable Client's portion relative to the other partners' share). Other types of fees paid to, or income earned by, XN or its personnel resulting from services provided (or related) to portfolio investments, but that do not meet the definition of Ancillary Fees, also will be offset against and will reduce the management fee unless the Review Agent (as defined below) is consulted and determines that waiving the offset obligation is in the interests of the Fund. No amount of an Ancillary Fee that is in excess of the management fee will be refunded to the applicable Client or such Client's investors in the event of dissolution of such Client.

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

XN accepts performance-based compensation from certain, but not all, Clients in the form of an Incentive Allocation.

As described above, the percentage amounts upon which such Incentive Allocation is calculated, the timing of the calculation of such Incentive Allocation, the inclusion of unrealized gains in such calculation and other terms differ among Clients. As a result, XN may have an incentive to allocate investment opportunities to Clients from whom the greatest Incentive Allocation may be earned. Additionally, the fact that a significant portion of XN's compensation is directly computed on the basis of profits generated by the sale or disposition of Client assets may create an incentive for XN to make investments on behalf of Clients that are riskier or more speculative than would be the case in the absence of such compensation. XN has designed policies and procedures related to the management of Clients and adherence to investment guidelines, as outlined in the Governing Documents, in order to mitigate such risks.

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

XN provides investment management services to Clients as described above and not to investors thereof. Also as noted, XN may in the future provide investment management services to additional managed accounts and public or private vehicles.

Each Client's Governing Documents set forth the eligibility requirements and minimum subscription amounts applicable to such Client, which may vary by series, sub-series and/or tranche. The minimum subscription amount may be, and often is, waived by XN for certain investors in XN's sole discretion, including, without limitation, for subscriptions by members, shareholders, partners, officers, employees and affiliates of XN, members of the immediate families of such persons and trusts or other entities established by them or for their benefit. Each investor in an XN Client generally must be (i) an "accredited investor," as defined in Regulation D under the Securities Act, and (ii) either a "qualified purchaser," as defined in the U.S. Investment Company Act of 1940,

as amended (the “Company Act”), or a “knowledgeable employee,” as defined under Rule 3c-5 of the Company Act, and must meet other suitability requirements.

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

### Methods of Analysis and Investment Strategies

XN implements a global investment strategy, with flexibility to invest across public and private markets in securities, instruments and other assets that are perceived to offer the highest risk-adjusted returns. XN focuses its research primarily on areas where it has deep domain expertise. XN does not generally pursue investments in the following sectors: balance sheet heavy financials, healthcare, energy, and materials. Geographically, XN’s investments generally are in North America and Western Europe. There are no sector or geographic limitations on XN’s investments, however, and XN may invest in such sectors and geographic areas as it finds attractive over time. The strategy may also invest in equity and credit derivatives, convertibles, other fixed income instruments, credit facilities and other financial instruments permitted under the governing documents, including digital assets. The strategy may also use foreign exchange or other instruments for hedging and other purposes.

XN’s investment decisions reflect XN’s core principles: concentration, deep research, and flexibility. Accordingly, XN seeks to run a concentrated, long-biased portfolio of investments that can compound at exceptional rates and use the duration of its capital as a key advantage. This applies equally to public and private investments.

### Public Investments

XN’s Clients’ public investments long portfolios generally consist of 10-15 core positions and, from time to time, depending on the investment mandate a somewhat greater number of short positions, in each case, that XN believes meet certain criteria. In public equities, XN’s belief is that the best investments typically emerge from temporary dislocations where XN can see through the short-term fog to find special businesses at compelling risk-adjusted valuations. XN seeks to invest during these periods of uncertainty and to monetize its insights through differentiated research, discipline and patience and relies on these qualities to find businesses whose quality, growth, and earnings are materially underappreciated and offer asymmetric return profiles. XN leverages its knowledge and experience from investing in private companies and investments to build its knowledge and insight of public companies.

### Private Investments

Private investing is a core component of XN’s strategy. XN believes that compelling opportunities exist across stages of development and liquidity thresholds and that maintaining the flexibility to invest in private companies allows XN to leverage its core research and relational advantages. XN seeks concentration both in private investments as well as in public investments. Similar to XN’s approach to public investments, XN remains opportunistic, disciplined, and differentiated in its approach to private investments. XN’s private investing is directly integrated into the strategy’s public investment process and leverages and reinforce its public investment research and positions.

### Portfolio Construction

As stated above, XN’s Clients’ public investments long portfolios generally consist of 10-15 core long positions and, from time to time, depending on the investment mandate a somewhat greater

number of short positions. XN remains flexible with respect to optimal portfolio construction and, as such, its Clients' portfolio may not always conform to these parameters. With the exception of certain series interests, XN has the discretion, under each Client's governing documents, to pursue private investments or otherwise determine to designate any investment made by the Client as a "special investment" at the time the Client makes such an investment if XN believes the investment should be held for an indeterminable period of time or should be held as a special investment as a matter of fairness to prevent dilution or for other reasons deemed appropriate by XN.

#### Risk of Investment

Despite the methods of analysis discussed in this Brochure, it is possible that a Fund will incur significant (or a complete) loss of its invested capital. The risks involved with XN's investment strategy include, but are not limited to, those discussed below. In general, investing in securities involves a risk of loss that investors should be prepared to bear. Investing with XN involves significant risk and is suitable only for those investors who can bear the risk of loss. Investors should carefully consider the risks involved in an investment in Clients, including, without limitation those discussed below. Additional or new risks not addressed below may affect Clients. Investors should consult their own legal, tax and financial advisers about the risks of an investment in the Funds.

Investors should consult the offering memorandum or Governing Document for the relevant Client for more details on the specific risks associated with an investment in such Client.

#### *Risk of Loss*

No guarantee or representation is made that a Client's investment program, including such Client's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. Additionally, no assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of investments made by the investment professionals of XN are not necessarily indicative of future performance.

#### *Limited Liquidity*

Any investment in a Fund will have limited liquidity because investors generally have only limited rights to withdraw capital from the Fund and require XN's consent to transfer their interests (which, generally, should not be expected to be granted), and because XN has the right to suspend withdrawals in certain circumstances, as further described in the applicable Governing Documents. In particular, no withdrawal may be made by an investor of any amounts invested in investments designated by XN as "special investments," unless otherwise determined by the General Partner. Investors in any Fund must be prepared to bear the financial risks of their investment therein for an indefinite period of time.

#### *Separate Series*

Some Clients currently offer multiple, and XN expects may in the future offer additional, series, sub-series, tranches or classes of interests. Generally, the existence of separate series, sub-series, tranches or classes of interests that differ in respect of certain key terms means that actions taken by XN for affected Clients can be expected to affect certain investors differently or

disproportionately, which could give rise to or exacerbate certain actual or potential conflicts of interest.

#### *Flexible Investment Approach*

XN has broad and unfettered investment authority, and may trade in any type of security, issuer or group of related issuers, country, region and sector that it believes will help a Fund achieve its investment objectives. Additionally, the strategies that XN may pursue for its Clients are not limited to the strategies described herein; furthermore, such strategies may change and evolve materially over time. XN has broad latitude with respect to the management of Client risk parameters. XN is subject neither to formal diversification policies limiting the portfolio investments of its Clients nor to formal leverage policies limiting the leverage to be used by XN on behalf of its Clients. XN opportunistically implements whatever strategies, risk management techniques and discretionary approaches, as well as such other investment tactics, it believes from time to time may be suited to prevailing market conditions, and may reallocate Client assets among strategies at any time and without notice to the investors. There can be no assurance that XN will be successful in applying its approach and there is material risk that an investor may suffer significant impairment or total loss of its capital.

#### *Long/Short*

The success of the long/short investment strategy that XN pursues for its Clients depends upon XN's ability to identify and purchase financial instruments that are undervalued and identify and sell short financial instruments that are overvalued. The identification of investment opportunities in the implementation of the long/short investment strategies that XN pursues on behalf of its Clients 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 XN's Clients' positions were to fail to converge toward, or were to diverge further from values expected by XN, Clients may incur a loss. In the event of market disruptions, significant losses can be incurred which may force XN to close out one or more Client positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with XN's long/short strategies may become outdated and inaccurate as market conditions change.

#### *Short Selling*

The success of the short selling investment strategy that XN pursues for its Clients depends upon XN's ability to identify and sell short financial instruments that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying financial instrument could theoretically increase without limit, thus increasing the cost to the Fund of buying those financial instruments to cover the short position. There can be no assurance that Clients will be able to maintain the ability to borrow financial instruments sold short. In such cases, Clients can be "bought in" (i.e., forced to repurchase financial instruments in the open market to return to the lender). There also can be no assurance that the financial instruments necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing financial instruments to close out a short position can itself cause the price of the financial instruments to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and

Clients may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though XN causes its Clients to secure a “good borrow” of the financial instrument sold short at the time of execution, the lending institution may recall the lent financial instrument at any time, thereby forcing Clients to purchase the financial instrument at the then-prevailing market price, which may be higher than the price at which XN originally caused Clients to sell such financial instrument short.

#### *Short-Term Market Considerations*

XN’s trading decisions may, from time to time or in certain cases, be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading related expenses.

#### *Diversification and Concentration*

XN causes its Clients to invest across a broad array of sectors and strategies. Furthermore, XN causes its Clients to invest across a broad array of geographic regions: generally, in North America and Western Europe, and opportunistically in other areas. Nonetheless, XN may select investments that are concentrated in a limited number or types of financial instruments. Similarly, XN’s Clients’ do not have concentration limits and certain Clients’ portfolios may become significantly concentrated in financial instruments 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 Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such financial instruments.

#### *Lack of Control*

XN causes Clients to invest in equity securities and debt instruments of companies that it does not control, which Clients will acquire through market transactions or through purchases of financial instruments directly from the issuer or other shareholders. Such financial instruments are subject to the risk that the issuer may make business, financial or management decisions with which XN 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 interests of XN’s Clients. In addition, XN may cause Clients to share control over certain investments with co-investors, which may make it more difficult for XN to implement its investment approach or exit the investment when it otherwise would. The occurrence of any of the foregoing could have a material adverse effect on XN’s Clients and the investors’ investments therein. Notwithstanding the foregoing, XN may engage with the management of companies in which it invests with a view to sharing ideas regarding the business and affairs of such companies.

#### *Hedging Transactions*

Notwithstanding that XN generally does not utilize short-selling as a strategy for hedging transactions, XN could cause Clients to utilize financial instruments for risk management purposes in order to: (i) protect against possible changes in the market value of its Clients’ investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect its Clients’ unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any

financial instruments; (iv) enhance or preserve returns, spreads or gains on any financial instrument in Client portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any Clients' financial instruments; (vii) protect against any increase in the price of any financial instruments XN anticipates causing Clients to purchase at a later date; or (viii) act for any other reason that XN deems advisable. XN is not required to hedge any particular risk in connection with a particular transaction or its portfolio generally. Moreover, XN may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While XN may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for XN's Clients than if they had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

#### *Fundamental Analysis*

Certain trading decisions made by XN are based on 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 trading strategies that XN pursues on behalf of its Clients, XN may not be able to realize its Clients' investment goals. In addition, fundamental market information is subject to interpretation. To the extent that XN misinterprets the meaning of certain data, Clients may incur losses.

#### *Alternative Data*

XN uses alternative data in its investment process. Alternative data may consist of datasets that have been culled from a variety of sources, such as internet usage, payment records, financial transactions, weather and other physical phenomena sensors, applications and devices (such as smartphones) that generate location and mobility data, data gathered by satellites, and government and other public records databases (this data is sometimes referred to as "big data" or "alternative data"). XN applies 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—in whole or in part—by Clients. No assurance can be given that XN will be successful in utilizing alternative data in its investment process.

Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data in this manner, and its use or misuse under current or future laws and regulations could create liability for XN and its Clients in numerous jurisdictions. XN cannot predict what, if any, regulatory or other actions may be asserted with regard to alternative data, but any adverse inquiries or formal actions could cause reputational, financial, or other harm to XN or to its Clients. Conversely, any future limitations on the use of alternative data could have a material adverse impact on the performance of XN's Clients.

#### *Artificial Intelligence*

Recent technological advances in artificial intelligence and machine learning technology including recent releases of so-called "large language models" and "generative AI" by a number of large and well-financed competing technology companies (collectively, "AI Technology"), pose risks to XN and

its Clients and Client investments. XN may utilize AI Technology in connection with its business activities. When relying on AI Technology there are certain risks involved, including data quality, copyright and trade secret violations, confidentiality breaches, unauthorized access or malware risks, insider trading, breach of contract, cybersecurity, and privacy law violations. XN continues to evaluate and adjust internal policies governing use of AI Technology by its personnel. Notwithstanding any such policies, XN personnel could, unbeknownst to XN, utilize AI Technology in contravention of such policies.

#### *Uncertainty of Financial Projections*

XN may use financial projections to help analyze a potential investment or future capital raises by, and financing for, portfolio companies or other transactions. Projected operating results are often based on management judgments, with adjustments to such projections made by XN in its discretion. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. General economic conditions, which are not predictable, can have a material adverse effect on the reliability of such financial projections.

#### *Investment and Due Diligence Process; Rapid Execution*

Due diligence generally entails evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. Before making investments, XN will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment, including the timeframe in which a particular investment needs to be made and the information available to XN (both of which, at times, may be limited). When conducting due diligence and making an assessment regarding an investment, XN will rely on the resources reasonably available to it. However, whether or not known to XN at the time, such resources may not be sufficient, accurate, complete or reliable and due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

At times, the investment opportunities pursued by XN on behalf of its Clients will require rapid execution, and investment analyses and due diligence, negotiations and decisions by XN may be required to be undertaken on an expedited basis. From time to time, in such cases, the information available to XN at the time of an investment decision may be limited, and XN may not have access to detailed information regarding the investment opportunity or an opportunity to diligence and/or confirm information regarding the opportunity. Therefore, no assurance can be given that XN will have knowledge of circumstances that may adversely affect an investment or be in a position to negotiate terms that appropriately address such risks.

#### *Trade Errors*

Given the potentially large volume of transactions executed by XN on behalf of its Clients, investors should assume that Trade Errors will occur and that, to the extent permitted by applicable law, XN's Clients will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of XN's personnel.

#### *Counterparty Risk*

XN will establish relationships for its Clients to obtain financing, derivative intermediation and prime brokerage services that permit its Clients to trade in a variety of markets or asset series and

tranches over time. However, there can be no assurance that XN will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit XN's Clients' trading activities, create losses, preclude XN's Clients from engaging in certain transactions or prevent XN's Clients from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on XN's and XN's Clients' business due to their respective reliance on such counterparties.

#### *Competition; Availability of Investments*

Certain markets in which XN causes its Clients to invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that XN will be able to identify or successfully pursue attractive investment opportunities in such environments. Subject to XN's policies and procedures, the personnel of XN may discuss with other market participants (including other investment managers) information regarding existing and potential investments (including information that would otherwise be maintained confidentially). While these interactions are intended to benefit XN's Clients, there is a risk that the sharing of such ideas could result in increased competition for potential investments, and result in XN not being able to make certain investments for its Clients in the amounts or at the prices that would have been obtainable had the personnel not shared such information.

#### *Volatility Risk*

The investment program that XN pursues on behalf of its Clients involves the purchase and sale of relatively volatile financial instruments and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such financial instruments and/or markets can adversely affect the value of financial instruments held by XN's Clients.

#### *Exposure to Material Non-Public Information*

From time to time, XN may, in the course of its activities with respect to pursuing the investment program of its Clients, or otherwise in the course of its activities with respect to its Clients, receive material non-public information with respect to an issuer of publicly-traded securities or may receive information that may be determined, in accordance with XN's compliance policies, to restrict XN's Clients in their ability to trade in certain financial instruments. In addition, during the course of the research process, XN may share and receive information from other market participants, which could increase the likelihood that XN will receive material non-public information and be required to restrict trading in an issuer's securities. In such circumstances, XN may restrict a Client, or XN (acting on behalf of its Clients) 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. If these restrictions or prohibitions apply to financial instruments in which XN is considering causing a Client to make an investment, such restrictions or limitations could prevent XN from accessing a profitable investment opportunity for its Clients. If such restrictions or limitations apply to financial instruments in which a Client has an existing investment, then such restrictions or limitations could give rise to substantial investment losses, which losses, in the case of a financial instrument in which a Client has a short position, are theoretically unlimited.



### *General Economic and Market Conditions*

The success of XN's investment activities on behalf of its Clients is 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 Clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations), among other factors. These factors may affect the level and volatility of the prices and the liquidity of the Fund's investments. Volatility or illiquidity could impair the profitability of Clients or result in losses. XN causes its Clients to maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.

The future of global free trade is uncertain. The U.S. government and/or its trading partners may alter their approaches to trade policy and in some cases renegotiate, or potentially terminate, certain existing bilateral or multilateral trade agreements and treaties. In addition, the U.S. government has imposed tariffs on certain foreign goods, some foreign governments have instituted tariffs on certain U.S. goods and the United States and other governments may in the future impose tariffs on other products. Global trade disruption, significant introductions of trade barriers and bilateral trade frictions could adversely affect the global economy and/or the Fund's investee companies, which in turn may adversely affect the Fund and/or its ability to operate and/or pursue its investment strategy.

The economies of non-U.S. countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross domestic product, rate of inflation, currency depreciation, asset reinvestment, resource self-sufficiency and balance of payments position. Further, certain non-U.S. economies are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. The economies of certain non-U.S. countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

### *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 clearinghouses, banks, securities firms and exchanges with which XN's Clients interact, as well as XN's Clients, are all subject to systemic risk. A systemic failure could have material adverse consequences on XN's Clients and on the markets for the financial instruments in which XN's Clients seek to invest.

### *Banking Risk*

Clients use banks to custody investor funds and, in some cases, securities. Available cash and cash equivalents are typically held in interest-bearing accounts managed by third-party financial institutions. Portfolio companies of the XN Clients use banks for cash management, financing, and other services. Clients and portfolio companies may be significantly exposed to individual banks if, for example, the Clients or portfolio company have custody relationships with a single bank or if a particular bank holds accounts for a number of portfolio companies. Clients' access to their invested

cash and cash equivalents may be impacted by adverse conditions in the financial markets, and the Funds are subject to the risk that they may lose assets in connection with bank or other financial institution failures. Recently, numerous governments and their agencies have implemented interest rate policies designed to restore price stability in the face of inflationary pressures by increasing the underlying federal interest rate (or corresponding rate of the applicable jurisdiction). As a result of, among other reasons, such increasing interest rates, reserves held by banks and other financial institutions in bonds and other debt securities could face a significant decline in value relative to deposits and liabilities which, coupled with general economic headwinds resulting from a changing interest rate environment, creates liquidity pressures at such institutions, as evidenced by the bank runs on the Silicon Valley Bank (SVB) Financial Group (“SVB”) and Signature Bank (“Signature”) causing them to be placed into receivership. As a result of these bank runs, certain sectors of the credit markets could experience significant declines in liquidity, and it is possible that XN or its portfolio companies will not be able to manage this risk effectively. Such events have demonstrated the risk of banks being undercapitalized, adversely affected by changes in interest rates and subject to runs on deposits.

If other regional or other banks face similar bank runs or collapses, there is a risk that XN’s Clients or portfolio companies will not be able to recover their funds held in accounts at such banks above the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 per account, or the limits of the deposit insurance regimes of other applicable jurisdictions, as applicable. Even if XN is able to recover such funds, there is uncertainty with respect to the portion of such funds it may be able to recover. Further, there is uncertainty with respect to the time period that would be required to recover any additional funds above the FDIC insurance limit, or the limits of the deposit insurance regimes of other applicable jurisdictions, as applicable. Finally, while the FDIC has currently confirmed that it would insure deposits at SVB and Signature above the \$250,000 insurance limit per account, there is no guarantee that the FDIC will continue that approach indefinitely or that it would provide the same guarantee if additional banks suffer bank runs and/or collapses or that the regulators in other jurisdictions would take a similar approach. The failure of an individual bank may cause a Client or portfolio company to be unable to withdraw deposits or draw on lines of credit or other borrowings, which could negatively impact such Clients’ operations and/or potentially result in losses to such Client and its investors.

Banks are subject to regulation that may affect the scope of their activities, the prices they can charge, the amount of capital they must maintain, and, potentially, their size. Recent legislation in the U.S. has relaxed capital requirements and other regulatory burdens on certain U.S. banks, which may result in increased overall risk in the financial sector. Banks can also experience significant and rapid adverse effects via increases in interest rates and loan losses, decreases in the availability of money or written-down asset valuations, credit rating downgrades, and adverse conditions across related markets. Banks are exposed to the credit risk of their counterparties. Banks may have significant exposure to the same borrowers or counterparties, or may be perceived by the market as being subject to the same risks that a distressed bank may be experiencing. An adverse public perception of a bank’s exposure, real or potential losses or liquidity may have a “contagion” effect

and create risks for other banks and financial entities. Any “contagion” effects to other entities in the financial sector could negatively impact a Fund and/or cause losses to the Fund and its investors.

*Regulatory Developments Relating to Investment Advisers and Private Funds*

Legal, tax and regulatory changes, as well as judicial decisions, could adversely affect XN and its Clients. In particular, the regulatory environment relevant to private investment funds is evolving and may entail increased regulatory involvement in XN’s business or result in ambiguity or conflict among legal or regulatory schemes applicable to XN’s business, all of which could adversely affect the investment strategies pursued or the value of investments held by a Client. The increase of regulation more specifically addressed to the private fund industry could increase the cost of acquiring, holding, or divesting investments, the profitability of enterprises and the cost of operating businesses related to certain Clients.

*Current Market Conditions and Governmental Actions.*

Various sectors of the global financial markets in the past experienced extended periods of adverse conditions. During such periods, global market uncertainty has increased dramatically. Those conditions resulted in disruption of the global credit markets, periods of reduced liquidity, greater volatility, general widening of credit spreads and a lack of price transparency.

Market disruptions in a single country could cause a worsening of conditions on a regional and even global level. A worsening of general economic and market conditions would likely affect the level and volatility of securities prices and the liquidity of XN’s Clients’ investments, which could impair their profitability, result in losses and impact the investors’ returns. A depression, recession or slowdown in the global economy or one or more regional markets (or any particular segment thereof) or a weakening of credit markets (including a perceived increase in counterparty default risk) would have a pronounced impact on XN, its Clients and its portfolio investments and could adversely affect their profitability and ability to execute on their business plans, satisfy existing obligations, make and realize investments successfully, originate or refinance credit or draw on existing financings and commitments.

Such volatile and often difficult global credit market conditions have episodically adversely affected the market values of equity, fixed income and other financial instruments and there is no guarantee that a period of adverse conditions will not return in which these circumstances may occur again. The investments XN pursues for its Clients are sensitive to the performance of the overall global economy. If such adverse conditions were to return, a negative impact on economic fundamentals and consumer and business confidence would likely increase market volatility and reduce liquidity, both of which could have a material adverse effect on the performance of XN’s Clients and these or similar events may affect the ability of XN’s Clients to execute their investment programs.

*Inflation Risk.*

Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on the economies and financial markets, particularly in emerging economies, but also in more developed economies, including in the U.S. economy which could be experiencing inflation in certain markets. For example, wages and prices of inputs increase during periods of inflation, which can negatively impact returns on investments. In an attempt to stabilize inflation, countries may impose wage and price controls or otherwise intervene in the economy.

Governmental efforts to curb inflation often have negative effects on the level of economic activity. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on XN Client's returns.

If a company in which an XN Client invests is unable to increase its revenue in times of higher inflation, its profitability might be adversely affected. Any such company could in some cases have long-term rights to income linked to some extent to inflation, including, without limitation, by government regulations and contractual arrangements. Typically, as inflation rises, a company will earn more revenue but also will incur higher expenses; as inflation declines, a company might be unable to reduce expenses in line with any resulting reduction in revenue. A rise in real interest rates would likely result in higher financing costs for companies in which XN Clients invest and could therefore adversely affect returns.

#### *Ongoing Crisis in Ukraine.*

On February 24, 2022, Russia launched a large-scale invasion of Ukraine. Although the Russian invasion, and the conflict in Ukraine remains ongoing and its long-term effects remain to be seen, the 2022 Russian invasion of Ukraine has caused significant economic disruption that is likely to continue. In response, the EU, the U.S., the U.K. and other governmental entities have passed a variety of severe economic sanctions and export controls against Russia, which have further isolated Russia from the world economy, including imposition of sanctions against Russia's Central Bank and largest financial institutions. In addition, a number of businesses have curtailed or suspended activities in Russia or dealings with Russian counterparts for reputational reasons. While current sanctions may not target XN or XN's Clients, or their target portfolio companies and industries more generally, these sanctions have had and may continue to have the effect of causing significant economic disruption and may adversely impact the global economy generally, and the Russian economy specifically by, among other things, creating instability in the energy sectors, reducing trade as a result of economic sanctions and increased volatility and uncertainty in financial markets, including Russia's financial sector. Additionally, any new or expanded sanctions that may be imposed by the U.S., EU, UK, or other countries may materially adversely affect XN's operations, including XN's Clients and their investments.

Overall, the situation in Ukraine remains uncertain and how it will unfold or impact any XN Client's business or results of operations cannot be predicted. The potential further repercussions surrounding the situation in Ukraine are unknown and no assurance can be given regarding the future of relations between Russia and other countries. Any or all of the above factors could have a material adverse effect on an XN's Client's business, financial condition, results of operations and prospects.

#### *Risks Relating to Investments in the Middle East*

Social, political and military unrest, varying in degree and intensity, currently exist within and among the nations of the Middle East, including, without limitation, uncertainties regarding political succession among the Saudi Arabian royal family, conflicts between the U.S. and Iran and/or Iran and its neighbours concerning Iran's nuclear weapons program, the prolonged conflicts surrounding the Islamic State in Iraq and hostility between Israel and the Arab countries surrounding it. An outbreak of war or other hostilities in the region could have a negative impact on a Client's transactions, even with respect to issuers that are not incorporated, headquartered or primarily

conducting business in the Middle East. In addition, certain other countries, as well as individual companies, may from time to time participate in a boycott of firms, products or industries having significant connections to the region and others doing business in the region. Any such boycott could have a material adverse effect on a Client's investments. Even absent the occurrence of any of the foregoing events, the volatility in the price of oil itself, which accounts for a significant portion of the economic output of the nations in the Middle East, as well as other geopolitical developments, will in turn contribute to volatility in the investments held by a Client. It is likely that these risks will persist in the short and long term.

#### *Force Majeure Risks*

XN's Clients are subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes). Natural disasters, epidemics and other acts of God, which are beyond the control of XN, may negatively affect the economy, infrastructure and livelihood of people throughout the world.

Resulting catastrophic losses may either be uninsurable or insurable at such high rates as to make such coverage impracticable. If such a major uninsured loss were to occur with respect to any of the Funds' investments, the Funds could lose both invested capital and anticipated profits.

Some force majeure events may negatively affect the ability of a party (including a company in which the Funds invest or a counterparty to the Funds or a company in which the Funds invest) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to a company in which the Funds invest or the Funds of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Certain force majeure events (such as war or an outbreak of infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds invest specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more companies or assets, could result in a loss to the Funds, including if its investment in such company or asset is canceled, unwound or acquired (which could be without what the Funds consider to be adequate compensation). Any of the foregoing may therefore negatively affect the performance of the Funds and their investments.

#### *Climate Change-Related Risks*

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

#### *Equity Securities Generally*

The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity

markets. As a result, Clients may suffer losses if XN causes them to invest in equity instruments of issuers whose performance diverges from XN's expectations or if equity markets generally move in a single direction and XN has not hedged Clients against such a general move. Clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

#### *Derivatives*

The Clients may invest in or hold derivatives, specifically warrants and rights. Warrants are securities giving the holder the right, but not the obligation, to buy the stock of an issuer at a given price (generally higher than the value of the stock at the time of issuance), on a specified date, during a specified period, or perpetually. Rights are similar to warrants, but normally have a shorter duration. Warrants and rights may be acquired separately or in connection with the acquisition of securities. Warrants and rights do not carry with them the right to dividends or voting rights with respect to the securities that they entitle their holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants and rights may be considered more speculative than certain other types of investments. In addition, the value of a warrant or right does not necessarily change with the value of the underlying securities, and a warrant or right ceases to have value if it is not exercised prior to its expiration date.

#### *Illiquid Financial Instruments*

Certain financial instruments may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such financial instruments. Valuation of such financial instruments may be difficult or uncertain because there may be limited information available about the issuers of such financial instruments. The market prices, if any, for such financial instruments tend to be volatile and may not be readily ascertainable, and XN may not be able to sell them on behalf of Clients when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid financial instruments often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of financial instruments eligible for trading on national securities exchanges or in the over-the-counter markets. XN may not be able to readily dispose of such illiquid investments held in Client portfolios and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, Clients may be required to hold such financial instruments despite adverse price movements. Even those markets which XN expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past where previously liquid investments have rapidly become illiquid.

#### *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 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 financial instruments and, thus, for the value of Client portfolios.

#### *Currencies*

A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by XN on behalf of its Clients are affected generally by relative interest rates, which in turn are influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments from time to time intervene, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which 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.

#### *Preferred Stock*

Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

#### *Restricted Securities*

Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these financial instruments may be resold in privately negotiated transactions, because there is often little liquidity for these financial instruments, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid by Clients. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

#### *Undervalued Financial Instruments*

The identification of investment opportunities in undervalued financial instruments is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued financial instruments 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 Clients' investments may not adequately compensate for the business and financial risks assumed.

#### *Unlisted Financial Instruments*

Unlisted financial instruments may involve higher risks than listed financial instruments. Because of the absence of any trading market for unlisted financial instruments, it may take longer to

liquidate (as compared to publicly traded financial instruments), or it may not be possible to liquidate, positions in unlisted financial instruments. Companies whose financial instruments are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded financial instruments.

#### *Convertible Securities*

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Client is called for redemption, XN, acting on behalf of its Client, will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on XN's ability to achieve its Client's investment objective.

#### *When-Issued and Forward Commitment Financial Instruments*

The purchase of financial instruments on a "when-issued" basis will involve a commitment by Clients to purchase or sell financial instruments at a future date (typically one or two months later). No income accrues on financial instruments that have been purchased on a when-issued basis prior to delivery to Clients. When-issued financial instruments may be sold prior to the settlement date. If XN causes Clients to dispose of the right to acquire a when-issued security prior to its acquisition, Clients may incur a gain or loss. In addition, there is a risk that financial instruments purchased on a when-issued basis may not be delivered to Clients. In such cases, such Clients may incur a loss.

#### *Illiquidity of Special Investments*

To the extent XN designates investments made by a Fund as "special investments," such investments are likely to involve one or more of the illiquidity risks described in "Illiquid Financial Instruments" above.

#### *No Maximum Holding Period for Special Investments*

XN has discretion as to whether to determine to designate an investment as a "special investment". XN also has discretion as to whether and when to cause a Fund to realize or deem realized all or a portion of any investment designated as a "special investment," and will not be obligated to effect a realization or deemed realization upon the occurrence of an event that causes such investment to become freely tradable, even if XN determines to purchase such investment in the open market (for the benefit of such Fund's liquid positions). To the extent the applicable Governing Documents do not limit the holding period of investments designated as "special investments," a Fund may hold a such investments for a long period, e.g., five years or longer.

#### *Differing Special Investment Capacities*

Certain investors may be subject to differing limitations on the percentage of their investments that may be designated as "special investments." Such differing limitations and/or investment amounts with respect to investments that may be designated as "special investments" may mean that the investment of one investor produces results that are materially different from those experienced by another investor.

#### *Impact of Non-Pro Rata Allocations and Restricted Partners*

Certain investors may not be eligible (or may be limited in their eligibility)("Restricted Investors") to participate in the profits and losses attributable to certain Client investments ("Restricted



Investments”) for a variety of reasons, including due to legal, tax, regulatory or other reasons as to which XN and any investor agree.

As a result, if a Client invests in a Restricted Investment, XN may make a non-*pro rata* allocation of such Restricted Investment among investors. Any non-*pro rata* allocation of a Restricted Investment increases the exposure and concentration of investors that are not excluded or limited with respect to the specific Restricted Investment. As a result, the investment returns realized by investors with respect to a Restricted Investment will differ and could be materially and adversely affected by the unfavorable performance of one or more Restricted Investments.

#### *Inability to Withdraw from Special Investment Accounts*

As stated above, no withdrawal may be made by an investor of any amounts invested in investments designated by XN as “special investments,” unless otherwise determined by the General Partner, until the realization or deemed realization of the applicable investment.

#### *Valuation of Special Investments*

For purposes of calculating the Management Fee, certain investments of the Fund designated by XN as “special investments” will be valued at the lower of cost basis or fair value, as described in the applicable Governing Documents. XN has determined that special investments, and certain investments that the General Partner reasonably anticipates will be designated as special investments, generally will be valued by or on behalf of XN on a semi-annual basis (unless the applicable fair value is determined with a different frequency consistent with XN’s Valuation Policy). Therefore, absent an intervening event that XN, in its sole discretion, believes has resulted in a material change, the fair value of a special investment is not expected to fluctuate between semi-annual valuations. As a result, there will be accounting periods where a special investment, and certain investments that XN reasonably anticipates will be designated as a special investment, will not be marked at its fair value as of such time (but will be carried at the fair value as of the most recent semi-annual valuation date). In addition, there is no guarantee that the value of such an investment as determined by XN will represent the value that will be realized by the Fund on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment. Inaccurate valuations of investments of the Fund designated by XN as “special investments” could impact, among other things, the Management Fee borne by an investor.

#### *Certain Expenses*

Generally, all expenses borne by a Fund, other than (i) the Management Fee, (ii) investment and investment-related expenses relating specifically to an investment designated as a “special investment,” (iii) financing costs related to a subscription facility and (iv) any other expenses that XN determines should be allocated to a particular investor, are debited to all of the capital accounts on a pro rata basis in proportion to their respective capital account balances (excluding any value attributable to investments designated as “special investments”) and reduce such capital accounts. Those expenses include investment and investment-related expenses relating to the Fund’s liquid investments and research expenses that are not specifically related to an investment designated as a “special investment” (but may benefit one or more such investments).

### *Risk of Early-Stage Investments*

Clients' special investments are primarily later-stage, minority stakes in companies. However, XN may also cause Clients to make early-stage investments. Investments in the private equity of companies at an early stage of development involves a high degree of business and financial risk. Early-stage companies involve a high degree of business and financial risk that can result in substantial losses. Early-stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. The most significant risks are the risks associated with investments in companies operating at a loss or with substantial fluctuations in operating results from period to period, and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Early-stage companies with little or no operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. Client investments in start-ups or other early-stage companies may depend significantly on an entrepreneur or management team that XN has selected. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, better marketing and service capabilities and a larger number of qualified management and technical personnel. Such risks may adversely affect the performance of such investments and result in substantial losses. There can be no assurance that such companies will ever be profitable or even have assets or products that generate meaningful revenue.

Investments in companies in a later-stage of development also involve substantial risks. These companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire a business or develop new products and markets. These activities by definition involve a significant amount of change, which can give rise to significant problems in sales, manufacturing and general management of business activities.

Furthermore, the marketplace for such "venture capital investing" has become increasingly competitive. Involvement by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment opportunities is at high levels. There can be no assurances that XN will locate an adequate number of attractive investment opportunities. To the extent that Clients experience increased competition for investments, returns to client portfolios may vary.

### *Control Issues*

Although XN may seek protective provisions, including, possibly, board representation, in connection with certain of its special investments, to the extent Clients take minority positions in companies in which they invest, XN may not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect its position in such companies. Notwithstanding the foregoing, XN may engage with the management of such companies with a view to sharing ideas regarding the business and affairs of such companies.

### *Fees*

The investments XN causes its Clients to make in the private equity of companies may be subject to substantial fees charged by third-party investment advisers to manage such investments. Such

fees may include management or asset-based fees (fees that compensate an investment adviser on the basis of a share of net assets under management) and performance-based fees or allocations (fees or allocations that compensate an investment adviser on the basis of a share of capital gains upon or capital appreciation of the assets under management). The payment of such fees may adversely affect the return of the capital of Client portfolios. For example, considering that investments in the private equity of companies only make up a portion of Client portfolios, such third-party advisers may receive performance-based compensation in respect of such private equity investments during a period when the applicable Client's overall capital depreciated.

#### *Highly Leveraged Companies*

Investments in highly leveraged companies (particularly in their private equity) involve a high degree of risk. The use of leverage may increase the exposure of such companies to adverse economic factors such as downturns in the economy or deterioration in the conditions of such companies or their respective industries. In using leverage, these companies may be subject to terms and conditions that include restrictive financial and operating covenants, which may impair their ability to finance or otherwise pursue their future operations or otherwise satisfy additional capital needs. Moreover, rising interest rates will, unless such rates are fixed pursuant to the terms of any such indebtedness, significantly increase such companies' interest expense, causing losses and/or the inability to service debt levels. In the event any such company cannot generate adequate cash flow to meet debt service, Clients may suffer a partial or total loss of capital invested in the company, which, depending on the size of the applicable Client's investments, could adversely affect the return on the capital of Client portfolios. The leveraged capital structure of such companies will increase the exposure of Client investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates.

#### *Debt Securities*

Debt securities of all types of issuers may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

#### *Interest Rate Risk*

Changes in interest rates can affect the value of Clients' investments in fixed-income instruments. Increases in interest rates may cause the value of Clients' debt investments to decline. Clients may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

General interest rate fluctuations may also have a substantial negative impact on a Client's investments and investment opportunities and accordingly may have a material adverse effect on such Client's investment objectives and the rate of return on invested capital. In addition, an increase in interest rates could make it more expensive to utilize leverage in making investments. A Client's investment strategy and the availability of investment opportunities relies, in part, on the continuation of certain trends and conditions observed in the market for various financial instruments and the larger financial markets and, in some cases, the improvement of such

conditions. Consequently, a Client may not be capable of, or successful at, preserving the value of its assets, generating positive investment returns or effectively managing risks. No assurance can be given that such conditions, trends or opportunities will arise or continue, as applicable.

#### *Prepayment Risk*

The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

#### *Closed-End Funds*

Investments in closed-end funds are non-redeemable and are subject to the same risks as other publicly traded equity securities. There may be no public market for units of closed-end funds, which often trade at a discount from their net asset values.

#### *Derivative Instruments*

Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, credit risk, legal risk and operations risk. 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 instruments may have a material adverse effect on the Fund.

#### *Exchange Exposure*

XN may cause Clients to invest in securities denominated in currencies other than the U.S. dollar. XN, however, values the securities of its Clients in U.S. dollars. XN may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when XN wishes to use them, or that hedging techniques employed by XN on behalf of its Clients will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of Client positions denominated in currencies other than the U.S. dollar 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.

#### *Non-U.S. Exchanges*

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

### *Non-U.S. Investments*

Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds (as discussed in greater detail below), limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict Clients' investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the United States generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the United States than for those located in the United States. As a result, XN may be unable to structure Client transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce Clients' rights in such markets. For example, financial instruments 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 CFTC or the securities and commodities laws and regulations of the United States. Accordingly, the protections accorded to Clients under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

### *TMT Sector*

XN may cause its Clients to invest in financial instruments of technology, media and telecom ("TMT") sector companies, which investments involve substantial risks. These risks include but are not limited to: (i) the fact that certain companies in Client portfolios may have limited operating histories; (ii) 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; (iii) scarcity of management, engineering and marketing personnel with appropriate technological training; (iv) the possibility of lawsuits related to technological patents; (v) changing investors' sentiments and preferences with regard to technology sector investments (which are generally perceived as risky) with their resultant effect on the price of underlying financial instruments; and (vi) volatility in the U.S. stock markets affecting the prices of technology company financial instruments, which may cause the performance of Client portfolios to experience substantial volatility.

Investing in financial instruments of 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) also involves substantial risks. 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.

To the extent XN causes its Clients to make any early-stage investments, XN causes its Clients to invest in companies whose performance may be highly correlated with their ability to successfully implement new technology and/or exploit existing technologies (such as in 'FinTech' companies). Technology-reliant sectors are challenged by various factors, including rapidly changing market conditions and participants, new competing products and services and improvements in existing products and services. There is no assurance that products or services sold by companies will not be rendered obsolete or adversely affected by competing products and services or other challenges.

In the event that technology-reliant sectors decline or that companies in which XN causes its Clients to invest are unable to utilize technology successfully and competitively, Client investments may be adversely affected.

#### *Industrials Sector*

XN may cause its Clients to invest in the financial instruments of issuers in the industrials sector, such as those involved in construction and manufacturing, transportation (e.g., rails and roads), aerospace and defense, industrial machinery and equipment and electrical components and equipment. The industrials sector includes, among other industries, aerospace and defense, building products, electrical equipment and machinery, as well as transportation, construction and engineering services. The industrials sector, and companies operating therein, can be significantly affected by general economic trends, including employment, economic growth, and interest rates, changes in consumer sentiment and spending, commodity prices, legislation, government regulation and spending, import controls and worldwide 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, companies in the industrials sector can also be adversely affected by liability for environmental damage, depletion of resources and mandated expenditures for safety and pollution control. Any of the foregoing could have an adverse impact on any investments XN may cause Clients to make in the industrials sector and, therefore, on the performance of XN's Clients.

#### *Consumer Sector*

XN may cause its Clients to invest in the financial instruments of issuers in the consumer sector, which investments involve substantial risk. 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.

Companies in the consumer sectors may rely heavily on marketing and advertising to increase brand visibility with potential customers, and they may depend in part on internet search engines and social networking sites to drive traffic to their websites and facilitate customer purchases and other activity. These marketing efforts may not be successful and are not entirely within such companies' control. Additionally, companies with e-commerce platforms may collect, transmit and store personal and financial information provided by their customers, such as names, e-mail addresses, the details of transactions and credit card and other financial information. Such information may be vulnerable to power outages, telecommunications failures and catastrophic events, as well as computer viruses, break-ins, phishing attacks, denial-of-service attacks and other cyberattacks, exposing the companies to potential liability and litigation and necessitating potentially costly preventive measures to address such risks. To the extent companies in the consumer sector in which XN causes its Clients to invest are affected by the foregoing risks, the performance of XN's Clients could be adversely impacted.

#### *Business Services Sector*

XN may also cause its Clients to invest in the financial instruments 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-reliant TMT sector.

Companies in the business services sector may also rely on various commodities, third-party vendors and/or third-party sellers with regards to their supply chain and distribution networks. The fluctuation in price of such commodities and third-party services, as well as variations in the production and/or operating capacities of such third-party services, may have an adverse effect on the business or financial condition of such companies and, to the extent XN has caused its Clients to invest in such companies, the performance of XN's Clients.

#### *Special Purpose Acquisition Companies*

A special purpose acquisition company (a "SPAC") is a publicly traded company formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more undervalued operating businesses. Following the acquisition of a target company, a SPAC typically would exercise control over the management of such target company in an effort to increase the value of such target company. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a pre-determined period of time elapses. Investors in a SPAC would receive a return on their investment in the event that a target company is acquired and such target company's value increased. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses due to the expenses and liabilities of the SPAC. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in "blank check" companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be

solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating distributions are made. In addition, most SPACs are illiquid and have a concentrated shareholder base that tends to be composed of hedge funds (at least at inception). The Funds may invest SPACs that, at the time of investment, has not selected or approached any prospective target businesses with respect to a business combination. In such circumstances, there may be limited basis for the Funds to evaluate the possible merits or risks of such SPAC's investment in any particular target business. To the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies. For these and additional reasons, investments in SPACs are speculative and involve a high degree of risk.

#### *Uncertain SPAC Regulatory Environment*

The growth of the SPAC industry, and the increasing size and reach of so-called de-SPAC transactions, as well as the increasing attention to SPACs, has and is likely in the future to continue to prompt additional governmental and regulatory attention to the SPAC industry, some of which could, directly or indirectly, affect the Funds and the value of their financial instruments. As SPACs become more influential participants in the U.S. and global financial markets and economy generally, de-SPAC transactions may become increasingly subject to criticism by politicians, regulators or market commentators, which in turn, creates heightened uncertainty surrounding future legislation. For example, the U.S. House Committee on Financial Services has recently released draft legislation to exclude all SPACs from the Private Securities Litigation Reform Act's safe harbor for forward-looking statements. This draft legislation may lead to additional financial filing requirements for SPACs, thereby increasing the cost associated with SPACs. This draft legislation signals growing U.S. governmental attention towards SPACs. The uncertainty of future legislation or regulation could adversely impact the Funds and the value of their financial instruments.

#### *Digital Assets and Digital Asset Derivatives*

The Funds could invest in financial instruments that are digital assets (also known as "cryptocurrencies," "virtual currencies" or "digital currencies") (or similar assets that utilize blockchain technology or any technologies deemed by the General Partner to be similar) or digital asset derivatives. Digital Assets are relatively new, evolving products based upon new and evolving technologies. An investment in any digital asset is subject to a variety of risks, including technological, security and regulatory risks as well as associated uncertainties over the future existence, support and development of such digital asset. Digital Assets may also experience unusual volatility. Any such investment is highly speculative and subject to the risk that the entirety or a material portion of such investment or its value may be lost. Digital Asset derivatives, such as futures or options on futures on a digital asset, are also a relatively new asset class, and trading in these instruments, like trading in the digital assets themselves, carries a high level of risk. Investments in digital asset derivatives, like direct investments in digital assets, should be considered substantially more speculative and significantly more likely to result in a total loss of capital than many other investments.



### *Regulatory Considerations Related to Digital Assets*

The regulatory schemes affecting digital assets may not be fully developed. Government action or regulation may directly or indirectly affect a digital asset market or network, influencing digital asset use or prices. It is possible that any jurisdiction may, in the near or distant future, adopt laws, regulations, policies or rules directly or indirectly affecting a digital asset network, generally, or restricting the right to acquire, own, hold, sell, convert, trade, use or exchange digital assets. Like digital assets themselves, digital asset derivatives exist within an evolving regulatory landscape and could also become subject to new regulations with valuation consequences for these instruments. Such changes could be difficult or impossible to predict.

The risks described above are not a complete list of all risks associated with the described investment strategies. In addition, as a Client's investment program develops and changes over time, an investment in such Client may be subject to additional and different risk factors.

Investors should refer to a Client's Governing Documents for a more complete description of the risks involved in investing in such Client.

## **Item 9: Disciplinary Information**

XN and its employees have not been involved in any legal or disciplinary events that would be material to an investor's evaluation of XN's investment advisory business or XN's employees.

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

XN organizes and sponsors pooled investment vehicles which are managed by XN and are controlled by the Fund General Partners. XN or the Fund General Partners are responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds' investment activities. While the Fund General Partners are not separately registered as investment advisers with the SEC, all of their respective investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the Fund General Partners are subject to the supervision and control of XN. Thus, the Fund General Partners, all of their employees and the persons acting on their behalf would be "persons associated with" the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the Fund General Partners.

XN and certain of its affiliates may trade commodity interests and are exempt from registration with the U.S. Commodity Futures Trading Commission (the "CFTC") as a commodity pool operator (a "CPO") pursuant to CFTC Rule 4.13(a)(3).

The Principal, individually, on behalf of members of his family, through or on behalf of trusts, partnerships, companies and other entities formed for his benefit and the benefit of members of his family, and/or through or on behalf of trusts, partnerships, foundations, companies and other entities which may from time to time include other philanthropic, charitable, civic, social or other organizations (collectively, along with the Principal, the Principal's family, and such trusts, partnerships and other entities, the "Principal Entities") has in the past made, held and disposed of, and expects to continue to make, hold and dispose of, investments outside of, and separate and apart from, his interests in the Fund. The Principal Entities' investments in other pooled investment vehicles (e.g., hedge funds, private equity funds or venture capital funds) may mean that the

Principal indirectly holds interests, through such vehicles, in financial instruments that are also owned by the Fund. In such a case, the Principal may have a conflict of interest with respect to decisions taken by the Fund with respect to such financial instruments.

The Principal is permitted to take actions in respect of the investments of the Principal Entities that he considers to be in the best interests of the Principal Entities. However, the XN's policies require that no action will be permitted to be taken unless the Principal determines (or such Principal Entities determine) that such action is consistent with the XN's duties to the Fund. XN will seek to resolve all conflicts in a manner that it deems to be fair and equitable.

XN has adopted policies and procedures to prevent and/or mitigate the actual conflicts of interest that arise from the investment activities of the Principal Entities. These policies address the methods and processes for identifying, reporting, mitigating and monitoring such conflicts of interest.

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

Pursuant to Rule 204A-1 of the Advisers Act, XN has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest and is applicable to all employees.

While XN's employees may generally not purchase or sell any listed, individual equity, debt, or derivative securities under the Code of Ethics, employees may, however, sell any listed individual equity, debt or derivative securities held prior to employment with XN, or other securities acquired in-kind or otherwise through gifts or bequests, provided that all such sales are subject to written preclearance from XN's Chief Compliance Officer. To ensure compliance with applicable securities laws, XN requires its employees to report personal securities transactions quarterly, provide XN with detailed holdings reports upon commencement of employment and annually thereafter, and seek approval before engaging in certain transactions including those in private investments and IPOs. XN employees must also obtain written pre-approval from XN's Chief Compliance Officer prior to participating in any outside business activities.

XN, its personnel or a related entity will generally invest in each Client and participate in the Client's investment program through their respective investments in Clients. Therefore, XN, its personnel or a related entity participate in transactions effected for Clients.

Investors may request a copy of the Code of Ethics by contacting XN.

### *Investments by the Principal and Personnel of XN in Clients*

The Principal (together with members of his family) invests a significant amount in existing XN Clients, which investments have been made, directly or indirectly, through the Fund General Partner or certain trusts, organizations or other entities that have been formed for his (or their) benefit, or through certain charitable foundations, organizations or trusts that have been established or that are directed by him (or them) (including donor-advised funds or other estate planning vehicles). Other XN-related Investors also invest in such Clients. Such investors are likely to be in possession of information relating to such Clients that is not available to other Client investors and prospective investors in such Clients. In particular, an XN-related Investor that is a "c-suite" level executive officer of a current, prospective or past portfolio company of a Client may be given the opportunity

to invest in such Client where the Fund General Partner determines in its sole discretion such investment would be in the interests of such Client.

Investments in Clients by the Principal and other XN-related Investors will not necessarily be allocated to all other Clients, will not necessarily be allocated based on the respective net asset values of such funds, may be more concentrated in certain of such funds, and may be “shifted” among such funds from time to time without providing any notice to investors. Such investments may create an incentive for XN to favor certain Clients over others.

The Principal and other XN-related Investors will not be required to keep any minimum investment in any given Client (unless otherwise set forth in the Governing Document of such Client), and it is expected that the size and nature of all such investments of the Principal and other XN-related Investors may change over time without notice to, or consent from, the investors of any given Client (unless otherwise set forth in the Governing Document of such Client). Investments by the Principal and other XN-related Investors in any given XN Client could incentivize the Principal and other XN-related Investors to increase or decrease the risk profile of such applicable Client, and take other actions that may adversely affect such Client, including, for example, allocating time to the business and management of various Clients in a different manner than such time would be allocated absent such investments, or allocating trades and investment opportunities in a different manner than such trades or opportunities would be allocated absent such investments. In addition, since XN-related Investors (including the Principal) may make a substantial capital contribution to any given XN Client, conflicts may arise between such Client’s general partner’s and XN’s own interests and those of the other applicable partners in selecting and structuring investments appropriate for such Client.

Without limiting the generality of the foregoing, actions taken by XN, the Principal and other XN-related Investors may benefit the capital accounts of a Client’s partners to a greater, or lesser, extent according to the applicable special investment percentages offered by such Client, if any. Future subscriptions by the general partner of such Client, the Principal and other XN-related Investors, and the incentive allocation allocated to the general partner that remains in the Client or is reinvested in the Client, either directly or through such general partner, may have higher or lower special investment percentages than originally offered in the Client, may have higher or lower special investment percentages than those of other investors in such Client, may not be consistent with the terms being offered to other investors at the time such subscriptions (or incentive allocation) are made and may be accepted at times when such Client is not accepting subscriptions from other investors. Accordingly, XN, the Principal and other XN-related Investors may be incentivized to focus more time and effort on the special investments of such Client than if they had lower special investment percentages. Furthermore, XN, the Principal and other XN-related Investors may have the ability to make additional subscriptions for interests in various Clients during times when such Clients are not open to subscriptions from other investors, subject to the policies and procedures of XN.

#### *Personal Investments by XN Personnel Generally*

The Code of Ethics of XN places restrictions on personal trades by personnel of XN and mandates that personnel disclose their personal financial instruments holdings and transactions to XN on a periodic basis. The Code of Ethics also requires that personnel pre-clear certain types of personal securities transactions. Generally, and subject to certain exceptions, personnel of XN may not

engage in personal trading in single name, publicly traded stocks and bonds and may only dispose of any such financial instruments held in their respective personal trading accounts subject to pre-clearance. Personnel are not required, however, to obtain pre-clearance for personal investments in certain other asset classes and goods, including certain investments in residential real estate and mutual funds, whether or not XN has caused the applicable Client to invest in the same or similar financial instruments. In addition, XN has the ability to permit, and has permitted, certain personnel, including the Principal, to maintain various personal investments that were acquired prior to their association with XN, including investments in private issuers that may subsequently conduct public offerings of their financial instruments, and may grant similar permissions in the future and/or permit personnel to sell such previously acquired securities.

XN and its personnel expect in the future to give or take action for their own accounts that differs from advice given or action taken for XN's Clients; such actions are subject to the policies and procedures of XN, including the pre-clearance requirements under its Code of Ethics. Such advice given or action taken for personal accounts may also conflict with or be adverse to advice given or action taken for XN's Clients. These activities may adversely affect the prices and availability of other financial instruments held by or potentially considered for purchase by the Fund.

Personnel of XN, including the Principal and other members of the investment team, may have, and may acquire more, directly or indirectly (e.g., through an investment in another pooled investment vehicle), investments in financial instruments in which an XN Client is, or may be, invested, and may benefit from market or investment activity made by XN on behalf of such Client (e.g., an investment made by XN on behalf of such Client in the same financial instruments may lead to an increase in or reduce a decrease in the value of such financial instruments or diminish the volatility of such financial instruments). To the extent that personnel of XN hold such investments or benefit from XN's market or investment activity on behalf of XN's Clients, XN will have a conflict of interest. Furthermore, there may be instances where the individual personnel of XN will have an incentive to take an action for a Client that benefits such person's personal investment, for example, where there is a proposed business relationship (e.g., merger, acquisition or joint venture) between an issuer in which any such person has a personal investment and an issuer in which such Client is invested. Personal investment activities of personnel of XN, or other activities not related to such personnel's work for XN, may also increase the likelihood of XN gaining possession of material non-public information about an issuer that leads to a restriction or limitation being imposed on such Client and/or one or more other conflicts of interest, including the fact that such Client's investment in the public securities may benefit the personal investment.

XN (or its affiliates) may in the future enter into arrangements with co-investment vehicles or Clients that may in certain circumstances result in such affiliates receiving performance-based compensation in the form of an in-kind distribution. If XN (or any of its affiliates) at any time receives a distribution in kind from a Client, or any investment vehicle established by a third-party investor in connection with investment management or consulting services provided to it by XN (or any of its affiliates), in lieu of XN (or any of its affiliates) receiving performance-based compensation in the form of a cash distribution or payment, then XN (or any such affiliate or affiliates) may elect to hold the financial instruments distributed in kind or dispose of the financial instruments distributed in kind at such time as it deems appropriate, irrespective of whether the same financial instruments are held at such time by any given Client. XN (or its affiliates) may have

a conflict of interest in deciding whether to receive their performance-based compensation through an in-kind distribution, and in determining whether to hold the financial instruments or dispose of them, especially if XN's (or such affiliate's or affiliates') decision to sell such financial instruments is likely to have an adverse effect on the value of the financial instruments held by XN Clients.

#### *Cross Trades*

XN may determine that it would be in the best interests of one or more Clients to transfer a financial instrument from one Client to another (each such transfer, a "Cross Trade") for a variety of reasons, including tax purposes, liquidity purposes, to rebalance the portfolios of the applicable Clients, or to reduce transaction costs that may arise in an open market transaction. If XN decides to engage in a Cross Trade, XN will determine that the trade is in the interests of both of the applicable Clients involved and take steps to ensure that the transaction is consistent with seeking best execution for each of those Clients. XN may, in its discretion, ask to have a review agent provide advice on or approve any such Cross Trade.

#### *Principal Transactions*

To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the Advisers Act) due to the ownership interest in an applicable Client by the Main Fund General Partner or otherwise, XN or its personnel, the Main Fund General Partner and XN will comply with the requirements of Section 206(3) of the Advisers Act. In connection with any principal transactions, Cross Trades, related-party transactions and other transactions and relationships involving potential conflicts of interest, the Main Fund General Partner may appoint a review agent (the "Review Agent"), which may be asked to review and approve or disapprove, to the extent required by applicable law or deemed advisable by the Main Fund General Partner (or as otherwise set forth in the applicable Governing Documents), such transactions and conflicts of interest. XN will not cause its Clients to enter into any other transaction that would constitute a principal transaction (as such term is used under the Advisers Act), without (i) the consent of the Review Agent or (ii) the aggregate consent of a majority-in interest of the investors of the applicable Client. Any decision of the Review Agent will be binding on the applicable Client and its partners. The Review Agent (including any members of a committee serving in such capacity) will be exculpated and indemnified by the applicable Client.

#### *Co-Investments*

XN expects, from time to time, to offer one or more Client investors and/or other third-party investors (including affiliates of the Main Fund General Partner and their respective members, partners, officers or personnel or affiliates of any of them, and including the Principal and other XN-related Investors) the opportunity to co-invest with Clients in particular investments. XN, for example, expects to offer such co-investment opportunities when the size of the opportunity exceeds the amount of capital that XN believes should be invested by its Clients. XN also expects to offer co-investment opportunities to Client investors and/or other third-party investors (including portfolio companies of its Clients) based on factors such as, but not limited to, the nature of the opportunity, speed of execution required, tax considerations, such persons' familiarity with and history of making similar investments (including successfully consummating prior co-investment opportunities with XN) or ability to consummate co-investment opportunities generally and in a meaningful size, such person's prior expressions of interest in making similar investments, the ability of such persons to generate future investment opportunities or provide other benefits to XN's

Clients and/or XN's and/or to provide analytical and market advice or other expertise that may be valuable to XN Clients, and other factors deemed by XN to be relevant. XN will have a conflict when determining which Client investors, if any, it will offer co-investment opportunities to. In addition, the Principal and other XN-related Investors may co-invest with XN Clients whether or not the particular co-investment opportunity is offered to Client investors or other third-party investors.

XN is not required to offer co-investment opportunities to any Client investor or other third-party investors, and no Client investor will be entitled (or obligated) to participate in such an opportunity by reason of being an investor in such Client.

### *Managing Multiple Clients*

Certain inherent conflicts of interest arise from the fact that XN and the Fund General Partners provide investment management services to the Funds and Co-Investment Funds and expect that they will in the future advise and manage the investments of additional clients. The respective investment programs of the existing Clients and future clients have and may in the future be substantially similar or overlap. In certain circumstances, XN's investment activities on behalf of certain Clients in such securities could adversely affect the value of the same securities held in other Clients' portfolios, including, but not limited to, situations where the securities being traded are highly illiquid and therefore experience substantial price volatility.

In addition, one Client may have investment objectives, programs, strategies and positions that conflict with those of another client, or may compete with or have interests adverse to another client. Such conflicts could affect the prices and availability of securities in which one or more Clients invest. Even if Clients have similar investment objectives, programs or strategies, we may give advice or take action with respect to the investments held by, and transactions of, one or more Clients that may differ from the advice given or the timing or nature of any action taken with respect to the investments held by, and transactions of, one or more other Clients for a variety of reasons, including differences between Clients regarding each Client's investment strategy, financing terms, regulatory treatment and tax treatment. As a result, Clients with similar investment strategies may have substantially different portfolios and investment returns. Conflicts of interest also arise when XN makes decisions on behalf of a Client with respect to matters where XN's interests or other Clients' interests differ from one another. Currently, each of the Co-Investment Vehicles has an investment program limited to investments in a single private investment, and therefore the investment objectives, programs, strategies and positions of such Co-Investment Vehicles differ from, and could conflict with, those of the Funds as it relates to private investments because the investment program for the Funds is not limited to a single private investment.

### *Allocation of Expenses*

If any expenses are incurred jointly for more than one Client, or jointly for a Client and XN, such expenses will be allocated in accordance with XN's expense allocation policies, as may be amended from time to time. Such expenses will be allocated by XN in a manner it determines to be fair and equitable, taking into consideration, among other things (i) the extent of a Client's utilization of the services associated with the expense, (ii) the relative benefit to a Client that is derived from the

expense (iii) the net asset value and/or capital commitments of the respective Funds' participating in such expense and (iv) the association of the expense with a legal, contractual or other obligation or special investment account of a Client. This is expected to generally result in a pro rata allocation based on each Client's participation or anticipated participation in the relevant investment or strategy, however, if XN determines that one or more Clients receive substantially all of the benefit, or that the expense would not otherwise have been incurred if it were not for such Client, XN will generally allocate such expense solely to such Client(s) that received substantially all of the benefit. It is not always possible or reasonable to allocate or re-allocate expenses to a particular Client, depending upon the circumstances surrounding the timing of the applicable expense and the financial and other terms governing the incurrence of the expense, and, as a result, it is expected that there will be occasions where a Client does not bear its proportionate share (or any share) of such expenses.

## **Item 12: Brokerage Practices**

### *Factors Considered in Selecting Broker-Dealers*

XN has complete discretion in deciding which financial instruments are bought and sold, the amount and price of those financial instruments, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

Portfolio transactions for Clients will be allocated to brokers and dealers on the basis of numerous factors and not necessarily based on the lowest pricing. In the future, brokers and dealers may provide other services that are beneficial to XN and/or certain Clients, but not beneficial to all Clients. Subject to seeking best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, XN will consider factors that it deems appropriate under the circumstances, which may include: the ability of the brokers and dealers to effect the transaction; the quality of the brokers' or dealers' services previously rendered, including brokerage, research and other services; the brokers' or dealers' facilities, reliability and financial responsibility; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the prices and commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to a Client by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. XN need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

XN maintains policies and procedures to review the quality of services received by it, including periodic reviews by its investment professionals.

### *Order Aggregation and Average Pricing*

If XN determines that the purchase or sale of a financial instrument is appropriate with regard to an XN Client, XN may, but is not obligated to, purchase or sell such a financial instrument on behalf of such Clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. The aggregation of orders as described herein generally occurs with

respect to purchases or sales of financial instruments that do not meet the definition of a Special Investment. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Client will receive the average price, with transaction costs generally allocated pro rata based on the size of each Client's participation in the order (or allocation in the event of a partial fill) as determined by XN. In the event of a partial fill, to the extent that XN determines that allocations should be modified, such modifications will be performed on a basis that XN deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by XN. As a result, certain trades in the same financial instrument for one Client (including a Client in which XN, the Principal and/or other XN-related Investors may have a direct or indirect interest) may receive more or less favorable prices or terms than another Client, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade.

#### *Research and Soft Dollars*

From time to time, XN may pay commissions (or markups or markdowns with respect to certain types of riskless principal transactions) to a broker dealer for effecting Client transactions in excess of that which another broker-dealer might have charged for effecting the same transaction in recognition of the value of the brokerage, research and other services provided by a particular broker-dealer. XN will effect such transactions, and receive such brokerage, research and other services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, and subject to prevailing guidance provided by the SEC regarding Section 28(e). XN believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by the Client may be used by XN to service one or more XN Clients, including Clients that may not have paid for the soft dollar benefits. XN must allocate soft dollar credits among Clients and XN will not seek to allocate soft dollar benefits among Clients in proportion to the soft dollar credits such Clients respectively generate. Instead, where a product or service obtained with soft dollars provides both research and non-research assistance to XN (i.e., a "mixed use" item), XN will make a good faith allocation of the cost which may be paid for with soft dollars. Nevertheless, in making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of XN's allocation of the costs of such benefits and services between those that primarily benefit XN and those that primarily benefit Clients.

When XN uses brokerage commissions (or markups or markdowns) generated by any Client to obtain research or other products or services, XN receives a benefit because it does not have to produce or pay for such products or services. While XN seeks best execution for each Client, the fact that XN can obtain or receive such products or services creates an incentive for it to select or recommend a particular broker-dealer based on XN's interests, to the exclusion of another broker-dealer that offers business terms that would also be in one or more Client's interests.

At least annually, XN will consider the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services useful and/or are relied



upon and attempts to allocate a portion of the brokerage business of its Clients on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will XN make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

#### *Capital Introduction and Other Services*

From time to time, brokers may assist a Client in raising additional funds from investors. Additionally, brokers (including a Client's prime brokers) may provide capital introduction and marketing assistance services, and representatives of XN may speak at conferences and programs sponsored by the brokers, for investors interested in investing in private investment funds. Through such events, prospective investors in a Client may encounter representatives of XN. Brokers may also provide other services, including consulting services relating to technology and office space. Although neither XN nor its Clients compensates brokers for such assistance, events or services, or for any investments ultimately made by prospective investors attending such events, such activities may influence XN in deciding whether to use such broker in connection with brokerage, financing and other activities of a Client. XN may consider referrals of investors to a Client in determining its selection of brokers. However, XN will seek best execution and will not commit to an investor or a broker to allocate a particular amount of brokerage in any such situation.

#### *Trade Errors*

XN's traders may on occasion experience errors with respect to trades made on behalf of a Client (each such error, a "Trade Error"). Trade Errors may include, for example, (i) the placement of orders (either purchases or sales) in excess of the amount of financial instruments XN intended to trade; (ii) the sale of a financial instrument when it should have been purchased; (iii) the purchase of a financial instrument when it should have been sold; and (iv) the purchase or sale of the wrong financial instrument. Trades implemented as a result of faulty data, systems, coding, modeling or analysis, trades that are properly executed but result in losses, errors committed by other persons (including brokers and custodians), or which are otherwise caused by human error other than those specifically described in the trade error policy contained in XN's compliance manual, are not considered Trade Errors. Errors that do not result in transactions in an investor's account (such as transactions that result in loss of an investment opportunity) will not be viewed as Trade Errors. Trade Errors may result in losses or gains. XN will endeavor to detect Trade Errors prior to settlement and correct them in an expeditious manner.

Pursuant to the exculpation and indemnification provided by Clients to XN and its personnel, XN and its personnel will generally not be liable to Clients for any act or omission, absent bad faith, gross negligence (as interpreted in accordance with the laws of the State of Delaware), willful misconduct or actual fraud, or material breach of the Client's governing document, of such person, and Clients will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to such Clients, absent bad faith, gross negligence, willful misconduct or actual fraud or material breach of the Client's governing document, of such person.

As a result of these provisions, Clients (and not XN) will benefit from any gains resulting from Trade Errors and will be responsible for any losses (including additional trading costs) resulting from Trade Errors, absent bad faith, gross negligence, willful misconduct or actual fraud, or material breach of the Client's governing document of the relevant person.

XN will determine in good faith whether or not a given trade error is required to be reimbursed pursuant to the applicable standard of care and reimburse Clients for losses for which XN is responsible under the exculpation provisions. Given the potentially large volume of transactions executed by XN on behalf of a Client, investors should assume that Trade Errors will occur and that, to the extent permitted by applicable law, Clients will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of XN's personnel. XN will have a conflict of interest in determining whether a trade error should be borne by Clients or reimbursed by XN. Generally, in determining whether XN was grossly negligent, it will evaluate and consider the adequacy of the supervisory procedures in place to prevent such errors from recurring with any frequency.

From time to time, XN may elect to voluntarily reimburse Clients for losses suffered as a result of certain trade errors identified by XN or otherwise. However, notwithstanding the previous sentence, investors should not carry the expectation that a voluntary reimbursement will ever take place, and, in evaluating a Client, no decisions should be made in reliance on XN making any voluntary reimbursements to such Client for losses suffered as a result of such trade errors. Any decision to voluntarily reimburse is not precedential and should not create the expectation of any voluntary reimbursement in the future.

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

All investments are carefully reviewed by XN's investment team. Clients' 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.

Investors will receive reports in accordance with the terms of the Governing Documents including, but not limited to, account statements directly from the administrator of the applicable Client on at least a quarterly basis and other monthly and quarterly information on the Client provided by XN. XN may supplement this regular reporting with reports provided during client meetings or as requested. In addition, annual audited financial statements are provided to all investors generally within 120 days of each Client's fiscal year end. XN will also provide information necessary for its Clients' investors to complete their respective U.S. federal, state and local income tax returns.

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

XN does not receive any other economic benefits from non-Clients in connection with the provision of investment advice to Clients. Neither XN nor any of its affiliated entities is currently party to any arrangement under which it directly or indirectly compensates any person who is not an employee, including placement agents, for client referrals.

To the extent XN utilizes a placement agent in an offering, XN will provide prospective investors with detailed disclosures regarding a placement agent's compensation (and associated conflicts) via

applicable Client offering documents or separately. Prospective investors should carefully review such disclosures.

## **Item 15: Custody**

XN is deemed to have custody of Client funds and financial instruments where it has the authority to obtain Client funds or financial instruments, for example, by deducting advisory fees from a Client's account or otherwise withdrawing funds from a Client's account.

XN is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). It is not required, however, to comply (or will be deemed to have complied) with certain requirements of the Custody Rule with respect to Clients because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that Clients (i) be subject to an audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and (ii) distribute its audited financial statements to all investors within one hundred and twenty (120) days of the end of its Fiscal Year.

In addition, XN generally maintains each Client's funds and securities at prime brokers or a custodial bank, all of whom are "qualified custodians," as that term is defined under the Custody Rule. For any securities that are not held with qualified custodians (*e.g.*, certain uncertificated securities and other private securities), such securities will be held in accordance with the provisions of the Custody Rule and any applicable guidance from the SEC staff.

## **Item 16: Investment Discretion**

XN has entered into an investment management agreement, or similar agreement, with each Client, pursuant to which XN (or any applicable affiliate) has been granted discretionary trading authority. XN's investment decisions and investment advice with respect to each Client are subject to such Client's investment objectives and guidelines, as set forth in its Governing Documents.

XN has the authority to determine the securities, and the amount of securities, to be bought and sold without obtaining Client or investor consent to specific transactions.

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

In compliance with Rule 206(4)-6 under the Advisers Act, XN has adopted proxy voting policies and procedures. XN's general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies"), in a prudent and diligent manner that will serve the applicable Client's best interest and is consistent with each Client's investment objectives.

XN will consider various relevant factors, as determined by XN, which may include: (i) the impact on the value of the securities or instruments owned by the relevant Client and the returns on those securities; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices.

In limited circumstances, XN may refrain from voting Proxies where XN believes that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its Clients. Generally, investors and Clients may not direct XN's vote in a particular solicitation.

XN uses independent third-party Proxy voting services to provide Proxy analysis, voting recommendations and voting services. XN reviews the analysis and recommendations and determine how to vote each Proxy in accordance with its Proxy Voting policies and procedures.

Conflicts of interest may arise between the interests of XN's Clients and XN, in the context of the voting of Proxies. If XN determines that it has a conflict of interest when voting Proxies, XN will vote in accordance with its Proxy voting policies and procedures. XN will make its Proxy voting policies and Proxy voting record with respect to Clients available to an investor for review, upon request.

#### *Class Actions*

In the event that a Client becomes eligible to participate in a class action, XN will determine whether participation in such action is in the Client's best interest after considering any costs that may be incurred in connection therewith, as well as any profits that are reasonably likely to result from such participation. XN uses independent third-party services to monitor and advise on its ability to participate in active claims. Any proceeds ultimately received from a class action are expected to be credited to the applicable Client(s) for the benefit of the then-current investors only.

### **Item 18: Financial Information**

XN does not require the payment of fees or other compensation six months or more in advance. XN has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.