

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

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**March 28, 2024**

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**THIS BROCHURE PROVIDES INFORMATION ABOUT THE QUALIFICATIONS AND BUSINESS PRACTICES OF CTC CAPITAL MANAGEMENT, LLC. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS BROCHURE, PLEASE CONTACT US AT (312) 863-8000. THE INFORMATION IN THIS BROCHURE HAS NOT BEEN APPROVED OR VERIFIED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES AUTHORITY.**

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

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

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## **MATERIAL CHANGES**

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CTC Capital Management, LLC (“CTC”) previously filed a firm brochure with the U.S. Securities and Exchange Commission (“SEC”), dated March 31, 2023. CTC has revised Item 4 (Advisory Business) to reflect its current business in advising the Funds (as defined below) and made conforming changes throughout this Brochure. Investors in the Funds should carefully read this Brochure in its entirety.

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## ADVISORY BUSINESS

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CTC was founded in 2021 to provide trading and asset management services to U.S. and foreign investors and clients. CTC is a wholly-owned subsidiary of CTC Holdings, L.P.

CTC acts as a discretionary investment adviser to several private investment funds that invest in certain illiquid investment opportunities, including private securities and real estate (referred to as Wealth Management funds, “WM Funds”). CTC may also advise investment funds focused on global trading opportunities in equity, fixed income, and volatility products which may be mispriced due to stressed market conditions, market structure or other fundamental factors (“CTC Funds,” and together with the WM Funds, the “Funds”). CTC is not expected to act as an investment adviser to separately managed client accounts, but may do so in the future.

Because CTC’s advisory business is expected to be limited to providing advice to the Funds in accordance with their respective governing documents, CTC generally does not intend to tailor its advisory services to the individual needs of specific investors in any Fund. CTC’s advisory services are further described below under “*Methods of Analysis, Investment Strategies and Risk of Loss.*” CTC does not participate in any wrap fee programs.

As of December 31, 2023, CTC managed approximately \$182,731,344 of client assets on a discretionary basis.

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## FEES AND COMPENSATION

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Certain of the Funds pay CTC (or its affiliates) an asset-based fee equal to a specified percentage of the assets committed or invested (as applicable), either at the time of the launch of the fund and/or on a periodic basis during the life of the fund, as further described in the constituent governing documents for the applicable Funds. CTC also receives performance-based compensation with respect to the management of certain of the Funds, as further described in “*Performance-Based Fees and Side-by-Side Management*” below.

In lieu of paying CTC an ongoing asset-based management fee, certain Funds instead bear a share of the operating and overhead expenses incurred by CTC (such expenses, “CTC Operating and Overhead Expenses”), including, but not limited to: (i) salaries, bonuses and other compensation (e.g., deferred and incentive-based compensation and the funding thereof) and benefits for its employees, principals, members, partners and consultants; (ii) information and technology related expenses (e.g., fees, expenses and upgrade costs related to hardware, data, colocation, infrastructure (e.g., custom hardware, dark fiber, microwave and other networks), software and software development, API development, systems engineering, development and operation, development of analytical programs, risk management programs, trading tools, quote and order logic and management programs, information technology and data security programs and other systems designed to manage and control cyber security risk, hedging tools, connectivity, data, data hosting, and other similar items); (iii) fees and expenses (including the fees and expenses of any third-party regulatory compliance consultants or similar service providers, ongoing compliance expenses and related legal fees and expenses) associated with preparing and submitting regulatory filings and compliance related expenses (e.g., expenses relating to the preparation and filing of

CTC's SEC Form ADV and Form PF, Commodity Futures Trading Commission ("CFTC") Form CPO-PQR and National Futures Association ("NFA") Form PQR, and the expenses relating to CTC's registration as a commodity pool operator and membership in NFA); and (iv) overhead expenses (e.g., rent, utilities, supplies, administrative services and other similar items).

**Other Fees and Expenses.** The Funds incur other expenses in connection with CTC's advisory services and bear legal and organizational expenses in connection with their formation and initial offering, which are borne by the applicable Fund (and, therefore, indirectly by its investors). The expenses to be borne by each Fund will be subject to the terms and conditions of the applicable Fund's governing and subscription documents, and may include (but are not necessarily limited to): (i) expenses and filing fees related to the ongoing offering of equity interests and filing fees; (ii) brokerage fees and commissions and other transaction costs and investment-related expenses incurred in connection with the Fund's investment and trading activities, including expenses incurred in connection with the identifying, diligencing, evaluating, structuring, negotiating, consummating, financing, refinancing, developing, monitoring, operating, managing and maintaining, selling, valuing, winding up, liquidating or otherwise disposing of a Fund's actual or potential investments, including follow-on investments (whether or not consummated), earnest money amounts and fees associated with posting such earnest money (including, but not limited to, pursuit costs), private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, underwriting commissions and discounts, and legal, accounting, investment banking, consulting, environmental, survey, architect, information services and other professional fees and the costs of any other experts or consultants engaged by CTC in connection with specific investments, as well the Fund's share of any fees and expenses charged by any underlying investment fund in which such Fund invests (directly or indirectly); (iii) any interest, fees (including commitment fees), and implementation and other costs of fund-related borrowings (including borrowings related to positions held on margin); (iv) routine operational costs such as printing and duplication expenses, legal, accounting, director services, bookkeeping, recordkeeping, auditing, consulting and other professional expenses, administration (including the costs and expenses of the fund administrator and, in certain cases, an allocation of CTC's internal accounting costs), information technology and computer expenses, clerical and tax preparation expenses, including expenses incurred in connection with the preparation of a Fund's financial statements, audits, tax returns and Internal Revenue Service Schedule K-1s, and expenses for specialized administrative and other professional services (such as expenses associated with using services such as DocuSign in connection with subscriptions), all taxes (if any) imposed on the Fund (or that the Fund is required to withhold or pay with respect to any of its investors), and fees payable to governments or agencies; (v) its pro rata portion of any E&O, D&O, cyber or any other form of insurance related to the Fund and its management and operations; (vi) exchange, board of trade or other trading or execution facility membership or participation expenses; (vii) travel expenses of CTC related to the Fund's activities; (viii) market data, price quote data, newswire and data processing expenses, and connectivity charges; (ix) expenses incurred in connection with the carrying or management of investments, including custody charges, trustee, record keeping and other administration fees, capital expenditures, leasing fees and property management fees; (x) fees and costs payable in connection with preparing and mailing reports to investors in the Fund (including, but not limited to, costs related to any investor portal or other electronic communication portal); (xi) expenses relating to defaults by fund investors in the payment of any capital contributions made to the Fund (where applicable); (xii) expenses incurred in connection with any amendments to the constituent documents of the Fund and related entities; (xiii) expenses incurred in connection with the formation of any alternative investment vehicles/ special purpose investment vehicles through which the Fund may invest, to the extent permitted under the constituent documents of the Fund; (xiv) all other ordinary and out-of-pocket expenses of the Fund; and (xv) extraordinary expenses (e.g., litigation costs (including expenses incurred in connection with any settlement related to a portfolio investment), indemnification obligations, expenses of registering the Fund with any governmental agency under the requirements of any applicable law, and costs incurred in connection with a reorganization or restructuring of the Fund, or the winding up or liquidation of the Fund), if any. As investors in the

“master fund,” each “feeder fund” (and therefore, each of their respective investors) will bear its *pro rata* share of such expenses incurred by the master fund for so long as such feeder fund maintains its investment in the master fund.

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## **PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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As compensation for its management of certain Funds, CTC is entitled to receive performance-based compensation (which is in some cases in lieu of, and in other cases in addition to, payment of an asset-based fee and/or reimbursement of a portion of CTC Operating and Overhead Expenses by the applicable Fund, as further described in the constituent documents for such Fund). Subject to the terms of the applicable Fund, this performance-based compensation generally ranges from 10% to 20% of the increase in value (if any) of an investor’s investment in such Fund (which, for certain of the Funds investing in liquid assets, includes both realized and unrealized gains and losses) over the applicable measurement period, after recovery of losses experienced by such investment in prior periods and, in some cases, after returning profits to the investor in excess of a specified “preferred return.” For certain open-end Funds that invest in liquid assets, this calculation generally is performed separately for each separate investment in the applicable Fund, which means that a single investor could have multiple separate investments, and could be assessed this performance-based compensation with respect to some or all of those separate investments, depending on how each separate investment has performed, even if overall performance of the Fund in question is down. The specific terms governing the calculation and payment of any performance-based compensation to CTC and its affiliates are set out in the constituent documents of the Funds.

**Conflicts of Interest Related to Performance-Based Compensation and Varying Fee Rates.** A significant percentage of appreciation that would otherwise be allocated to the investors in a Fund that is subject to a performance-based fee or allocation will instead be paid to CTC or one of its affiliates. However, certain Funds do not pay such performance-based compensation to CTC, and/or pay lower amounts of performance-based or asset-based compensation to CTC than other Funds. This gives rise to a potential conflict of interest, as CTC may have an incentive to favor those clients that pay higher amounts of performance-based or other compensation to CTC over those other clients that pay lower amounts of such compensation, for example, seeking to direct more profitable investments to clients that are subject to more lucrative compensation arrangements with CTC or its affiliates. However, CTC’s Code of Ethics prohibits the allocation of investment opportunities based on anticipated compensation or profits to CTC, any affiliates or their professionals. In addition, due to the materially different investment focus of various families of Funds (as further described below), as well as differences in their respective investment periods, CTC does not anticipate conflicts to arise regularly with respect to the allocation of investment opportunities among the Funds. For a discussion of potential conflicts of interest that may exist, please see “*Methods of Analysis, Investment Strategies and Risk of Loss*” and “*Code of Ethics, Participation or Interest in Client Transactions*” below.

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## **TYPES OF CLIENTS**

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CTC provides investment advice to private investment funds operated by CTC. Currently, CTC operates the Funds in reliance upon the exclusion from the definition of an “investment company” described in Section 3(c)(1) of the Investment Company Act of 1940, as amended, although CTC may determine to rely on one or more other such exclusions in the future. In order to qualify for this exclusion, investment

in the Funds is generally limited to no more than 100 U.S. persons who are “accredited investors,” as defined in Rule 501 of Regulation D under the Securities Act of 1933, as well non-U.S. investors (provided that the Funds intend to accept investments from individuals who are “knowledgeable employees” of CTC and its affiliates, within the meaning of Rule 3c-5 under the Investment Company Act of 1940, as amended, and such investors will not count against the 100-beneficial owner limitation described above). In general, the definition of “accredited investor” includes (a) individuals with either (i) \$200,000 in annual income, (ii) \$300,000 in joint annual income with his/her spouse, or (iii) \$1,000,000 in net worth, excluding his/her primary residence; and (b) entities (i) with \$5 million in assets, or (ii) which are wholly-owned by other accredited investors.

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## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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The investment strategies that CTC implements on behalf of the Funds will vary across different fund families. The WM Funds employ targeted investment strategies that focus on illiquid opportunities in real estate, private equity and life settlements, either directly or through investments into third-party investment funds that own the applicable asset classes. The specific investment focus and strategy employed is set forth in the operative documents for such fund. With respect to the CTC Funds, CTC intends to employ a broad array of investment strategies and trade a variety of financial instruments that CTC determines are consistent with such funds’ investment objectives, including by utilizing a variety of opportunistic strategies, including equity event driven and merger arbitrage, volatility arbitrage, systematic credit, distressed credit, capital structure arbitrage and various other credit and macroeconomic strategies. For these funds, CTC intends to primarily focus on global trading opportunities in equity, fixed income and volatility products which may be mispriced due to stressed market conditions, market structure or other fundamental factors. CTC’s investment strategies are based on core technical and fundamental research and will seek to take advantage of its established risk management methods. The holding period and liquidity profile for CTC’s investment positions will vary by fund, based on strategy.

### **Certain Risk Factors.**

The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Investing in securities and other investment products involves the risk of loss that clients should be prepared to bear. Potential clients should consider the following risks before engaging CTC to manage their accounts.

### **Risks Specific to the WM Funds.**

*Illiquid Investments.* The securities and other instruments in which certain WM Funds will invest include assets that are subject to legal or contractual restrictions on their resale (e.g., securities issued by privately-held entities) or for which there is a relatively inactive, “thin” or illiquid trading market, making purchases or sales at desired prices or in desired quantities difficult or impossible. Illiquid investments may be required to be held for a lengthy period of time and often require more time to sell and result in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or for which there is an active over-the-counter market. In addition, due to thin trading in certain securities or other instruments, investments in such securities or instruments may be less liquid than alternative investments for which there is a more active trading market, which could cause CTC to suspend a fund’s net asset value calculations and/or withdrawals and/or take other steps to manage the illiquidity associated with such investment. Therefore, investments in illiquid or thinly-traded securities or other instruments may reduce the returns to investors because CTC may be unable to sell the illiquid or thinly-traded securities or other instruments at an advantageous time or price.

*Risks Related to Investing in Underlying Funds.* Certain WM Funds are expected to access illiquid investment opportunities by investing in closed-ended investment funds operated by third-party investment managers. In such cases, the WM Fund generally will be unable to, at its option, redeem or withdraw its investment in the underlying fund. In addition, there generally are significant restrictions associated with the WM Fund's ability to sell, transfer or otherwise dispose of its investment in any such underlying fund. Further, the length of the WM Fund's investment in any such underlying fund depends on the term of such underlying fund, which term could be extended from time to time in accordance with such underlying fund's governing documents. Accordingly, the duration of the WM Fund's investment in an underlying fund is generally expected to be a very extended period of time.

In addition, where a WM Fund invests in an underlying fund with a third-party manager, CTC generally will have no control over the investments made by the underlying fund or the leverage utilized, or the risks assumed by such underlying fund. Because the managers of such underlying funds typically invest on a fully discretionary basis on behalf of their respective funds, their results, apart from normal market risk, depend entirely upon their own abilities and efforts. In addition, it may be difficult, if not impossible, for CTC to protect the WM Funds from the risk of an underlying fund manager's fraud, misrepresentation or material strategy alteration. In an effort to minimize this risk, certain aspects of the operational due diligence process performed by CTC seek to confirm the legitimacy and accuracy of information provided by underlying fund managers. However, there is no guarantee that any such processes will be successful or otherwise mitigate risk.

*Layering of Fees.* Where a WM Fund invests in an underlying fund, the WM Fund's direct expenses, coupled with its indirect portion of the fees and expenses of the underlying fund, including the compensation of the underlying fund's manager(s), will result in greater fees and expenses than would be associated with direct investment. A WM Fund's expenses thus may constitute a higher percentage of its assets than expenses associated with other investment entities.

*Private Placements.* Certain WM Funds invest in private investments, either directly or through an underlying fund. Private investments may offer the opportunity for significant gains, but also involve a high degree of risk, including the complete loss of capital. Among these risks are the general risks associated with investing in companies operating at a loss or with substantial variations in operating results from period to period and investing in companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including competition from companies with greater financial resources, more expansive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. A WM Fund may invest in the form of equity or "equity linked" securities. As a result, the rights or claims of such WM Fund may be subordinate to those of other parties, including debt or senior equity holders, in the event of the failure of the issuing company. The companies in which a WM Fund invests may be thinly traded and undercapitalized and therefore may be more sensitive to adverse business or financial developments. In the event that a company in which a WM Fund invests is unable to generate sufficient cash flow or raise additional equity capital to meet its projected cash needs, the value of such WM Fund's investment in such company could be significantly reduced or even lost entirely. Business risks may be more significant in smaller or development-stage companies, including intense competition, changing business and economic conditions or other developments that may adversely affect their performance. Profits of any WM Fund, if any, may be derived from a relatively small number of investments in private placements. The goal of making investments in companies that will provide superior investment returns will be difficult to achieve. There is no guarantee that any WM Fund will be able to invest its capital on attractive terms or that returns on such investments will exceed returns on alternative investments available to prospective investors in such WM Fund. The ability of any WM Fund to liquidate its positions and generate profits from its



investments in private placements may also be adversely affected by a failure of the companies in which such WM Fund invests to comply with registration, conversion, exchange or other obligations under the agreements pursuant to which such securities have been sold to such WM Fund.

*Risks Inherent in Private Equity and Venture Capital Investments.* Private Equity and venture capital investments involve a high degree of risk. In general, financial and operating risks confronting portfolio companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that a WM Fund that invests (directly or indirectly) in such investment opportunities will be adequately compensated for risks taken. A loss of an investor's entire investment is possible. The timing of profit realization is highly uncertain. Losses are likely to occur early in the term of the investment, while successes often require a long maturation.

Early-stage and development-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. In addition, such companies may require substantial amounts of financing, which may not be available through institutional private placements or the public markets. In addition, the markets that such companies target are highly competitive and in many cases the competition consists of larger companies with access to greater resources. The percentage of companies that survive and prosper can be small.

Investments in more mature companies in the expansion or profitable stage also involve substantial risks. Such companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire other businesses, or develop new products and markets. These activities by definition involve a significant amount of change in a company and could give rise to significant problems in sales, manufacturing, and general management of these activities.

*Special Situation Investments/Distressed Companies.* A WM Fund may directly or indirectly invest in start-up companies, companies developing new products or companies seeking to raise additional capital for expansion. In addition, a WM Fund may invest in companies involved in bankruptcy or other reorganization and liquidation proceedings. Although such investments may result in significant returns, they involve a substantial degree of risk. Any one or all of the issuers of such investments may be unsuccessful or not show any return for a considerable period of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that CTC or any underlying fund manager (as applicable) will evaluate correctly the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which a WM Fund invests, such WM Fund may lose its entire investment or may be required to accept cash or illiquid securities with a value less than such WM Fund's original investment.

*Non-Controlling Investments.* An underlying fund in which a WM Fund invests may hold meaningful minority stakes in companies. As is the case with minority holdings in general, such minority stakes will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. An underlying fund may also invest in companies for which such underlying fund has no right to appoint a director or otherwise exert significant influence. In such cases, such underlying fund will be reliant on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom such underlying fund is not affiliated and whose interests may conflict with the interests of such underlying fund.

*Co-Investment Risks.* A WM Fund may (directly or indirectly) co-invest in certain investments with third parties. Co-investments involve risks not present in investments where third-party co-investors are not

involved, including the possibility that a third-party co-investor may at any time have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of such WM Fund, or may be in a position to take (or block) action in a manner contrary to such WM Fund's investment objectives. In addition, a WM Fund may in certain circumstances be liable for actions of the third-party co-investors. Furthermore, if a co-investor defaults on its funding obligations, a WM Fund may be required to make up the shortfall and/or be subject to other penalties under the terms of the applicable co-investment.

*Need for Follow-On Investments.* Following its initial investment in a given portfolio company (directly or indirectly), a WM Fund may decide (or be obligated) to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that such WM Fund (or any underlying fund through which it may invest) will make, or have sufficient funds to make, any such follow-on investments. Any decision not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment. Additionally, such failure to make such investments may result in a lost opportunity for a WM Fund (directly or indirectly) to increase its participation in a successful portfolio company or the dilution of such WM Fund's existing ownership in a portfolio company if a third party invests in such portfolio company.

*Real Estate Investments Are Subject to the Risks Inherent in the Real Estate Market.* Real estate historically has experienced significant fluctuations and cycles in performance that may result in reductions in the value of a WM Fund's (and its underlying funds', if any) real estate and real estate related investments. The performance and value of a WM Fund's investments once acquired depend upon many factors beyond CTC's control. The ultimate performance and value of a WM Fund's investments are subject to the varying degrees of risk generally incident to the ownership and operation of the properties in which such fund invests. Revenues and cash flows from a WM Fund's investments may be adversely affected by:

- changes in national or local economic conditions, including unemployment rates and consumer spending/confidence;
- changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics;
- the supply of available properties to acquire at attractive pricing in a particular market;
- competition from other investors pursuing the same or similar strategies;
- competition from other properties offering the same or similar services and amenities, including technology capabilities;
- rising labor, materials and financing costs;
- access to transportation, highways and roadways;
- changes in interest rates and in the state of the debt and equity capital markets;
- the on-going need for capital improvements, particularly in older building structures;
- changes in real estate tax rates and other operating expenses;

- civil unrest, acts of God, including earthquakes, hurricanes and other natural disasters, acts of war or terrorism, which may decrease the availability of or increase the cost of insurance or result in uninsured losses;
- changes in governmental rules/regulations and fiscal policies which may result in adverse tax consequences, unforeseen increases in operating expenses generally or increases in the cost of borrowing;
- the bankruptcy or liquidation of major tenants or a decline in the business operated by tenants;
- adverse changes in zoning laws;
- the impact of present or future environmental legislation and compliance with environmental laws;
- the impact of lawsuits which could cause the WM Fund to incur/bear significant legal expenses and divert management's time and attention away from the day-to-day operations of the WM Fund; and
- other factors that are beyond the WM Fund's control and the control of the property owners.

In the event that any of a WM Fund's investments experience any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted.

*Lack of Diversification.* The WM Funds may make a limited number of investments and the investments made by such funds may not be widely diversified geographically or by asset class or industry. A limited degree of diversification increases risk because, as a consequence, the aggregate return of the WM Funds may be substantially adversely affected by the unfavorable performance of even a single investment. A lack of geographic diversification increases risk due to fluctuations in local or regional economies. A lack of asset class and industry diversification increases risk because factors contributing to negative performance may be more likely to impact a larger proportion of a WM Fund's underlying portfolio where its assets are closely correlated with each other.

*Non-Control Investments.* In certain situations, a WM Fund may (a) acquire only a minority interest in a property, portfolio, company or other asset in which it invests, (b) rely on independent third-party management or strategic partners with respect to the management of a property, company or other asset in which it invests, or (c) acquire only a participation interest in an asset underlying an investment, and therefore may not be able to negotiate the terms of the underlying investment nor exercise control over the management of such investment. The WM Funds may also co-invest with third-parties through partnerships, joint ventures or other entities, thereby acquiring non-controlling interests in certain investments. Therefore, the WM Funds may not be able to exercise control over the investment. Such financial assets may involve risks not present in investments where third-party controlling investors are not involved. In addition, in these circumstances, the WM Funds may not receive sufficient information in order to monitor the performance of their investments.

*Investments in Multifamily Properties.* The WM Funds that focus on real estate investments focus primarily on investing in multifamily residential rental properties. A large number of risk factors may affect the value and successful operation of such properties, including: physical attributes of the property such as its age, condition, design, appearance, access to transportation and construction quality; location of the property; ability of management to provide adequate maintenance and insurance; the types of

services or amenities that the property provides; the property's reputation; the level of mortgage interest rates and availability of government incentives, which may encourage tenants to purchase rather than lease housing; presence of competing properties; the tenant mix, such as the tenant population being predominantly students or being heavily dependent on workers from a particular business or personnel from a local industrial unit; adverse local or national economic conditions, which may limit the amount of rent that may be charged and may result in a reduction of timely rent payments or a reduction in occupancy levels; state and local regulations, which may affect the building owner's ability to increase rent to the level of market rents for an equivalent apartment; government assistance/rent subsidy programs; and the inventory of unsold condominium units in the local market that are being rented until economic conditions in the condominium market improve. If any of such risk factors are heightened or the conditions associated with such risk factors deteriorate in the continuing economic crisis, the investments of a WM Fund in multifamily properties may incur losses.

*Interest Rate and Hedging Risks.* The WM Funds that focus on real estate investments may employ various hedging strategies to limit the effects of changes in interest rates (and in some cases credit spreads), including engaging in interest rate caps. No strategy can completely insulate the WM Funds from the risks associated with interest rate changes and there is a risk that they may provide no protection at all and potentially compound the impact of changes in interest rates. Hedging transactions involve certain additional risks, such as counterparty risk, the legal enforceability of hedging contracts, the early repayment of hedged transactions and the risk that unanticipated and significant changes in interest rates may cause a significant loss of basis in the contract and a change in current period expense. Thus, while the WM Funds may benefit from the use of hedging mechanisms, unanticipated changes in interest rates, securities prices or currency exchange rates may result in a lower overall performance for the WM Fund than if it had not entered into such hedging transactions. Neither CTC nor the WM Funds can make any assurances that it will be able to enter into hedging transactions or that such hedging transactions will adequately protect against the foregoing risks. In addition, cash flow hedges which are not perfectly correlated (and appropriately designated/documented as such) with a variable rate financing will impact the reported income of the WM Funds as gains, and losses on the ineffective portion of such hedges will be recorded.

*Risks Associated with Investments Related to Life Settlements.* Certain of the WM Funds will invest indirectly in life settlements, which are agreements involving the sale of an existing life insurance policy to a third-party in exchange for a payment that exceeds the cash surrender value of the policy but is less than its net death benefit. Such investments are subject to a number of material risks, such as the following:

- *Insurable Interest, Life Expectancy Extension and Increased Premiums Risks.* Most state statutes require that the policy owner or beneficiary must have an identifiable and acceptable interest in the person being insured (an "insurable interest") at the time the insurance contract becomes effective; however, a carrier or beneficiary could allege in a lawsuit before or after the applicable contestability period that a life insurance policy should be void as against public policy based on a lack of insurable interest, which would result in the applicable underlying fund incurring a total loss on that investment. Also, the Partnership will be subject to the risk that major life expectancy underwriters may change their actuarial models or tables or that the Society of Actuaries may publish a new valuation basic table (which is often used as a standard in the life settlements industry) or that medical advances may extend the lives of the persons insured under life settlement investments. Further, life insurance policies typically provide insurance carriers with the right to increase the premiums applicable to a particular policy as long as the insurance carrier does so for all other policyholders within that block, class or product of policyholders. If the life expectancy of an insured underlying any of a WM Fund's life settlement investments is thereby

extended or premiums are increased, the underlying fund through which the WM Fund invests may be required to risk more capital than originally modeled or expected to keep the underlying policy in force, thereby reducing and potentially eliminating any profit that the WM Fund might have realized.

- *Receipt of Maturity Proceeds Risk.* There is the risk that with respect a policy underlying a life settlement investment: (i) the insured or the initial owner of such policy will not fulfill the obligations it assumed on the settlement of the policy; (ii) the insured under such policy may go missing, or that there may be a delay in ascertaining that an insured has died or in obtaining required documentation needed to claim the death benefit under the policy; or (iii) an underlying fund's ownership of such policy or right to receive life insurance proceeds thereunder may be challenged by the carrier, a family member or other potential beneficiary of the insured. The occurrence of any of the foregoing could put at risk the ability of a WM Fund to receive proceeds from a sale or maturity of such a policy by the underlying fund and could cause the WM Fund to bear collection or litigation costs incurred by the underlying fund.
- *Life Settlement Regulation.* Life settlement transactions in the primary market are currently subject to regulation by local insurance regulators in the most states. In addition, the vast majority of states treat life settlements as securities. In most instances, an underlying fund will not be able to sell life settlements without complying with state and federal securities laws, which could limit the underlying fund's ability to establish its portfolio or operate profitably and may impose administrative costs.

The financing and settlement of life insurance policies is a relatively new industry and asset class, and it is subject to numerous potential adverse changes, such as changes in laws (including applicable tax laws, federal insurance laws, banking laws or medical information confidentiality laws) and changes in the terms of transactions that may be available in the market. Furthermore, the life insurance industry is generally opposed to life settlement transactions and continues to attempt to make them more difficult and/or costlier. At present, CTC has no reason to believe that the underlying funds through or with whom the WM Funds will invest will not be able to comply with the regulatory and licensing requirements of any particular jurisdiction. However, there can be no assurance that the underlying funds or any of the relevant service providers will be able to comply with newly enacted laws or regulations. In addition, regulatory action for statutory or regulatory infractions could involve fines or revocation of the underlying funds' ability to conduct their business.

Furthermore, there has been, and continues to be, litigation in various jurisdictions concerning the applicability and scope of regulation of life settlements as a type of investment security, including civil actions and regulatory proceedings relating to various aspects of the viatical and life settlement transaction process that involve companies engaged in the life settlements industry.

- *Adverse Scrutiny or Publicity Related to the Life Settlements Market.* Many regulators, lawmakers and other governmental authorities, as well as many insurance companies and insurance industry organizations, are hostile to, or otherwise concerned about certain aspects of, the life settlements market. The life settlement industry and some of its participants have also been, and may continue to be, portrayed negatively in a number of widely read publications and other forms of media. These opponents regularly contend that life settlement and "viatical" transactions are contrary to public policy by promoting financial speculation on human life and often involve elements of fraud and other wrongdoing. Continued public opposition to the life

settlements industry, as well as actual or alleged wrongdoing by participants in the industry, could have a material adverse effect upon the value and/or liquidity of a WM Fund's investments in an underlying fund engaged in life settlement investments.

*Leverage.* The WM Funds that invest directly or indirectly in real estate assets will use a significant amount of leverage in connection with the acquisition of properties. The failure to obtain leverage at the contemplated levels, or to obtain leverage on attractive terms, could have a material adverse effect on such WM Funds. Such WM Funds (and/or the underlying funds in which they invest) may also incur additional fees and expenses in the event leverage is repaid in full or in part before the applicable maturity date. Leverage will increase the exposure of each property to adverse economic factors such as significantly rising interest rates, economic downturns or deteriorations in the condition of the property or its market.

#### **General Risks Related to the CTC Funds.**

*Exposure to Dynamic Investment Strategy.* CTC may not follow one specific investment strategy, but rather, may employ different trading strategies which it determines are consistent with the CTC Funds' investment objective. Because CTC may change the CTC Funds' allocation of assets among a variety of diverse investments and strategies at any time, investors in the CTC Funds will be exposed to the risks associated with each of those investments and strategies but will not know at the time of investment, or over the duration of their investment, the precise nature of such exposure. An investment in the CTC Funds therefore involves a high degree of uncertainty and investors will be exposed to a significant degree of risk.

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

*Event-Driven Strategies.* A portion of the CTC Funds' investments may involve speculative purchases or sales of securities of companies that CTC believes are mispriced because of an extraordinary event, or that are expected to undergo a change in value because of an expected occurrence. This may include companies that are involved in (or are the target of) acquisition attempts or tender offers, work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special event, there is a risk that the contemplated event either will not occur (for example, for failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will fail to have the expected result on the price of the securities purchased by a CTC Fund (for example, by resulting in a distribution of cash or a new security, the value of which is less than the purchase price of the securities in respect of which such distribution was made). There is substantial uncertainty concerning the outcome of such events and attempting to identify and make investments based on the predicted the outcome of such events entails a high degree of risk. Accordingly, there can be no assurance that CTC will correctly evaluate the likelihood of a favorable investment outcome in connection with such events, which could result in substantial losses to the CTC Funds.

*Investments in Undervalued Equity and Equity-Related Securities.* The CTC Funds may invest in undervalued equity and equity-related securities. The identification of investment opportunities in undervalued securities is a difficult task. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from such investments may not adequately compensate the CTC Funds for the business and financial risks assumed. The CTC Funds may take certain speculative investments in securities which CTC believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. In addition, the CTC Funds may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the CTC Funds' assets may be committed to the securities purchased, thus possibly preventing the CTC Funds from investing in other opportunities. If the CTC Funds take long positions in stocks that decline and short positions in stocks that increase in value, then the losses of the CTC Funds may exceed those of other portfolios that hold long positions only.

*Reliance on Quantitative Analysis.* CTC's investment strategies are expected to rely upon quantitative models and systems. Such models and systems may entail the use of sophisticated statistical calculations and complex computer systems, and there is no assurance that CTC will be successful in carrying out such calculations correctly or that the use of these quantitative models and systems will not expose the CTC Funds to the risk of significant losses. The efficacy of the trading signals produced by each CTC Fund's models and systems is dependent on a number of factors, including, without limitation, the analytical and mathematical foundation of such models and systems, the accurate incorporation of such principles in a complex technical and coding environment, the quality of the data introduced into such models and systems, and the successful deployment of the outputs into the investment process. In addition, the analytical techniques used by CTC cannot provide any assurance that the CTC Funds will not be exposed to the risk of significant trading losses if the underlying patterns that form the basis for the quantitative models and systems employed by CTC change in ways not anticipated by CTC. The effectiveness of quantitative models and systems may diminish over time and attempts to apply existing quantitative models and systems to new or different markets, strategies or financial instruments may prove ineffective.

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

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

*Market Neutral Strategies.* CTC may employ market neutral strategies on behalf of the CTC Funds. The use of any "market neutral" or "relative value" hedging or arbitrage strategies should in no respect be taken to imply that CTC's strategies are without risk. Substantial losses may be recognized on "hedge" or "arbitrage" positions, and illiquidity and default on one side of a position can effectively result in the position being transformed into an outright speculation. Every market neutral or relative value strategy

involves exposure to some second order risk of the market, such as the implied volatility in convertible bonds or warrants, the yield spread between similar term government bonds or the price spread between different classes of stock for the same underlying issuer. Further, CTC's "market neutral" strategies may employ limited directional strategies that expose the CTC Funds to certain market risks.

*Equity Securities.* CTC will trade in equity securities on behalf of certain of its clients. Common stock and similar equity securities generally represent the most junior position in an issuer's capital structure and entitle the holder to dividends only if and to the extent declared by the issuer. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments. The securities of smaller companies may involve more risk and their prices may be subject to more volatility.

*Trading in Options.* Among the Financial Instruments that the CTC Funds may trade are options. Trading in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. If CTC buys an option for a client, the client will be required to pay a "premium" representing the market value of the option and may lose the entire amount of the premium unless it becomes profitable to exercise or offset the option prior to its expiration. Conversely, if CTC sells an option on behalf of a client, the client will be credited with the premium, but may be subject to an unlimited risk of loss based on fluctuations in the price of the underlying asset if the option is exercised.

*Commodities and Futures Trading.* CTC may invest in certain futures products on behalf of its clients. Substantially all trading in futures has as its basis a contract to purchase or sell a specified quantity of a particular asset for delivery at a specified time, although certain futures contracts, such as market index futures contracts, may be settled only in cash based on the value of the underlying composite index. Futures prices may be highly volatile and can be influenced by a wide range of macro- and micro-economic variables. Futures trading also is subject to various regulatory limitations, including limitations on the maximum net long or net short positions that any trader (such as CTC) may hold or control in particular futures contracts and limitations on daily price movements, which could limit CTC's ability to trade futures under certain circumstances. Because futures contracts are typically traded on "margin"—meaning that only a small portion of the total value of the futures contract must be posted with a broker to establish a futures position—a comparatively small commitment of cash or its equivalent may permit trading in futures contracts of substantially great value. As a result, price fluctuations may result in a contract profit or loss that is disproportionate to the amount of funds deposited as margin.

*Trading in ETFs.* CTC may invest in ETFs on behalf of its clients, both long and short. ETFs are funds that track a particular basket or index of securities traded on a public exchange such as the American Stock Exchange. ETF investments are subject to the risks arising from the portfolio of underlying stocks, including market and issuer risks, but may also present certain unique risks. It is possible for the value of ETFs to fall or to rise more slowly than the stock market as a whole even when stock prices in general are rising. In addition, the fees and expenses charged by such ETFs result in an additional level of fees and greater expense to clients than would be associated with direct investment.

*Turnover.* CTC expects to invest client assets on the basis of short-term market considerations. The portfolio turnover rate of investments for clients may be significant, and therefore may incur substantial brokerage commissions, mark-ups and fees that will reduce the client's investment returns.

*Over-the-Counter and Other Derivative Instruments in General.* CTC may use various derivative instruments, including futures, options, forward contracts, swaps and other derivatives which may be volatile and speculative. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Derivative instruments may not be liquid in all circumstances, so that in volatile markets CTC may not be able to close out a position without



incurring a loss to the CTC Funds. Trading in derivative instruments also may result in large amounts of leverage, which may magnify the gains and losses experienced by the CTC Funds, as well as the volatility in their investment portfolios. CTC may trade over-the-counter derivative instruments including swap transactions, forward foreign currency transactions and derivatives on bonds and other fixed income securities. Over-the-counter instruments, unlike exchange traded financial instruments, are negotiated, two-party contracts. Because performance of over-the-counter instruments is not guaranteed by any exchange or clearinghouse, the CTC Funds will be subject to the risk of the inability or refusal to perform with respect to such instruments on the part of the counterparties with which they trade.

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

*Trading in Currencies.* CTC may trade currencies and related financial instruments. The CTC Funds are expected to only trade such instruments in interbank and forward contract markets which CTC believes to be well-established and of recognized standing. Nonetheless, the CTC Funds may be exposed in the interbank market to risks associated with any government or market action that might suspend or restrict trading or otherwise render illiquid, in whole or in part, the funds' positions. Although certain currency trades may be effected through exchange-traded instruments, the foreign currency market remains predominantly an over-the-counter market, and is therefore subject to the risks typical to over-the-counter trading. CTC may effect such trades with brokers, banks and other market participants which it believes to be creditworthy. When a CTC Fund uses currency forward contracts and similar instruments for hedging purposes, an imperfect or variable degree of correlation between price movements of such instrument and the underlying investment sought to be hedged may prevent such CTC Fund from achieving the intended hedging effect or may expose the fund to the risk of loss.

*Trading in Digital Assets.* The CTC Funds may invest in certain digital assets. Due to the limited history of digital assets and the rapidly evolving nature of the digital assets market, it is not possible to know all the risks involved in making an investment in digital assets, and new risks may emerge at any time. Digital assets have gained some commercial acceptance only within the past decade and, as a result, there is little data on their long-term investment potential or adoption in the marketplace. Additionally, due to the rapidly evolving nature of the digital assets market, including the development of new digital assets and advancements in the underlying technology, it is not possible to predict which digital assets any CTC Fund may own in the future or even to fully describe those potential digital assets. New digital assets or changes to existing digital assets may expose the CTC Funds to additional risks which are impossible to predict. This uncertainty makes each CTC Fund's investments in digital assets highly speculative.

*Fixed-Income Investments.* The CTC Funds are expected to invest in fixed-income financial instruments. The value of fixed-income financial instruments will change as the general levels of volatility and interest rates fluctuate. When interest rates decline, the value of fixed-income financial instruments can be expected to rise. Conversely, when interest rates rise, the value of such financial instruments can be expected to decline. To the extent that interest rates move in a direction contrary to the direction anticipated by CTC, the overall investment performance of the relevant CTC Fund will be affected. The

market value of fixed-income financial instruments also varies according to the relative financial condition of the issuer. Investments in lower rated or unrated fixed-income financial instruments, while generally providing greater opportunity for gain and income than investments in higher rated financial instruments, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such financial instruments).

*Credit Risk of Issuer.* The CTC Funds may invest in financial instruments that have built-in convertibility (from debt to equity) features. The risks associated with such financial instruments include credit risk. Credit risk is the possibility that an issuer will be unable to make interest payments and repay principal when due. Changes in an issuer's financial strength or in a convertible instrument's credit rating may affect such instrument's value. Financial instruments rated below investment grade, sometimes called "junk bonds," generally have more credit risk than higher rated instruments.

*Asset-Backed Securities.* CTC may invest in asset-backed securities ("ABS") on behalf of the CTC Funds. ABS are debt obligations or debt securities that entitle the holders thereof to receive payments that depend primarily on the cash flow from underlying financial assets, together with rights or other assets designed to assure the servicing or timely distribution of proceeds to holders of such securities. The structure of an ABS and the terms of the investors' interest in the collateral can vary widely depending on the type of collateral, the desires of investors and the use of credit enhancements. Although the basic elements of all ABS are similar, individual transactions can differ markedly in both structure and execution. Holders of ABS bear various risks, including credit risks, liquidity risks, interest rate risks, market risks, operations risks, structural risks and legal risks. In addition, concentrations of ABS of a particular type, as well as concentrations of ABS issued or guaranteed by affiliated obligors, serviced by the same servicer or backed by underlying collateral located in a specific geographic region, may subject the holder to additional risk. As a result, the CTC Funds' investments in ABS could decline substantially in value.

*Technical Trading Systems.* CTC also may rely on technical trading systems. For any technical trading system to be profitable, there must be price moves or "trends" – either upward or downward – in some security, derivative or other asset that the system can track and those trends must be significant enough to dictate entry or exit decisions. Trendless markets have occurred in the past and are likely to recur. In a trendless or erratic market, a technical trading system may fail to identify a trend on which action should be taken or may overreact to minor price movements and thus establish a position contrary to overall price trends, which may result in losses. In addition, a technical trading system also may underperform other trading methods when fundamental factors dominate price moves within a given market. Technical systems also may be profitable for a period of time, after which the system fails to detect correctly any future price movements. Accordingly, technical traders often modify or replace their systems on a periodic basis. Any factor (such as increased governmental control of, or participation in, the markets traded) that lessens the prospect of sustained price moves in the future may reduce the likelihood that technical systems that may be used by CTC will be profitable.

*Leverage.* The low margin and collateral deposits required to trade many exchange-traded derivatives may permit an extremely high degree of leverage. In addition, CTC may utilize broker-provided financing in its trading on behalf of clients and, although it is not anticipated, may utilize borrowings for purposes of covering margin requirements applicable to the CTC Funds' futures and related positions. The degree of leverage that CTC may utilize may not be limited to any predetermined level, but will be subject to applicable legal, regulatory or broker imposed leverage limitations, to the extent applicable. As a result of trading with a high degree of leverage, a relatively small price movement in a financial instrument's price may result in immediate and substantial losses to clients, and could result in the mandatory liquidation of certain positions if margin requirements are not satisfied. If a client is in a leveraged position, any losses would be more pronounced than if leverage were not used and, under particularly adverse circumstances, could exceed the client's capital under CTC's management.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with CTC's investment program or an investment in any fund or account advised by CTC. Prospective clients and investors must consult their own advisers before deciding whether to make such an investment. Investors and prospective investors should carefully review the sections on Risk Factors of the offering documents of the applicable Fund(s). Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of CTC.**

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## **DISCIPLINARY INFORMATION**

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

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## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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CTC is a wholly-owned subsidiary of CTC Holdings, L.P., which, through its various subsidiaries and affiliates (collectively, "Chicago Trading Company"), is a registered broker-dealer and proprietary options market making firm and trades in various financial instruments, including index and equity derivatives products, fixed income and energy products. The managers of CTC General Partner, LLC, which acts as the general partner of CTC Holdings, L.P., as well as CTC's Chief Compliance Officer and certain other employees of CTC, are also registered with CTC, LLC, a broker-dealer under common control with CTC.

CTC, Wealth Management and Chicago Trading Company are owned by various principals of CTC Holdings, L.P., including Andrew Hall. Certain principals and employees of CTC may devote a substantial portion of their time to the management and strategic direction of, and/or options market making and other proprietary trading activities on behalf of, Chicago Trading Company. CTC's principals and employees may perform these duties for CTC as well as Chicago Trading Company. In particular, Andrew Hall is an executive officer of Chicago Trading Company and is expected to devote a portion of his time and attention to the business operations of Chicago Trading Company, over which he is expected have substantial oversight and control.

As a result of these relationships, conflicts of interest may arise between the Funds and CTC, its principals and their respective affiliates with respect to matters such as the allocation of investment opportunities, purchases and sales of financial instruments in connection with particular trading situations and allocation of personnel, resources and expenses. CTC seeks to mitigate these potential conflicts of interests in several ways. First, the WM Funds are not expected to have overlapping investment mandates with Chicago Trading Company, in light of the focused, illiquid investment strategies employed by CTC on behalf of the WM Funds, and CTC therefore does not believe that Chicago Trading Company's investment activities will create a material conflict of interests with the WM Funds. Second, the other investment strategies implemented by CTC are distinct from those of Chicago Trading Company, and principals and employees of Chicago Trading Company who want to invest pursuant to CTC's strategies may do so only by investing in the applicable Funds. CTC believes that requiring this separation between CTC's and Chicago Trading Company's strategies reduces the risk of conflicts between the two firms. Third, the markets in which CTC trades (other than with respect to the WM Funds) are generally liquid,

public markets, and therefore it is not anticipated that CTC and Chicago Trading Company will regularly be in competition with one another for limited investment opportunities. Finally, trading by principals and personnel of CTC and Chicago Trading Company will be subject to CTC's Code of Ethics and personal trading policy, as described below in "*Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*," which seeks to mitigate the conflicts described above. Among other things, CTC's Code of Ethics will require employees to pre-clear certain securities transactions for their personal accounts with appropriate personnel of CTC and prohibits derogating the interests of clients to those of CTC principals or affiliates.

**Other Clients.** Although CTC and its affiliates manage investments on behalf of a number of accounts, investment decisions and allocations will not, in many cases, be made in parallel among all such accounts. Other accounts managed by CTC, Chicago Trading Company or their respective principals or affiliates may make investments and utilize investment strategies that may not be made or utilized by CTC on behalf of all (or any) of the Funds and may take positions that are opposite those of all or some Funds. Accordingly, the various accounts managed by CTC, Chicago Trading Company and their respective principals and affiliates may produce results that are materially different from those experienced by a particular Fund, and the records of any investment management activities that CTC, Chicago Trading Company and their respective principals and affiliates may engage in on behalf of such other accounts will not be available to any such client.

**Other Activities of CTC and Related Persons.** As described above, certain key personnel of CTC are also involved in the operations of Chicago Trading Company. Although these individuals are expected to commit an appropriate amount of their business efforts to CTC, they are not required to devote all of their time to the affairs of CTC or of a particular Fund.

CTC, Chicago Trading Company, and the principals and affiliates of CTC and Chicago Trading Company, may engage in, invest in, participate in or otherwise enter into other business ventures of any kind, nature or description, alone or with others, including, without limitation, the management of or investment in other investment or trading accounts, entities or vehicles, and clients shall have no right in or to any such activities or the income or profits derived therefrom.

CTC, and the principals and affiliates of CTC and Chicago Trading Company, may invest and trade for their own accounts, including in securities which are the same as or different or opposite from those traded or held by the Funds. As a result, CTC, and the principals and affiliates of CTC and Chicago Trading Company, may from time to time have proprietary investments in securities in which a Fund may take a position, may trade and invest simultaneously with the Funds and may take investment positions that are different or opposite from the positions taken by the Funds. As a result, conflicts of interest may arise between the Funds and CTC or the principals or affiliates of CTC and/or Chicago Trading Company with respect to matters such as the allocation of investment opportunities, purchases and sales of securities in connection with particular trading situations and allocation of personnel, resources and expenses. The records of trading by CTC and the principals and affiliates of CTC and Chicago Trading Company generally will not be made available to clients, except to the extent required by law.

**Affiliated Real Estate Operator.** An affiliate of CTC owns a non-controlling equity interest in a real estate operator with which certain of the WM Funds have, and may gain in the future, co-invest in direct real estate investments (the "Affiliated Operator"). The Affiliated Operator may charge fees and carried interest to the investors, including the WM Funds, in its sponsored investments. As an investor in such sponsored investments, a participating WM Fund will bear its pro rata share of any such fees and carried interest. CTC's affiliate will be entitled to a portion of such fees and carried interest and any such amounts will not be shared with the WM Funds or offset the fees payable by the WM Funds to CTC and

its affiliates. This fee sharing arrangement may incentivize CTC to invest the WM Funds' capital with the Affiliated Operator.

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

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**Code of Ethics.** CTC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the protection of client trading opportunities, confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, limitations on and procedures regarding outside business activities, and personal securities trading procedures, among other things. All supervised persons at CTC must acknowledge the terms of the Code of Ethics annually, or as amended.

CTC's Code of Ethics includes a personal securities trading policy that applies to the personal trading accounts of all of CTC's "access persons" (as described in the Code of Ethics), including accounts for certain members of their families and households and certain related entities. Access persons are required to pre-clear certain securities transactions in such personal trading accounts with CTC's Managing Director or Chief Compliance Officer (or his or her designee), and are required to submit pre-trade notifications for all transactions in their personal securities accounts, which are subject to periodic review by the Chief Compliance Officer. The Chief Compliance Officer will maintain a "restricted list" of securities that may not be traded by access persons, which includes securities of issuers for which CTC personnel are in possession of material, non-public information. Access persons are required to file reports of their personal securities holdings on an annual basis, as well as quarterly securities transaction reports.

CTC's clients or prospective clients may request a copy of CTC's Code of Ethics by contacting CTC's Chief Compliance Officer at the number listed on the cover page.

### **Participation in Client Transactions and Personal Trading.**

*Principal Trades.* A principal trade is a transaction between CTC or an affiliate thereof and a client account. CTC plans to execute a revolving loan agreement whereby the various Funds under its management may, as necessary, borrow funds to advance capital contributions. This revolving credit facility is designed to allow the Funds additional flexibility to immediately take advantage of opportunities in the market if they have not recently done a capital call. Pursuant to Section 206(3) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), any principal trade must be disclosed to, and requires the consent of, the Fund or other client that is opposite CTC or its principals or affiliates in such principal trade. Principal trades create a potential conflict of interest between the duties of CTC and/or its principals and affiliates to CTC's clients and their desire to maximize their own profits or obtain other benefits with respect to their proprietary trading activities. To help mitigate this potential conflict of interest, the Funds may engage an independent intermediary to act as agent of the applicable Funds to give or withhold consent to such principal trade.

CTC anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause clients to purchase or sell securities in which CTC, its affiliates (including Chicago Trading Company) and/or clients, directly or indirectly, have a position or financial interest.

CTC's employees and persons associated with CTC are required to follow CTC's Code of Ethics, which includes certain qualifications on the ability of CTC's personnel to trade instruments held by clients. Subject to satisfying this policy and applicable laws, officers, directors and employees of CTC and its affiliates may trade for their own accounts in securities and derivatives which are recommended to and/or purchased for clients, as described above in "*Other Financial Industry Activities and Affiliations*." The Code of Ethics is designed to assure that the personal transactions, activities and interests of the principals, employees and affiliates of CTC will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while at the same time allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of certain transactions and requires that the interests of client accounts be placed ahead of those of CTC employees in their personal trading. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same instruments as clients, there is a possibility that employees might benefit from market activity by a client in an instrument held by an employee. Employee trading is regularly monitored under the Code of Ethics in an effort to prevent conflicts of interest between CTC and its clients.

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## BROKERAGE PRACTICES

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It is anticipated that the majority of the investment transactions entered into by CTC on behalf of the WM Funds will be privately negotiated investment transactions and will not be effected through a broker. However, in cases where CTC purchases or sells publicly traded securities on behalf of its clients, it may use the services of a broker-dealer or prime broker, and CTC may also use broker-dealers in identifying and effecting the WM Funds' private investment transactions. Where applicable, CTC will select the brokers to be utilized by the Funds, and will have discretion to select different brokers to be used for each transaction and to negotiate the rates and commissions its clients will pay. CTC may not adhere to any rigid formulae in making the selection of brokers, but will continue to seek "best execution" for its clients in the selection process. In selecting brokers to execute transactions, CTC need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Brokers will be selected generally on the basis of best execution, which may be determined by considering, in addition to price and commission rates, other factors including special execution capabilities, clearance, settlement, other transaction charges, block trading and block positioning capabilities, financial strength and stability, efficiency of execution and error resolution, the availability of stock to borrow for short trades, custody, recordkeeping and similar services ("**Products and Services**").

**Research and Other Soft Dollar Benefits.** In exchange for the direction of commission dollars to certain brokers, credits (or soft dollars) may be generated which may be used by CTC to pay for the Products and Services provided by, or paid by, such brokers ("**Credits**"). Although the commission rates charged by such brokers may not be represented as reflecting such additional Products and Services, the commission rates charged by such brokers may be higher or lower than the commission rates charged by other brokers, and CTC's clients may be deemed to be paying for such other Products and Services provided by the Broker which are included in the commission rate (i.e., "paying up"). In particular, CTC expects to enter into "soft dollar" arrangements with one or more brokers in connection with securities transactions undertaken on behalf of its clients, pursuant to which such brokers will provide CTC with certain research and execution analytics. CTC intends for its use of such Products and Services to qualify for the "safe harbor" set out in Section 28(e) under the Securities Exchange Act of 1934, as amended (or, where Products and Services are provided in connection with trading futures or options on futures, for such benefits to fall within the safe harbor provisions of Section 28(e) as if they were being provided in connection with the trading of securities).

CTC may derive substantial direct or indirect benefit from these Products and Services, particularly to the extent it uses Credits to pay for research or other expenses which it would otherwise be required to pay. To the extent that CTC receives the benefits of Products and Services, a potential conflict of interest exists between CTC's duty to manage or trade in the best interests of its clients and in an effort to obtain best execution, and CTC's desire to receive the potential benefits of these Products and Services. In addition, CTC may use Products and Services in servicing some or all of its clients and the clients of its affiliates, and some Products and Services may not necessarily be used by a particular client even though its commission dollars may have provided for the Products and Services. A client, therefore, may not, in a particular instance, be the direct or indirect beneficiary of the Products or Services provided.

In the last fiscal year, CTC and its affiliates have not acquired Products and Services with client brokerage commissions.

**Brokerage for Client Referrals.** Although CTC does not currently do so, CTC may in the future direct brokerage business to brokers who refer prospective clients or investors to CTC. Because such referrals, if any, are likely to benefit CTC, but will not necessarily provide any significant benefit to CTC's clients, CTC will have a conflict of interest when allocating brokerage business to a broker who has referred clients or investors to CTC. To prevent brokerage commissions from being used to pay investor referral fees, CTC will not allocate brokerage business to a referring broker unless they determine in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to CTC's clients.

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## REVIEW OF ACCOUNTS

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**Account Reviews.** CTC conducts daily trade reviews and reconciliations of the positions held by the Funds to the records of the funds' brokers (as applicable). These reviews are conducted by CTC's operations personnel and portfolio managers. In addition, CTC has engaged a third-party fund administrator to provide day-to-day administrative and bookkeeping services to certain of the Funds.

**Client Reporting.** CTC furnishes audited financial statements annually to all investors in the Funds. Such investors are also provided with monthly unaudited reports including information regarding such fund's net assets and performance.

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## CLIENT REFERRALS AND OTHER COMPENSATION

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CTC currently has no arrangements whereby it receives an economic benefit from any person who is not a client for providing investment advice or other advisory services to its clients, and does not directly or indirectly compensate any third-parties for advisory client referrals (although it may determine to do so in the future).

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## CUSTODY

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CTC has custody of the funds and securities of the Funds, which are maintained at one or more "qualified custodians," as defined under Rule 206(4)-2 of the Advisers Act. A "qualified custodian" generally is a

bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. An independent public accountant will audit each of the Funds on an annual basis, and copies of the audited financial statements will be sent to the investors in the Funds, as described above in “*Review of Accounts*.”

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## **INVESTMENT DISCRETION**

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CTC exercises discretionary authority over the accounts of its clients. CTC receives discretionary authority from the Funds through the constituent documents of the Funds, which grant a power of attorney in favor of CTC to select the identity and amount of any investments to be bought or sold for the Funds. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the Funds’ accounts.

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## **VOTING CLIENT SECURITIES**

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CTC holds the authority to vote proxies for securities held by the Funds; however, CTC generally does not expect to receive proxies in connection with the private investments held by the WM Funds. With respect to other Funds, it is generally not CTC’s practice to vote proxies. In such cases, in light of CTC’s trading methodology and investment focus, CTC does not believe that it would be cost-effective for the firm to review each proxy vote and assess the underlying proposals, as the outcome of such proposals typically does not materially impact the implementation of CTC’s investment strategies. CTC will analyze on an annual basis the estimated costs associated with casting such proxies on behalf of the Funds against any estimated potential benefits of doing so, and reserves the right to vary this practice where it determines that doing so is in the best interests of the Funds, although it is not anticipated that CTC will do so. Clients generally may not direct specific proxy votes for the securities held in their accounts.

Clients may obtain a copy of CTC’s proxy voting policies and procedures and information about how any proxies were voted on behalf of the client’s account(s) by contacting CTC’s Chief Compliance Officer at the number listed on the cover page.

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## **FINANCIAL INFORMATION**

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

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