

# Amber Capital LP Part 2A of Form ADV The Brochure

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This brochure provides information about the qualifications and business practices of Amber Capital LP (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at 212-340-7300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

## Item 2 – Material Changes

The Adviser last produced this brochure on March 30, 2018. While the Adviser does not consider there to be any material changes to this brochure since its last annual update, changes have been made to several Items, including: Item 4 – Advisory Business; Item 8 – Methods of Analysis; Investment Strategies and Risk of Loss; Item 10 – Other Financial Industry Activities and Affiliations; Item 15 – Custody; Item 16 – Investment Discretion; Item 17 – Voting Client Securities; and Item 18 – Financial Information.

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## Item 4 – Advisory Business

Amber Capital LP (the “Registrant” or “Amber US”) has provided investment advice and investment management services to private investment funds since 2005. Amber US is an investment adviser established in the United States and has been registered as an investment adviser with the Securities and Exchange Commission since 2005. Amber US’s London-based affiliate, Amber Capital UK LLP (“Amber UK”), is an asset manager organized in the United Kingdom and has been authorized and regulated by the Financial Conduct Authority (“FCA”) since 2007. Amber UK is included in this Form ADV as a Relying Adviser. Employees and partners of the Registrant and Amber UK are based in offices located in New York and London.

Amber US and Amber UK are collectively referred to as the “Adviser” herein. Amber Capital Management LP (“Amber Cayman”) is a principal owner of the Registrant. Joseph Oughourlian is the principal owner of, and ultimately controls, the Adviser and its affiliates, including Amber Cayman.

Another Amber US affiliate, Amber Capital Italia SGR S.p.A. (“Amber Italia”), provides advisory services to UCITS funds. Amber Italia is incorporated in Italy and authorized and registered with the Bank of Italy since 2009. More information on Amber Italia can be found in Item 10.

As of December 31, 2018, the Adviser has approximately \$1,324,164,000 in net assets under management and \$1,649,599,000 in regulatory assets under management, all of which is managed on a discretionary basis.

The Adviser serves as investment manager to several investment vehicles organized to invest in securities and other financial instruments (each, a “Fund,” and, collectively, the “Funds”). In its role as investment manager, the Adviser is responsible for all trading and other investment decisions of each Fund. Investment advice is provided directly to each Fund and not individually to the investors of such Funds.

The Registrant serves as sub-advisor to several Funds in order to comply with the indicia of ownership rule set forth in Section 404(b) of ERISA. In its role as sub-advisor, the Registrant is responsible for reviewing each securities transaction effected by Amber UK after such transaction is effected and each Fund’s portfolio on a monthly basis. Investment advice is provided directly to each Fund and not individually to the investors of such Funds.

The Adviser has offered and may from time to time offer one or more investors or third parties the opportunity to co-invest with a Fund in particular investments or to invest in particular investments that are not suitable, practicable or desirable for a Fund. Co-investment vehicles are likely to have investments that overlap with those of the Funds, but transparency, liquidity and fee terms that are different from those of the Funds.

The Adviser is also affiliated with several other companies that serve as general partners or managing members to certain onshore-U.S. funds managed by the Adviser. Non-U.S. funds

managed by the Adviser are governed by Boards of Directors comprised of a combination of the Adviser's principals and independent members as detailed in each Fund's governing documents.

The principal objective of each Fund is to attain superior long-term investment returns on its assets. In pursuit of this objective, the Adviser employs a variety of methods, specializing in fundamental value, event-driven, and activist strategies for long-only and hedged portfolios. To execute its strategies, the Adviser trades in a wide range of instruments, primarily utilizing equity and equity-related instruments. The Adviser manages the assets of each Fund in accordance with the terms of each Fund's governing documents and investment management agreement.

Offers to sell interests in the Funds are made only by means of a confidential offering memorandum (or its equivalent), which contains information concerning an investment in the Fund, including a description of the material terms, conflicts of interest, and risks associated with an investment.

## **Item 5 – Fees and Compensation**

### **Asset-Based and Performance-Based Compensation**

Compensation received by the Adviser from its Funds is generally comprised of a management fee based on a percentage of assets under management (the "Management Fee") and an incentive allocation or fee based upon investment performance (the "Incentive Allocation"). A brief summary of the Adviser's fees is provided below. Details of applicable fees are set forth in each Fund's governing documents, and investors should refer to these governing documents for a complete understanding of how the Adviser is compensated for its advisory services.

Management Fees range up to 2% per annum of a Fund's net asset value. Management Fees are directly deducted from the Fund quarterly in advance or in arrears depending on the Fund, and charged to each investor's account monthly or upon redemption. Management Fees are prorated for any period that is less than a full fiscal quarter and adjusted for subscriptions and redemptions occurring during the period. With respect to certain closed-end Funds with private equity-like terms, Management Fees are based on aggregate capital contributions or committed capital.

The Incentive Allocation ranges up to 20% of a Fund's net realized and unrealized profits each calendar year. As a result, the Incentive Allocation could be based on unrealized gains that clients may never realize. The Incentive Allocation generally is calculated as of the end of each calendar year, subject to a loss carryforward and/or a hurdle, as applicable and accrued monthly in each investor's account. The Incentive Allocation is directly deducted from each investor's account annually and upon any redemption or distribution. With respect to certain closed-end Funds with private equity-like terms, the Incentive Allocation is due upon a realization and/or distribution event.

The Adviser compensates affiliates for all intra-group services in accordance with OECD transfer pricing principles, and has entered into agreements with third parties entitling such third parties to share in the revenue of Funds for their services.

With respect to certain Funds or classes formed for particular investors, the Management Fee and Incentive Allocation differ from the typical ranges and payment cycles described above. In

addition, the Management Fee and Incentive Allocation rates differ from Fund to Fund and, at times, from share class to share class or among investors within a Fund. All or a portion of the Management Fee and/or the Incentive Allocation may be waived for certain investors. Investors who are principals, employees or affiliates of the Adviser or relatives of such persons do not generally pay a Management Fee and/or the Incentive Allocation.

A third-party Administrator calculates and arranges payment of the Management Fee and, if applicable, the Incentive Allocation to the Adviser for Funds utilizing third-party Administrators. If a third-party Administrator is not employed by a Fund, the Adviser calculates and arranges payment of the Management Fee and, if applicable, the Incentive Allocation in accordance with the Adviser's written policies and procedures.

### Expenses

In addition to the Adviser's fees, investors will bear indirectly the fees and expenses charged to the Funds. Complete information regarding each Fund's expenses is provided in the respective Fund's governing documents. Investors should review the governing documents of the Fund in which they are invested to fully understand the types of fees and expenses paid by the Fund.

A non-exhaustive summary of expenses that are generally borne by the Funds and/or Fund Subsidiaries as applicable is provided below:

- Fees and expenses of the auditors, accountants, tax, compliance and legal advisors
- Organizational, start-up and operating expenses of Funds and Fund subsidiaries
- Insurance expenses, including Directors and Officers and Errors and Omissions insurance expenses (to the extent permitted by ERISA, if applicable)
- Investment fees and expenses (such as third-party sourcing fees or commissions, fees and expenses of legal and other professionals, due diligence expenses, expenses and costs associated with pending or threatened litigation, and expenses related to the conduct of an activist campaign, proxy contest and/or tender offer and associated media, public relations and other specialists costs) related to the analysis, purchase or sale of investments, whether or not the investments are consummated
- Costs and expenses related to the analysis, purchase or sale of investments (including costs associated with systems and software used in connection with investment-related or risk-management-related activities such as Bloomberg subscriptions for investment team members)
- Middle and back office system expenses and software costs (e.g., Advent Geneva license)
- Order management expenses (e.g., Bloomberg AIM license)
- Depositary, custodial, and/or prime brokerage fees and expenses
- Clearing and settlement fees and expenses
- Brokerage commissions
- Financing costs
- Expenses related to short sales
- Research, corporate access services; administration of a research payment account and ancillary costs associated with accessing research and market data expenses
- Administrator fees and expenses

- Directors' fees and expenses (including those of any Fund subsidiaries or special purpose vehicles) and associated corporate secretarial fees
- Third-party alternative investment fund manager fees and expenses
- Taxes and stamp duty
- Marketing and distribution costs, fees connected with registering a Fund for sale in other jurisdictions and the fees and expenses of any paying agent or representative appointed in compliance with the requirements of another jurisdiction

If fees or expenses are incurred jointly for the account of more than one Fund serviced by the Adviser, such expenses will be allocated among the Funds to which the expense relates pro rata based upon the most recent month's ending net asset value adjusted for subscriptions that are available on the date the Funds are invoiced, or in such other manner as the Adviser considers fair and reasonable under the circumstances, in accordance with its policies and procedures. In particular, the expenses borne by any co-investment vehicles, to the extent that they differ from the expenses listed above, are detailed in the governing agreements applicable to each co-investment vehicle.

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

As discussed above, the Adviser generally receives a performance-based fee or allocation from investors in the Funds. In addition, the Adviser's investment personnel are typically compensated on a basis that includes a performance-based component. Performance-based compensation may give rise to potential conflicts of interest. In particular, we note that the Adviser's performance-based fees are calculated on the basis of valuations set by the Adviser, although such potential conflict is mitigated in part through the use of a third-party pricing agent and other controls.

Performance-based compensation is not received from all Funds or investors, and compensation rates differ among Funds and investors. The variation of performance-based compensation structures among Funds and investors may create an incentive for the Adviser to direct the best investment ideas to, or to allocate or sequence trades in favor of, Funds that pay or allocate performance-based compensation or pay or allocate greater performance-based compensation. The Adviser seeks to allocate investment opportunities fairly, to the extent practical and in accordance with its policies and procedures and each Fund's investment strategy, over a period of time.

In addition, the Adviser has allowed and may allow an investor to open a separately managed account. Separately managed accounts are likely to have investments that overlap with those of the Funds, but transparency, liquidity and fee terms that are different from those of the Funds.

The Adviser strives to identify potential conflicts of interest and address them in a fair and consistent manner.

## **Item 7 – Types of Clients**

The Adviser provides advisory services to the Funds. Underlying investors in the Funds include financial institutions, foundations, family offices, pension funds, and high net worth individuals.

Details concerning each Fund's suitability criteria are set forth in the Fund's governing documents.

Initial and additional subscription minimums, if any, are disclosed in each Fund's governing documents. Such minimums may be waived at the discretion of the Fund's directors or in some cases, the Adviser, subject to applicable law. The Adviser does not have any standard requirements for opening or maintaining an account or "fund of one" but may, in its discretion, impose investment minimums or other conditions for starting or maintaining such an account or fund.

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

The Adviser relies on a fundamental method of analysis in pursuing the investment objective of the Funds. The Adviser specializes in fundamental value, event-driven, and activist strategies for long-only and hedged portfolios. The Adviser's event-driven strategy seeks to invest in companies that currently are, or that the Adviser believes will be, subject to changes in corporate structure or control such as tender offers, rights offers, mergers, spin-offs, operational restructurings, corporate restructurings, recapitalizations, or proxy contests. The event-driven strategy focuses on catalyst-driven opportunities and special situations, and often involves taking directional positions or acquiring pairs with a catalyst; relative-value and fundamental-value trading; or pursuing capital structure, risk, merger and share class arbitrage. The Adviser's activist strategy seeks to invest in companies where the Adviser believes shareholder activism can unlock value.

All investment team members are responsible for idea generation in their respective sectoral or regional coverage areas, meeting with companies' executive officers and management teams and conducting their own research and analysis. Though the investment approach is fundamentally bottom-up in nature (that is, focusing on the analysis of companies individually), the investment team is tasked with appreciating political, statutory, and economic matters that may influence investment behavior.

Investment team members work side-by-side with portfolio managers to identify opportunities (and, where applicable, those securities in the capital structure) that are most compelling from a risk-reward standpoint. They employ an active shareholder philosophy, engaging with companies to identify, evaluate and, where appropriate, promote value-enhancing themes. The Adviser's investment approach often results in relatively concentrated portfolios.

In addition to the meetings and in-house research and analysis noted above, main sources of information include: company news and press releases; financial statements, annual reports, prospectuses, and other filings with the Securities and Exchange Commission and similar regulators; company and analyst conference calls; and research prepared by third parties, including, among others, sell-side research analysts, attorneys, and industry or regional consultants.

The majority of capital managed by the Adviser is allocated to European investments, particularly companies having their principal places of business or a majority of their operations in Southern Europe, with the balance of capital allocated to Latin American and North American

investments. The Adviser focuses on industrials, building materials, real estate, consumer goods, financials, media, natural resources, telecom and utilities sectors. In general, the Adviser is not restricted as to the proportion of Fund assets it may allocate to companies in any particular region, economic sector, or level of market capitalization.

To execute its strategies, the Adviser trades in a wide range of instruments, primarily utilizing equity and equity-related instruments (including, but not limited to, common stock, warrants, convertible securities, rights, participation notes and preferred stock). Unless otherwise indicated in a Fund's governing documents, the Adviser retains broad flexibility to invest in any type of security, including exchange-traded or over-the-counter derivatives (including, but not limited to, futures, forwards, swaps, options on equities, indices or currencies, and other derivative instruments); public and private debt (including, but not limited to, fixed or floating rate, investment grade or below investment grade, rated or unrated, secured or unsecured, convertible or subordinated debt); receivables, claims, and asset-backed securities; cash, cash equivalents and money market instruments (including, but not limited to, fixed/time deposits, commercial paper, certificates of deposit and short-term securities, which may be rated or unrated and listed or unlisted); and may take both long and short positions.

Investments in the Funds are speculative and suitable only for investors who can tolerate substantial risk. An investor may lose some or all of its investment. There is no assurance that the Adviser's investment strategies will be successful, or that a Fund will achieve its investment objective. Details regarding the risks inherent to the strategies employed by the Adviser are set forth in detail in each Fund's governing documents, and investors should review the governing documents of the Fund in which they are invested to fully understand these risks. The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by us. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by us:

*Risk of Loss.* No guarantee or representation is made that a Fund's investment program, including, without limitation, a Fund's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results are not necessarily indicative of future performance.

*Volatility Risk.* A Fund's investment program may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by a Fund.

*Competition; Availability of Investment Strategies.* Certain markets in which a Fund may invest are extremely competitive for attractive investment opportunities. The success of the investment activities of a Fund will depend in part on the Adviser's ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by a Fund involves a high degree of uncertainty. No assurance can be given that the Adviser will be able to locate



suitable investment opportunities in which to deploy all of the assets of a Fund or to exploit such price discrepancies. A reduction in market liquidity (including money market liquidity) or the pricing inefficiency of the markets in which a Fund seeks to invest, as well as other market factors, may reduce the scope for that Fund's investment strategies.

A Fund may be adversely affected by unforeseen events involving such matters as changes in interest rates, exchange rates or the credit status of an issuer, forced redemptions of securities or acquisition proposals, break-up of planned mergers, unexpected changes in relative value, short squeezes, inability to short stock or changes in tax treatment.

As a result, there can be no assurance that the Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments.

*Diversification and Concentration.* The Adviser may select investments that are concentrated in a limited number or types of securities (*i.e.*, equities). In addition, a Fund's portfolio may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose a Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

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

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

*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, a Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Adviser's expectations or if equity markets generally move in a single direction and a Fund has not hedged or has not effectively

hedged against such a general move. A Fund also may be exposed to risks that issuers will not fulfil 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.

*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 Fund is called for redemption, a Fund 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 a Fund's ability to achieve its investment objective.

*Hedging Transactions.* A Fund may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of a Fund's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect a Fund's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in a Fund's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of a Fund's securities; (vii) protect against any increase in the price of any securities a Fund anticipates purchasing at a later date; or (viii) act for any other reason that the Adviser deems appropriate. A Fund will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Adviser may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While a Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Fund than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

*European Economic Risks.* Member States, European businesses, financial institutions and counterparties can be adversely affected by political and economic difficulties and concerns, including in relation to Brexit and sovereign and non-sovereign funding and debt. European, IMF and bilateral emergency funding arrangements have already been extended in respect of Member States and European based financial institutions and further funding may be required in the future. In addition, the United Kingdom voted in a referendum to leave the European Union and triggered the formal process of withdrawal which is ongoing. The future relationship of the UK and the EU is uncertain and creates significant political, legal and economic risk.

These developments can have a negative effect in political terms and also in economic terms. Financial markets, investor sentiment and credit ratings of institutions and Member States may be adversely affected. In addition, investment activity may also be affected, including the willingness of financial institutions to extend credit and to obtain funding.

Member States within the Eurozone, and certain other Member States, are in on-going discussions on all of the above matters. However, it remains unclear whether agreement on these matters will be reached, and even if reached, whether adequate measures will be adopted in the short to medium term. The depressed economic environment and cost of funding may cause

short and medium term budget deficits to expand in these economies, further increasing the risk of default.

A sovereign default is likely to have adverse consequences for the economy of the Member State and that of Europe and the wider world economy. The effect on creditors of a sovereign default is likely to be adverse.

The possibility of Member States that have adopted the Euro abandoning or being forced to withdraw from the Euro remains. It is difficult to predict the precise nature of the consequences of a Member State leaving the Euro as there has been no well-defined legal framework put in place in preparation for such an event. However, it is likely that any Euro-denominated assets or obligations that a Fund acquired that are converted into a new national currency would suffer a significant reduction in value if the new national currency falls in value against the Euro or other currencies.

These economic developments and their consequences both in Europe and the wider world economy, have significantly increased the risk of market disruption and governmental intervention in markets. Such disruption and intervention may result in unfavorable currency exchange rate fluctuations, restrictions on foreign investment, imposition of exchange control regulation by governments, trade balances and imbalances and social, economic or political instability.

Predicting the consequences of developments of this kind is difficult. Events affecting the Euro could result in either separate new national currencies, or a new single European currency, and consequently the redenomination of assets and liabilities currently denominated in Euro. In such circumstances, there would be a definite risk of a Fund's Euro-denominated investments becoming difficult to value, which, coupled with the base currency of the Fund being the Euro, could potentially result in negative consequences for a Fund including suspension of net asset value valuations and consequently of redemptions. If the redenomination of accounts, contracts and obligations becomes litigious, difficult conflict of laws questions are likely to arise.

Adverse developments of this nature may significantly affect the value of a Fund's investments. They may also affect the ability of a Fund to transact business including with financial counterparties, to manage investment risk and to hedge currency and other risks affecting a Fund's portfolio and individual Classes. Fluctuations in the exchange rate between the Euro and the U.S. dollar or other currencies could have a negative effect on the performance of investments.

*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 Fund is called for redemption, a Fund 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 a Fund's ability to achieve its investment objective.

*Currencies.* A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by a Fund 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.

*Exchange-Traded Funds.* Exchange-Traded Funds (“ETFs”) are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a pro rata portion of the ETF’s expenses, including management fees. Accordingly, in addition to bearing their proportionate share of a Fund’s expenses (e.g., management fees and operating expenses), investors may also indirectly bear similar expenses of an ETF.

*Emerging Markets Risk.* Where a Fund invests in equities or securities of companies incorporated in or whose principal operations are in emerging markets, additional risks may be encountered. These include:

Accounting Standards: in emerging markets there is an absence of uniform accounting, auditing and financial reporting standards and practices.

Business Risks: in some emerging markets, crime and corruption, including extortion and fraud, pose a risk to businesses. Property and employees of underlying investments may become targets of theft, violence and/or extortion.

Currency Risk: the currencies in which investments are denominated may be unstable, may be subject to significant depreciation and may not be freely convertible. A Fund may or may not seek to hedge its 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 a Fund wishes to use them, or that hedging techniques employed by a Fund will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of a Fund’s positions denominated in particular currencies will fluctuate with such currencies’ exchange rates as well as with the price changes of the investments in the various local markets and currencies. Among the factors that may affect currency values are relative interest rates, 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.

Country Risk: the value of a Fund's assets may be affected by political, legal, economic and fiscal uncertainties. Existing laws and regulations may not be consistently applied.

Disclosure: less complete and reliable fiscal and other information may be available to investors.

Legal: the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made may not provide the same degree of investor protection or information to investors as would generally apply in major securities markets. Risks associated with many emerging market legal systems include (i) the untested nature of the independence of the judiciary and its immunity from economic, political or nationalistic influences; (ii) inconsistencies among laws, presidential decrees and governmental and ministerial orders and resolutions; (iii) the lack of judicial and administrative guidance on interpreting applicable laws; (iv) a high degree of discretion on the part of government authorities; (v) conflicting local, regional and federal laws and regulations; (vi) the relative inexperience of judges and courts in interpreting new legal norms; and (vii) the unpredictability of enforcement of foreign judgements and foreign arbitration awards. There is no guarantee that further judicial reform aimed at balancing the rights of private and governmental authorities in courts and reducing grounds for re-litigation of decided cases will be implemented and succeed in building a reliable and independent judicial system.

Market Characteristics/ Liquidity and Settlement Risks: in general, emerging markets are still in the early stages of their development, have less volume, are less liquid and experience greater volatility than more established markets and many emerging markets are not highly regulated. When seeking to sell emerging market securities, little or no market may exist for the securities. The combination of price volatility and the less liquid nature of securities markets in emerging markets may, in certain cases, affect a Fund's ability to acquire or dispose of securities at the price and time it wishes to do so and consequently may have an adverse impact on the investment performance of the Fund. Settlement of transactions may be subject to delay and administrative uncertainties.

Political Risk: the risk of government intervention is particularly high in the emerging markets because of both the political climate in many of these countries and the less developed character of their markets and economies. Government actions in the future could have a significant effect on economic conditions in such countries, which could affect private sector companies and the value of securities in a Fund's portfolio.

Tax: the taxation system in some emerging market countries is subject to varying interpretations, frequent changes and inconsistent enforcement at the federal, regional and local levels. Tax laws and practices in some emerging market countries are at an initial stage of development and are not as clearly established as in more developed countries.

*Availability of Credit.* Borrowings and/or the employment of other means of obtaining leverage, may be an integral part of a Fund's strategies and may include the use of margin financing arrangements, involving the provision of cash, securities or other forms of margin, in connection with, among other things, OTC derivatives, exchange-traded futures and options, repurchase agreements, stock loan agreements, credit lines made available by banks, brokers or other dealers (each a "Broker"), some of which may themselves include embedded leverage. There can be no

assurance that a Fund will be able to maintain adequate financing arrangements under all market circumstances.

The use of such arrangements will result in certain additional risks to a Fund. A Fund could be subject to a “margin call”, pursuant to which it must either deposit with the Broker additional collateral, in the form of cash or other assets, or risk being subject to liquidation of some or all collateral. A “margin call” may usually be made at the discretion of the relevant Broker, even if collateral previously provided has not declined in value, or the risk characteristics of the relevant positions have not changed. In the event of a large margin call, the Adviser might not be able to liquidate assets quickly enough to meet the margin requirement. In such a case, the relevant Broker may be entitled to liquidate assets, or otherwise terminate positions, of a Fund, in its sole discretion, in order to satisfy such margin requirement or reduce its exposure to the Fund or the underlying fund.

As a general matter, Brokers that provide financing to a Fund usually have wide discretion as to such matters as margin requirements, “haircuts”, the provision and continued provision of financing and collateral valuation policies. Brokers could, therefore, change their approaches in these and other respects, either generally, or in respect of one or more Funds or underlying funds, at any time, and for any reason, including a change in market circumstances, government, regulatory or judicial action or simply a change in the risk-appetite or business priorities. Such changes of approach by Brokers could result in large margin calls, loss of financing, and forced liquidations of positions, including derivatives positions, at disadvantageous prices. Any such adverse effects may be exacerbated in the event that such limitations or restrictions are imposed suddenly and/or by multiple market participants concurrently. A failure of a Fund to comply with changed Broker requirements can, of itself, amount to a default (cross-default) under its arrangements with other Brokers, which may, in turn result in forced liquidation of positions held with or through those other Brokers.

*Debt Securities Generally.* 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.

Dealer Market Making. The value of a Fund’s fixed-income investments will be affected by general fixed income market conditions, such as the volatility and liquidity of the fixed income market, which are affected by the ability of dealers to “make a market” in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes, such as capital requirements, and is expected to continue. As dealers’ inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed income market, which could impair a Fund’s profitability or result in losses.

Interest Rate Risk. Changes in interest rates can affect the value of a Fund’s investments in fixed-income instruments. Increases in interest rates may cause the value of a Fund’s debt

investments to decline. A Fund 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.

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.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact a Fund’s portfolio in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that the Adviser may have constructed for these investments, resulting in a loss to a Fund’s overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Zero-Coupon and Deferred Interest Bonds. Zero-coupon bonds and deferred interest bonds are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

High-Yield. Bonds or other fixed-income securities that are “higher yielding” (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all

of the issuer's assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, a Fund may invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

A Fund may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt. Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, a Fund may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to a Fund in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, a Fund may experience substantial losses.

Mezzanine Debt. Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of a Fund to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for investment-grade instruments. In the event of the insolvency of a portfolio company of a Fund or similar event, a Fund debt investment therein will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market



prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Non-Performing Nature of Debt. Certain debt instruments may be non-performing or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt instruments.

Troubled Origination. When financial institutions or other entities that are insolvent or in serious financial difficulty originate debt, the standards by which such instruments were originated, the recourse to the selling institution, or the standards by which such instruments are being serviced or operated may be adversely affected.

Sovereign Debt. Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued (“Sovereign Debt”), including securities that the Adviser believes are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt and (iii) the inclusion of Sovereign Debt in future restructurings, including such issuer’s (x) balance of trade and access to international financing, (y) cost of servicing such obligations, which may be affected by changes in international interest rates, and (z) level of international currency reserves, which may affect the amount of non-U.S. exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer’s ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called “equitable subordination”). If a Fund engages in such conduct, a Fund may be subject to claims from creditors of an obligor that debt held by a Fund should be equitably subordinated.

*Leverage and Borrowing.* The use of leverage will allow a Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of a Fund’s portfolio. The effect of the use of leverage by a Fund in a market that moves adversely to its investments could result in substantial losses to a Fund, which would be greater than if a Fund were not leveraged.

Borrowing for Cash Management Purposes. A Fund has the authority to borrow for cash management purposes, such as to satisfy redemption requests. The rates at and terms on which a Fund can borrow will affect the operating results of such Fund.

Collateral. The instruments and borrowings utilized by a Fund to leverage investments may be collateralized by all or a portion of a Fund's portfolio. Accordingly, a Fund may pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure a Fund's margin accounts decline in value, a Fund could be subject to a "margin call", pursuant to which such Fund must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to a Fund can apply essentially discretionary margin, "haircut", financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to a Fund may have similar rights. There can be no assurance that a Fund will be able to secure or maintain adequate financing.

Costs. Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on a Fund's portfolio.

*Market Capitalization Risk.* The securities of small-to-medium-sized (by market capitalization) companies, or financial instruments related to such securities, may have a more limited market than the securities of larger companies and may involve greater risks and volatility than investments in larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a Fund with a large market capitalization and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they are generally more vulnerable to adverse market factors such as unfavorable economic reports.

Companies with smaller market capitalizations may be at an earlier stage of development, may be subject to greater business risks, may have limited product lines, limited financial resources and less depth in management than more established companies. In addition, these companies may have difficulty withstanding competition from larger more established companies in their industries. The securities of companies with smaller market capitalizations may be thinly traded (and therefore have to be sold at a discount from current market prices or sold in small lots over an extended period of time), may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than investing in securities of larger capitalization companies. In addition, transaction costs in smaller capitalization stocks may be higher than those of larger capitalization companies.

*Illiquid Securities.* Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable and a Fund may not be able to sell them 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 securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A Fund may not be

able to readily dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. As a result, a Fund may be required to hold such securities despite adverse price movements. Even those markets which the Adviser 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.

*Exposure to Material Non-Public Information.* From time to time, the Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Funds 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.

*Directorships on Boards of Portfolio Companies.* In situations where a member of the Adviser or a related party is on the board of directors of an issuer, restrictions on a Fund's trading activities in such issuer may be imposed, such as by limiting trading to periods when the issuer's officers and directors are free to trade (i.e., during the issuer's "trading windows" and/or outside of the issuer's "blackout periods"). In addition, regardless of whether or not the Adviser or any related person is actually in possession of material non-public information with respect to such issuers, by virtue of a relevant directorship, any Fund managed by the Adviser may become subject to trading restrictions pursuant to the internal trading policies of such issuers or as a result of applicable law or regulations or contractual prohibitions, resulting in a Fund being prohibited for a period of time from purchasing or selling the securities of such issuers as described above. In addition, as a member of the board of directors of such issuers, fiduciary duties to such issuers and to the other shareholders of such issuers in the course of their dealings with such issuers may be acquired. Accordingly, there may be a conflict of interest between the fiduciary duties (if any) that the member of the Adviser or related party owes to such issuers, the shareholders of such issuers and/or third party constituents, on the one hand, and those that it owes to the investors in a Fund, on the other hand. The Adviser does not intend to share with any investors of the Funds it manages any confidential information which such board member has learned in his/her capacity as a director or other fiduciary of such issuers.

Currently, personnel of the Adviser serve on the board of directors of several public companies whose securities are owned by one or more Funds. Such personnel and/or a Fund may be significant shareholders of a number of such companies.

*Litigation Risk.* Some of the tactics that the Adviser may use involve litigation. A Fund could be a party to lawsuits either initiated by it, or by a company in which a Fund invests, other shareholders or state, federal and foreign governmental bodies. For example, a Fund may accumulate substantial positions in the securities of a specific company and engage in a proxy fight, become involved in litigation or attempt to gain control of the company. Litigation risks are elevated where a Fund exercises certain levels of control or significant influence over an issuer's business, provides official or unofficial operational or strategic advice to such company, or becomes involved in activities that could, despite the Adviser's constructive approach, be viewed to be hostile in nature. The expense of defending against any claims by third parties and paying any amounts pursuant to settlements or judgments will generally be borne by the applicable Fund. There can be no assurance that any such litigation, once begun, would be resolved in favor of a Fund.

*Activist Investing.* A Fund's investment strategy may involve activism. The success of such a strategy depends upon, among other things: (i) the Adviser's ability to properly identify portfolio companies whose securities prices can be improved through corporate and/or strategic action; (ii) a Fund's ability to acquire sufficient securities of such portfolio companies at a sufficiently attractive price; (iii) the Adviser's ability to avoid triggering anti-takeover and regulatory obstacles while aggregating its position; (iv) the willingness of the management of such portfolio companies and other security holders to respond positively to the Adviser's proposals; and (v) favorable movements in the market price of any such portfolio company's securities in response to any actions taken by such portfolio company. There can be no assurance that any of the foregoing will occur.

Activist strategies may prove ineffective for a variety of reasons, including: (i) opposition of the management or investors of the subject company, which may result in litigation and may erode, rather than increase, the value of the subject company; (ii) intervention of a governmental agency; (iii) efforts by the subject company to pursue a "defensive" strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) market conditions resulting in material changes in the prices of securities; (v) the presence of corporate governance mechanisms such as staggered boards, poison pills and classes of stock with increased voting rights; and (vi) the necessity for compliance with applicable securities laws. In addition, opponents of a proposed corporate governance change may seek to involve regulatory agencies in investigating the transaction or a Fund and such regulatory agencies may independently investigate the participants in a transaction, including a Fund, as to compliance with securities or other law. Furthermore, successful execution of a corporate governance strategy may depend on the active cooperation of investors and others with an interest in the subject company. Some investors may have interests which diverge significantly from those of a Fund, and some of those parties may be indifferent to the proposed changes. Moreover, securities that the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe the Adviser anticipates, even if a corporate governance strategy is successfully implemented. Even if the prices for a portfolio company's securities have increased, no guarantee can be made that there will be sufficient liquidity in the markets to allow a Fund to dispose of all or any of their securities therein or to realize any increase in the price of such securities.

*Event-Driven.* The success of a Fund's event-driven investment strategy depends upon the Adviser's ability to make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. If the event fails to occur or it does not have the effect foreseen, losses can result. For example, the adoption of new business strategies or completion of asset dispositions or debt reduction programs by a company may not be valued as highly by the market as the Adviser had anticipated, resulting in losses. In addition, a company may announce a plan of restructuring which promises to enhance value, but fail to implement it, which can result in losses to investors. In liquidations and other forms of corporate reorganization, the risk exists that the reorganization either will be unsuccessful, will be delayed or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to a Fund of the security in respect of which such distribution was made. The consummation of mergers and tender and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or stockholders of the target

company, which will often result in litigation to enjoin the proposed transaction; (ii) intervention of a federal or state regulatory agency; (iii) efforts by the target company to pursue a “defensive” strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) in the case of a merger, failure to obtain the necessary stockholder approvals; (v) market conditions resulting in material changes in securities prices; (vi) compliance with any applicable federal or state securities laws; and (vii) inability to obtain adequate financing. Because of the inherently speculative nature of event-driven investing, the results of a Fund’s operations may be expected to fluctuate from period to period. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results that may be expected in future periods.

*Special Situations.* A Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers and in companies involved in or undergoing work-outs, liquidations, spin-offs, proxy contests, reorganizations, bankruptcies or other fundamental changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or new securities, the value of which will be less than the purchase price to a Fund of the securities or other financial instruments in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which a Fund may invest, there is a potential risk of loss by a Fund of its entire investment in such companies. In connection with such transactions (or otherwise), a Fund may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price or interest rate receivable with respect to a when-issued security can be fixed when a Fund enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

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

*Short Selling.* The success of a Fund’s short selling investment strategy depends upon the Adviser’s ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to a Fund of buying those securities to cover the short position. There can be no assurance that a Fund will be able to maintain the

ability to borrow securities sold short. In such cases, a Fund can be “bought in” (i.e., forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities 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 a Fund 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 a Fund secures a “good borrow” of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing a Fund to purchase the security at the then-prevailing market price which may be higher than the price at which such security was originally sold short by a Fund.

*Relative Value Strategy Risk.* The success of a Fund’s relative value investment strategy depends upon the Adviser’s ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that the Adviser will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for the Adviser to maintain a position. Even pure arbitrage positions can result in significant losses if the Adviser is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which the Adviser seeks to invest will reduce the scope for a Fund’s investment strategies. In the event that the perceived mispricings underlying a Fund’s positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, a Fund may incur losses. Even if a Fund’s relative value investment strategy is successful, it may result in high portfolio turnover and, consequently, high transaction costs.

*Arbitrage Transaction Risks.* Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in different forms. Examples of arbitrage strategies include event driven arbitrage, merger arbitrage and share class arbitrage. The Adviser may employ any one or more of these arbitrage strategies. If the requisite elements of an arbitrage strategy are not properly analyzed or unexpected events or price movements intervene, losses can occur which can be magnified to the extent a Fund is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants.

There can be no assurances that arbitrage strategies will be profitable in either up or down markets, and various market conditions may be materially less favorable to certain strategies than others. Mispricings, even if correctly identified, may not be corrected by the market, at least within a time frame over which it is feasible for a Fund to maintain a position. Even pure arbitrage positions can result in significant losses if a Fund is not able to maintain both sides of the position until expiration. A Fund will trade at a high degree of leverage and could be forced

to liquidate positions prematurely in order to meet margin calls, causing an otherwise “pure” arbitrage position to result in major losses.

*Capital Structure Arbitrage.* The success of a Fund’s capital structure arbitrage strategy depends upon the Adviser’s ability to identify and exploit the relationships between movements in different securities within an issuer’s capital structure (including, bank debt, convertible and non-convertible senior and subordinated debt and preferred and common stock). Identification and exploitation of these opportunities involve uncertainty. There can be no assurance that the Adviser will be able to locate investment opportunities or to correctly exploit price discrepancies. A reduction in the pricing inefficiency of the markets in which a Fund will seek to invest will reduce the scope for a Fund’s investment strategies. In the event that the perceived mispricings underlying a Fund’s positions fail to materialize, these investment strategies could be unsuccessful or result in losses.

*Merger Arbitrage.* The success of a Fund’s merger or “risk” arbitrage strategy depends upon the Adviser’s ability to identify and exploit merger activity to capture (or sell short) the spread between current market values of securities and their values after successful completion of a merger, restructuring or similar corporate transaction. Merger arbitrage investments often incur significant losses when anticipated merger or acquisition transactions are not consummated. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) regulatory and antitrust restrictions; (ii) political factors; (iii) industry weakness; (iv) stock-specific events; and (v) failed financings. Merger arbitrage positions also are subject to the risk of overall market movements. To the extent that a general increase or decline in equity values affects the stocks involved in a merger arbitrage position differently, the position may be exposed to loss. Merger arbitrage strategies also depend for success on the overall volume of merger activity, which historically has been cyclical in nature.

*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 a Fund may participate is evolving, and changes in the regulation or taxation of such instruments may have a material adverse effect on a Fund.

Call and Put Options. A Fund may incur risks associated with the sale and purchase of call options and put options. Under a conventional cash-settled option, the purchaser of the option pays a premium in exchange for the right to receive upon exercise of the option (i) in the case of a call option, the excess, if any, of the reference price or value of the underlier (as determined pursuant to the terms of the option) above the option’s strike price or (ii) in the case of a put option, the excess, if any, of the option’s strike price above the reference price or value of the underlier (as so determined). Under a conventional physically-settled option structure, the purchaser of a call option has the right to purchase a specified quantity of the underlier at the strike price, and the purchaser of a put option has the right to sell a specified quantity of the underlier at the strike price.

A purchaser of an option may suffer a total loss of premium (plus transaction costs) if that option expires without being exercised. An option’s time value (i.e., the component of the option’s value that exceeds the in-the-money amount) tends to diminish over time. Even

though an option may be in-the-money to the purchaser at various times prior to its expiration date, the purchaser's ability to realize the value of an option depends on when and how the option may be exercised. For example, the terms of the transaction may provide for the option to be exercised automatically if it is in-the-money on the expiration date. Conversely, the terms may require timely delivery of a notice of exercise, and exercise may be subject to other conditions (such as the occurrence or non-occurrence of certain events, such as knock-in, knock-out or other barrier events) and timing requirements, including the "style" of the option.

Uncovered option writing (i.e., selling an option when the seller does not own a like quantity of an offsetting position in the underlier) exposes the seller to potentially significant loss. The potential loss of uncovered call writing is unlimited. The seller of an uncovered call may incur large losses if the reference price or value of the underlier increases above the exercise price by more than the amount of any premiums earned. As with writing uncovered calls, the risk of writing uncovered put options is substantial. The seller of an uncovered put option bears a risk of loss if the reference price or value of the underlier declines below the exercise price by more than the amount of any premiums earned. Such loss could be substantial if there is a significant decline in the value of the underlier.

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

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

Credit Default Swaps. Credit default swaps can be used to implement the Adviser's view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, a Fund may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of a Fund to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. A Fund may also buy credit default protection with respect to a referenced entity if, in the Adviser's judgment, there is a high likelihood of credit deterioration. In such instance, a Fund will pay a premium regardless of whether there is a credit event.



Futures Contracts. The value of futures contracts depends upon the price of the securities, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which a Fund's positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent a Fund from promptly liquidating unfavourable positions and subject a Fund to substantial losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract or order liquidation or settlement of all open positions in such contract.

Forward Contracts. A Fund may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. The principals who deal in the forward contract market are not required to continue to make markets in such contracts. There have been periods during which certain participants in forward markets have refused to quote prices for forward contracts or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. The imposition of credit controls or price risk limitations by governmental authorities may limit such forward trading to less than that which the Adviser would otherwise recommend, to the possible detriment of a Fund. In its forward trading, a Fund will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which a Fund trades. Fund assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. The Adviser may order trades for a Fund in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject a Fund to the risk of loss.

Contracts for Differences. Contracts for differences ("CFDs") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer

and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. As is the case with trading any financial instrument, there is the risk of loss associated with trading a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the posting of additional margin. CFDs also carry counterparty risk; i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honour its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on a Fund's obligation to its counterparty under the CFDs and the return on related assets in its portfolio, the CFD transaction may increase a Fund's financial risk.

Details regarding the risks inherent to the strategies employed by the Adviser are set forth in detail in each Fund's governing documents, and investors should review the governing documents of the Fund in which they are invested to fully understand these risks.

Additional information regarding the investment objectives, trading strategies, and risks inherent in investing in each Fund are available in the respective Fund's governing documents. Such risks should not be discounted.

## **Item 9 – Disciplinary Information**

To the best of the Adviser's knowledge, there are no legal or disciplinary events that the Adviser believes would be material to a client's or prospective client's evaluation of the Adviser's advisory business or the integrity of its management.

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

Amber US's London-based affiliate, Amber UK, is an asset manager incorporated in the United Kingdom and has been authorized and regulated by the Financial Conduct Authority since 2007.

Amber Italia is an asset manager incorporated in Italy and has been authorized and registered with the Bank of Italy since 2009. Joseph Oughourlian is the majority owner of Amber Italia and two other partners of Amber UK also hold ownership interests in Amber Italia. Pursuant to sub-advisory or similar agreements, Amber Italia provides certain research services to Amber UK and Amber UK provides certain execution services to Amber Italia. While Amber Italia shares certain personnel and resources with the Adviser, Amber Italia does not provide investment advisory services to the Funds, nor does the Adviser provide investment advisory services to the clients of Amber Italia.

Other affiliates of the Registrant principally owned and controlled by Mr. Oughourlian include Amber Capital US GP LLC, Amber Capital US GP II LLC, and San Lazzaro GP LP, which serve as general partners or managing members of certain U.S. funds managed by the Adviser.

and Amber Capital Lux GP I Sarl and Amber Capital Cayman GP I, which serve as general partners or managing members of certain non-US funds managed by the Adviser.

#### Material Conflicts of Interest Relating to Other Investment Advisers

A strategic investor has made a significant investment in the Amber Active Investors Fund, a sub-fund of Amber Capital Investment Management ICAV (an umbrella Irish collective asset-management vehicle with variable capital and with segregated liability between sub-funds formed in Ireland and managed by the Adviser) (“AAIF”). In consideration for the strategic investor’s investment in the original establishment of AAIF, the Adviser has entered into a contractual arrangement with a third party with influence over the strategic investor that entitles that third party to share in the revenue received by the Adviser in respect of AAIF, and entitles the strategic investor to participate on the investment advisory committee of AAIF (the “Investor Advisory Committee”), which may result in a conflict of interest; the strategic investor’s role on the Investment Advisory Committee will provide it with access to information regarding AAIF and its investment portfolio. To ensure that all shareholders of AAIF are treated fairly, equivalent information regarding AAIF’s investment portfolio will be made available to its shareholders upon request. Notwithstanding its investment in AAIF and the arrangement described above, neither the strategic investor nor its affiliates have any direct or indirect control over the management, policies or investment decisions (including any right to direct the voting or disposition of securities or otherwise) of AAIF or the Adviser, and have not been granted the right to obtain such control in the future.

None of Amber US, Amber UK, or any of their respective management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

None of Amber US, Amber UK, or any of their respective management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

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

#### Code of Ethics

To avoid any potential conflicts of interest, prevent the misuse of material, nonpublic information and avoid improper personal trading for the benefit of the Adviser or its principals and employees, the Adviser has adopted a written Code of Ethics. The Adviser’s Code of Ethics requires, among other things, that the Adviser, and its Employees:

- Conduct business with integrity;
- Conduct business with due skill, care and diligence;
- Take reasonable care to organize and control its affairs responsibly and effectively, with adequate risk management systems;
- Maintain adequate financial resources;
- Observe proper standards of market conduct;
- Pay due regard to the interest of clients and treat them fairly;

- Pay due regard to the information needs of clients, and communicate information to them in a way which is clear, fair and not misleading;
- Manage conflicts of interest fairly, both between its clients and itself and between clients themselves;
- Take reasonable care to ensure the suitability of its advice and discretionary decisions for any client who is entitled to rely upon its judgment;
- Arrange adequate protection for clients' assets when it is responsible for them;
- Deal with regulators in an open and cooperative way, and disclose to regulators appropriately anything relating to it of which regulators would reasonably expect notice;
- Maintain full compliance with applicable federal, state and other securities laws and applicable anti-corruption laws; and
- Have the necessary skills, knowledge and expertise to undertake their roles and to have systems and controls which enable it to satisfy itself of the honesty and competence of all staff that act for it, taking into account the nature, scale and complexity of its business.

A copy of the Adviser's Code of Ethics is available to any client or prospective client upon request.

#### Participation or Interest in Client Transactions

The Adviser or its affiliates act as investment manager, general partner, managing member or sub-advisor to the Funds. The Adviser and its affiliates or related persons buy and sell the same securities as recommended to the Funds or have an interest in the Funds. Additionally, the Adviser invests the assets of the Funds in securities and other investment products in which the Adviser or a related person has some financial interest. The Adviser seeks to ensure that all investments are made in the best interests of the Funds and in compliance with its policies and procedures.

Conflicts of interest may arise from the fact that the Adviser and its affiliates provide services to multiple Funds. These Funds may have similar, competing or, at times, conflicting investment objectives, strategies and positions. Such conflicts could affect the prices and availability of financial instruments in which the other Funds invest. Even if the Funds have similar investment objectives, strategies or positions, the Adviser may give advice or take action with respect to the investments held by, and transactions of, the Funds that may differ due to a variety of reasons, including, without limitation, differences between investment strategies, capacity constraints, risk profiles, liquidity terms, financing terms, regulatory treatment and tax treatment. As a result, the Funds may have substantially different portfolios and investment returns. Conflicts of interest may also arise when the Adviser makes decisions on behalf of a Fund with respect to matters where the interests of the Adviser or one or more other Funds differ.

The Adviser, its affiliates and personnel will devote as much of their time to the activities of the Funds as they deem necessary and appropriate. The Adviser, its affiliates and personnel will not be restricted from forming additional investment funds or vehicles, from entering into other investment advisory relationships or from engaging in other business activities, even if such activities may be in competition with an existing Fund and/or may involve substantial time and resources of the Adviser, its affiliates or personnel. These activities could be viewed as creating a

conflict of interest in that the time and effort of the Adviser, its affiliates and personnel will not be devoted exclusively to the business of the Funds.

Senior management and key employees of the Adviser serve as directors, advisory board members or consultants of certain portfolio companies or other entities. In connection with these services, such persons may receive directors' fees or other similar compensation attributable to, or reimbursement for expenses connected with, such employees' services. These participations, at times, preclude the Adviser from transacting in the securities of such companies.

During periods in which the assets of any Fund are not treated as "plan assets" for purposes of ERISA, the Adviser may determine that it would be in the best interests of a Fund to transfer a security from one Fund to another (each such transfer, a "Cross Trade") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Funds, or to reduce transaction costs that may arise in an open market transaction. If the Adviser decides to engage in a Cross Trade, the Adviser will determine that the trade is in the best interests of both of the Funds involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Funds. 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 Account by the Adviser or its personnel, the Adviser will comply with the requirements of Section 206(3) of the Advisers Act.

It is the policy of the Adviser to allocate investment opportunities fairly, to the extent practical and in accordance with the Funds' applicable investment strategies, over a period of time. The Adviser will exercise particular care in the allocation of limited investment opportunities. Investment opportunities will generally be allocated among Funds for which participation in the respective opportunity is considered appropriate, taking into account, among other considerations: (i) cash availability of the Fund for the proposed investment; (ii) the primary investment strategy pursued by each of the Fund; (iii) the liquidity profile of the investment and the Fund; (iv) the primary markets utilized by the Fund to implement its investment strategies; (v) the intention of holding the investment; (vi) the amount of assets, capacity constraints and liquidity profile of the Fund; and (vii) the eligibility of investors in the Fund. If, in the Adviser's opinion, an investment opportunity is not suitable, practicable or desirable for a Fund, that Fund will be excluded from the allocation. The Adviser has no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to a Fund solely because the Adviser purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to another Fund.

The Adviser has offered and may, from time to time, offer one or more investors or third parties the opportunity to co-invest with a Fund in particular investments or to invest in particular investments that are not suitable, practicable or desirable for a Fund. The Adviser has sole discretion as to the amount (if any) of a co-investment or other opportunity that will be allocated to a particular investor and may allocate co-investment or other opportunities instead to third parties. If the Adviser determines that there is available capacity after offering the opportunity to Funds, the Adviser, its affiliates or its personnel have made and may, but will not be obligated to, make proprietary or personal investments to an opportunity. The Adviser receives fees and/or

allocations from Funds created for co-investors that differ as among co-investors and from the fees and/or allocations borne by the Funds.

Subject to applicable restrictions, senior management and key employees of the Adviser may choose to personally invest, directly and/or indirectly, in a Fund. Such investors are likely to be in possession of information relating to the Fund and the portfolio not available to other investors or prospective investors. Senior management and key employees are not required to keep any minimum investment in the Funds. It is expected that, if such investments are made, the size and nature of these investments will change over time without notice to a Fund's investors. Investments by the senior management and key employees in the Funds could incentivize the senior management and key employees to increase or decrease the risk profile of the Fund.

#### Personal Trading

Among other things, the Adviser's Code of Ethics generally prohibits employees from purchasing, or otherwise acquiring direct or indirect beneficial ownership of, securities of individual companies for any of their personal accounts, with the exceptions noted above in the Participation or Interest in Client Transactions section. Although certain exceptions are made to this policy, employees must receive clearance (and in some cases pre-approval) to engage in personal securities transactions of any securities other than exempt securities (such as mutual funds and U.S. Treasury securities) and exchange traded funds. Additionally, the Adviser requires all employees to provide an accounting of their personal account holdings at least annually.

### **Item 12 – Brokerage Practices**

The Adviser 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 are allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. The Adviser has adopted an order execution policy and arrangements with a view to obtaining the best possible result for its clients taking into consideration the relevant "execution factors" (as such term is used in the FCA rules and, if applicable, ERISA), including price, costs, speed, likelihood of execution and settlement, size, nature or other considerations relevant to the execution of a particular transaction. Brokers and dealers may provide other services that are beneficial to the Adviser and/or certain Funds, but not beneficial to all Funds. Subject to its best execution obligations under the FCA rules and, if applicable, ERISA, 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, the Adviser may consider, among other factors that are deemed appropriate under the circumstances, the following: ability to effect the transaction; past performance (promptness of execution, accountability and responsiveness); expertise in certain securities; expertise in effecting difficult transactions in less liquid, smaller capitalized, and more closely held issues; ability to maintain confidentiality; facilities, reliability and financial responsibility; access to markets, offerings, new issues, and secondary market trades; and provision of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment and commitment of capital.

Accordingly, the prices and commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the clients 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. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

If the Adviser decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks (“ECNs”), it will also consider the following factors when choosing to use one ECN over another: the ease of use; the flexibility of the ECN compared to other ECNs; and the level of care and attention that will be given to smaller orders.

The Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

The Adviser primarily intends to pay for research purchased from brokers and other third-parties through the use of research payment accounts (“**RPA**”) to facilitate compliance with applicable European regulatory requirements. The RPA will be used to pay for investment research provided by prime brokers, executing brokers or other research providers selected by the Adviser. The RPA will be funded by a direct charge payable by the applicable Fund which will not be linked to the value or volume of transactions executed on behalf of such Fund and will be based on an annual budget for investment research, which will be set and calculated in accordance with the Adviser’s expectation of the costs of third-party research necessary for its provision of services to such Fund, and regularly reviewed, by the Adviser. The charge for investment research will be collected in arrears following receipt of invoices from such entities separately from any brokerage commission or other transaction costs.

To the extent permitted under applicable law, however, the Adviser may from time to time obtain other services or benefits from brokers. The Adviser will ensure that any such services obtained by it will be of a type that qualifies as brokerage or research services under Section 28(e) of the 1934 Act.

Brokers (including the prime brokers) assist the Adviser in raising additional funds from investors. Additionally, brokers provide capital introduction and marketing assistance services, and representatives of the Adviser speak at conferences and programs sponsored by the brokers, for investors interested in investing in private investment funds. Through such events, prospective investors may encounter representatives of the Adviser. Brokers may also provide other services, including, without limitation, consulting services relating to technology and office space. Although the Adviser does not compensate brokers for such assistance, events or services, or for any investments ultimately made by prospective investors attending such events, such activities may influence the Adviser in deciding whether to use such broker in connection with brokerage, financing and other activities of the clients.

The Adviser currently leases office space from one of the prime brokers to the Funds. The Adviser pays a market-based fee for this lease and does not direct brokerage based upon the

existence of this lease.

The Adviser may effect transactions through, or otherwise utilize broker-dealers that have, or whose affiliates have, referred or recommended investors or investment opportunities to it, its affiliates and/or its related persons, broker-dealers or registered representatives of broker-dealers that personally, or through related persons or family members, have investments in the Funds, broker-dealers employing or owned by family members of the Adviser, and broker-dealers that provide the Adviser with pricing information. Although the Adviser seeks, at all times, to obtain the best execution in directing brokerage for its clients, these practices may create an incentive for the Adviser to direct more business to these broker-dealers in order to generate future referrals or additional affiliated investment.

At times, the Adviser may invest client assets in securities issued by investors in the Funds, entities related to investors in the Funds, or other entities with whom the Adviser may have business relationships. The Adviser seeks to ensure that all investments are made in the best interest of clients and in compliance with its policies and procedures.

#### Trade Aggregation

If the Adviser determines that the purchase or sale of a security is appropriate with regard to multiple clients, the Adviser may, but is not obligated to, purchase or sell such a security on behalf of such Funds with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating Fund will receive the average price, with transaction costs generally allocated pro rata based on the size of each Fund's participation in the order (or allocation in the event of a partial fill) as determined by the Adviser. If an order is only partially filled or is "over-filled", allocations may be modified on a basis that the Adviser deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations. Orders for Funds that are not trading pari passu are not typically aggregated. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by the Adviser. As a result, certain trades in the same security for one Fund (including an Fund in which the Adviser and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another Fund, 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. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

### **Item 13 – Review of Accounts**

Accounts are reviewed on a continuous basis by the Portfolio Manager, the Risk Manager, and the members of the investment team in accordance with the regions/sectors/positions for which they are responsible. Accounts are monitored for market swings, economic conditions, performance and other factors. Factors triggering reviews, and perhaps triggering buy or sell recommendations, include the evolving investment case, capital inflows and outflows in client accounts, "events" occurring in the economy and/or capital markets and changes in the investment strategy and/or securities held in client accounts.

#### Regular Reports



Investors in the Funds receive in writing, at a minimum, annual audited financial statements and annual reports containing information that is necessary for U.S. tax purposes. In addition, investors in certain Funds may also receive, in writing: (i) monthly net asset value figures; (ii) a monthly or quarterly letter providing an overview of the economic environment, a performance matrix and historical performance on a month-to-month basis; (iii) a monthly or quarterly position-level transparency report; (iv) monthly or quarterly account statements; (v) administrator transparency reports; and/or (vi) Open Protocol reporting. At the request of certain investors, the Adviser provides summary level exposure information (absent portfolio level transparency) to third-party risk vendors, who produce certain reports in connection therewith. The Adviser, in its sole discretion, may provide additional information to certain investors or prospective investors in response to questions and requests and in connection with due diligence meetings and other communications that is not distributed to other investors and prospective investors unless specifically requested. Each investor or prospective investor is encouraged to ask such questions as it believes are necessary in order to make its own investment decisions.

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

The Adviser has entered into agreements with placement agents in connection with the offering of certain Funds. Any fees paid to placement agents are borne by the Funds, the Adviser or, in certain cases, on a fully disclosed basis, by the investor introduced to the Funds by a placement agent. To the extent that the Adviser compensates the placement agent for referrals, compensation is typically based upon a percentage of management and/or incentive fees. Placement agents that solicit investors on behalf of the Funds are subject to a conflict of interest because they are compensated in connection with their solicitation activities.

## **Item 15 – Custody**

The Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account. Account statements related to the clients are sent by qualified custodians to the Adviser.

The Adviser is subject to Rule 206(4)-2 under the Advisers Act (the “Custody Rule”). However, it is deemed to comply with certain requirements of the Custody Rule with respect to the Funds because it complies with provisions which, among other things, require that each Fund (i) be subject to 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, prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), to all investors within 120 days of the end of its fiscal year. The Adviser urges investors to carefully review the audited financial statements of the Funds in which they are invested.

## **Item 16 – Investment Discretion**

The Adviser buys and sells securities and other instruments for the Funds on a discretionary basis in a manner consistent with each Fund's investment objectives and restrictions.

In general, pursuant to its investment management agreements with the Funds and subject to review, where applicable, by the boards of directors or general partners/ managing members for

such Funds, the Adviser is authorized to exercise total investment discretion in accordance with each client's objectives and restrictions described in the respective Fund's governing documents without obtaining prior consent from any of the Funds or their investors. This includes the determination of: (i) which securities or instruments to buy or sell; (ii) the total amount of securities or instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for transactions. From time to time, separate account or "fund of one" clients have negotiated restrictions relevant to their particular circumstances.

## **Item 17 – Voting Client Securities**

It is the Adviser's policy to vote client securities in the interest of maximizing value for the Funds. Consideration is given to both the short and long term implications of the proposal to be voted on when determining the optimal vote.

From time to time, conflicts of interest may arise between the Adviser and its clients with respect to the voting of securities. Where material conflicts of interest are identified, the Adviser will analyze the conflict of interest, discuss potential remedial solutions, and determine how such proxy will be voted.

The Adviser's complete proxy voting policy and procedures are memorialized in writing. In addition, the Adviser keeps a record of proxy statements received, votes cast, all communications received and internal documents created that were material to voting decisions and each client written request for proxy voting records and the Adviser's response for the previous five years. In certain circumstances, such as the lack of materiality of its voting position or other reasons, the Adviser may choose not to vote its shares. Please contact the Adviser if you have any questions or if you would like to review either of these documents.

## **Item 18 – Financial Information**

The Adviser has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.