

PART 2A OF FORM ADV: FIRM BROCHURE

ITEM 1. COVER PAGE

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This brochure provides information about the qualifications and business practices of Advantage Advisers Management, L.L.C. If you have any questions about the contents of this brochure, please contact Cheryl Cowan, Client Services Supervisor at (212) 440-4664 or [cheryl.cowan@opco.com](mailto:cheryl.cowan@opco.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Advantage Advisers Management, L.L.C. also is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

## ITEM 2. Material Changes

This Brochure is Advantage Advisers Management, L.L.C.'s ("AAM") first Form ADV Part 2A submitted to the Securities and Exchange Commission (the "SEC") pursuant to amendments made to certain rules promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and the form formerly known as Form ADV Part II. AAM previously provided to its clients a Form ADV Part II, dated March 4, 2010 (the "Old Part II"), which was used as a basis for certain disclosure provided in this Brochure. Differences between the Old Part II and this Brochure are generally attributable to the new disclosure rules and the new form, and not to any material changes in the qualifications or business practices of AAM. Accordingly, there are no material changes to report. If AAM makes any material changes to this Brochure, this section will be revised to include a summary of such changes.

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## ITEM 4. ADVISORY BUSINESS

### A. General Description of Advisory Firm

Advantage Advisers Management, LLC ("AAM") was formed on October 29, 1997. AAM provides general advisory and management services to investment companies and other pooled investment vehicles.

AAM acts as investment adviser to several funds (as listed below) and provides investment advisory services primarily with the assistance of employees of Oppenheimer Asset Management Inc. (the "Sponsor" or "OAM"), including investment professionals who manage the funds' assets and investments (the "Investment Professionals").

OAM, managing member of AAM, is an SEC registered investment adviser. OAM is an indirect wholly owned subsidiary of Oppenheimer Holdings, Inc. ("OPY"), a publicly traded company listed on the New York Stock Exchange ("NYSE"), and controlled by Albert G. Lowenthal, who controls greater than 50% of the voting securities of OPY.

AAM has retained Oppenheimer & Co. Inc. ("OPCO"), an affiliate of AAM, to provide administration services to the Funds. Accordingly, the management fees described below are paid to OPCO and not to AAM.

### B. Description of Advisory Services

AAM provides advisory services to the following funds, collectively, the "Funds"):

- 1) Advantage Advisers Global Growth, LLC. ("Global Growth"), an equity long/short hedge fund focused on global growth companies. Global Growth's investment portfolio is managed by investment professionals employed by Alkeon Capital Management, L.L.C. ("Alkeon") under the supervision of OAM.
- 2) Advantage Advisers Xanthus Fund, L.L.C. ("Xanthus"), a closed-end, non-diversified investment company. Xanthus' investment portfolio is managed by investment professionals employed by Alkeon under the supervision of OAM.
- 3) Advantage Advisers Whistler Fund, L.L.C. ("Whistler"), a closed-end fund of funds that generally invests its assets among a group of investment managers (the "Investment Managers") by investing in private investment funds (each, an "Investment Fund").
- 4) Advantage Advisers Augusta Fund, L.L.C. ("Augusta"), a closed-end non-diversified investment company. Augusta is currently being liquidated.

AAM does not offer customized services for the Funds. Investors purchase units in the Funds and investments are made at the fund level, not for individual investors in the Funds.

## Assets under Management

As of December 31, 2010 AAM managed \$1,424,657,493 of client assets on a discretionary basis. AAM did not manage any client assets on a non-discretionary basis.

### ITEM 5. FEES AND COMPENSATION

#### A. Advisory Fees and Compensation

As compensation for the investment advisory services it provides to the Funds, AAM receives a performance-based allocation. A percentage of assets under management, or an asset-based fee, is paid by each Fund to OPCO, an affiliate of AAM, as an administration fee. As the investment portfolio of Global Growth and Xanthus is managed by investment professionals employed by Alkeon, a portion of the performance-based compensation with respect to each of Global Growth and Xanthus is ultimately allocated to Alkeon.

The Fund maintains for each investor a capital account that is adjusted to reflect the performance-based allocation and payment of the administration fee and additional fund expenses during the term of the Fund.

#### B. Payment of Fees

<u>Global Growth</u>		
<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Performance-Based Allocation (a portion allocated to AAM is ultimately allocated to Alkeon)	Allocated as of the end of each fiscal year	20% of the excess of the net appreciation in an investor's investments in the Fund; if investor's account terminated before 1 year, this fee is not paid, rather the account may be charged a 3% (annually) asset-based fee for the value of the account, prorated through the date of termination
Administration Fee (paid to OPCO which remits a specific portion to Alkeon)	Monthly due and payable in advance on first day of each month	Investors subscribing after 3/1/04: 0.125% (1.5% annually) of Fund's NAV attributable to such investors, after adjusted for any subscriptions effective on such date Before 3/1/04: 0.083% (1.0% annually), otherwise on same terms

<u>Xanthus</u>		
<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Performance-based Allocation (a portion allocated to AAM is ultimately allocated to Alkeon)	Allocated as of the end of each fiscal year	20% of the excess of the net appreciation in an investor's investment in the Fund
Administration Fee to be paid to OPCO (portion paid by Xanthus is remitted to Alkeon once received by OPCO)	Monthly in advance Due on first day of month	0.083% (1.0% on an annualized basis)

<u>Whistler</u>		
<u>Fees</u>	<u>When Paid</u>	<u>Amount</u>
Performance-based Allocation	Allocated as of the end of each fiscal year	10% of the excess of the net appreciation in an investor's investment in the Fund
Administration Fee	Monthly in advance due on first day of month	0.083% (1.0% on an annualized basis) of the value of the Fund's net assets for the month, after adjustment for any subscriptions effective on such date

### C. Additional Fees and Expenses

Global Growth: The Fund bears all operating expenses associated with the operation of the Fund, including all taxes, investment expenses (*e.g.*, expenses that Alkeon reasonably determines to be related to the investment of the Fund's assets, such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees, bank services fees, interest expenses, travel expenses related to investments made by the Fund and professional fees (including, without limitation, consultants and experts) relating to investments, ongoing offering, administrative, legal, marketing, internal and external accounting, audit, tax preparation and escrow expenses, investment advisory insurance premiums, organizational expenses, expenses incurred in connection with the offering and sale of limited liability company interests and other expenses incurred by Alkeon or any member thereof in connection with Fund activities. In the event that any services, including, without limitation, legal, internal and external accounting, audit and tax preparation services, are performed or paid for the Fund by Alkeon or its affiliates, the Fund will reimburse Alkeon or its affiliates.

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Xanthus: The Fund bears all expenses incurred in connection with its business and operations other than those specifically required to be borne by Alkeon or OPCO. Expenses borne by the Fund include, but are not limited to, the following: all costs and expenses related to portfolio transactions and positions for the Fund's account; legal fees; accounting fees; custody expenses; costs of insurance; organizational and registration expenses; certain offering expenses; expenses of meetings of the Board of Managers and investors; the OPCO Administration Fee; and fees payable to BNY Mellon Investment Servicing (US) Inc. for providing certain administration, accounting and investor services to the Fund.

Whistler: The Fund bears all expenses incurred in connection with its business and operations other than those specifically required to be borne by AAM or OPCO. Expenses borne by the Fund include, but are not limited to, the following: all costs and expenses related to portfolio transactions and positions for the Fund's account, the establishment of any Investment Funds managed by subadvisers, and with the selection of investment managers, including due diligence and travel-related expenses; legal fees; accounting fees; costs of insurance; organizational and registration expenses; certain offering expenses; expenses of meetings of the Board of Managers and investors; and fees payable to BNY Mellon Investment Servicing (US) Inc. for providing certain administration, accounting and investor services to the Fund.

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

The existence of performance-based compensation (*i.e.*, the performance allocation) may create an incentive for Alkeon's Investment Professionals (in the case of Global Growth and Xanthus) or the Investment Managers (in the case of Whistler) to recommend or approve more speculative investments on behalf of the Funds than would be the case in the absence of this arrangement. In addition, because a performance allocation is calculated on a basis that includes unrealized appreciation, the performance allocation may be greater than if it were based solely on realized gains.

AAM expects that from time to time Global Growth and Xanthus may participate in the same investment opportunity at the same time. To the extent an investment opportunity is suitable for each of these Funds, the investment opportunity is aggregated, placed and allocated among these entities or other investors managed by Alkeon who seek to partake in the opportunity. AAM expects that any such allocation of investment opportunities will be performed on a basis that it believes is fair and equitable and will use all commercially reasonable efforts to ensure that no participating entity or account receives preferential treatment over any other. AAM and the respective investment personnel will take steps to ensure that no participating entity or account is systematically disadvantaged by the aggregation, placement and allocation of orders.

#### ITEM 7. TYPES OF CLIENTS

AAM's client base is made up of investment companies and other pooled investment vehicles.

The minimum subscription amount in Global Growth, unless waived, reduced or increased by OAM in its sole and absolute discretion, is \$5,000,000.

The minimum subscription amount in Xanthus, unless waived, reduced or increased by the Board of Managers of Xanthus in its sole and absolute discretion, is \$100,000 (\$50,000 for investors with \$250,000 in other funds sponsored by OAM).

The minimum subscription amount in Whistler, unless waived, reduced or increased by the Board of Managers of Whistler in its sole and absolute discretion, is \$100,000 (\$50,000 for investors with \$250,000 in other funds sponsored by OAM.)

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

### **Global Growth and Xanthus Investment Strategy**

AAM has delegated discretionary authority in managing the investment portfolios of each of Global Growth and Xanthus to Alkeon.

Investment Professionals employed by Alkeon invest the assets of each of the Funds primarily in equity securities of U.S. and foreign companies, without regard to the issuer's market capitalization, that Alkeon believes are well positioned to benefit from demand for their products or services, including companies that can innovate or grow rapidly relative to their peers in their markets. In addition, as part of its investment strategy, each of the Funds may effect short sales of securities that Alkeon believes are overvalued. Each of the Funds also may invest in other types of securities from time to time. Companies that derive a major portion of their revenues from technology-related business lines or which are expected to benefit from technological events are an important part of the universe of growth companies. Such companies are expected to be a significant component of the Funds' investment program. Each of the Funds may invest without limitation, however, in other market sectors, if Alkeon believes that investments in these other sectors present attractive opportunities for capital appreciation. In such circumstances, investments in technology related companies and companies affected by technological developments may represent a smaller segment of the Funds' investment portfolio.

The Fund may also effect short sales of securities when Alkeon believes that the market price of a security is above its estimated intrinsic or fundamental value. Under certain circumstances when Alkeon identifies greater opportunities for capital appreciation by effecting short sales (relative to investing in long positions), the Fund's portfolio may have a "net-short bias," where the dollar value of the short positions exceed the value of long positions. The Fund may also effect short sales for hedging purposes.



The Fund's investment program may make frequent use of leverage for investment purposes, including to facilitate short sales of securities. Borrowings by the Fund (which do not include short and derivative transactions) will not exceed one-third of the Fund's total assets.

During periods of adverse market conditions in the equity securities markets, the Fund may invest all or a portion of its assets in high quality debt securities or money market instruments, or hold its assets in cash. The Fund also invests in money market instruments for liquidity purposes.

Alkeon uses fundamental investment analysis and in-depth research to identify attractive investment opportunities. The investment process involves a research driven, bottom-up analysis of a security's potential for appreciation or depreciation, and includes consideration of the financial condition, earnings outlook, and strategy, management and industry position of issuers. Additionally, the process involves the use of valuation models, review and analysis of published research and, in some cases, discussions with industry experts and company visits. Alkeon also takes into account economic and market conditions.

Except as otherwise indicated, the Fund's investment policies and restrictions are not fundamental and may be changed without a vote of its investors.

### **Whistler Investment Strategy**

AAM is responsible for the allocation of the Fund's assets, which are allocated among a diverse group of Investment Funds that represent a variety of investment strategies and styles. The Investment Funds are generally unregistered private investment partnerships, which have investors other than Whistler, and in some cases, registered investment companies or managed accounts.

The strategies employed by the Investment Managers may include but are not limited to:

- |                                |                        |
|--------------------------------|------------------------|
| 1. Hedged Equities             | 5. Short Selling       |
| 2. Relative Value Arbitrage    | 6. Opportunistic/Macro |
| 3. Event Driven/Risk Arbitrage | 7. Equity Strategies   |
| 4. Distressed Securities       | 8. Commodities         |

Each Investment Manager may invest some or all of its assets in a variety of different types of investment instruments, including but not limited to equity securities, bonds and other fixed-income securities, options, futures and other derivatives, as well as high quality fixed income securities and money market instruments, or may hold cash or cash equivalents in such amounts as the Investment Manager deems appropriate. Pending allocation of the offering proceeds and thereafter from time to time Whistler may also invest in these instruments. Whistler does not intend to invest in Investment Funds managed by AAM or any of its affiliates, but it may do so in the future.

## **Augusta Investment Strategy**

Augusta is in liquidation. Investment professionals of Eden Capital Management Partners, L.P. ("ECM") managed the investment portfolio of Augusta under the supervision of OAM.

The Fund invested in corporate equity and debt securities, using a value and growth-based approach to security selection and invests principally in equity securities of publicly-traded U.S. companies. The Fund emphasized investments in companies that ECM believed were undervalued by the market relative to their long-term prospects, the value of their assets or competitive positioning, and in companies that ECM believed had the potential to develop above-average earnings, sales or asset growth. ECM's approach was valuation-sensitive and generally focused on a long-term investment horizon.

The Fund's securities were sold and went to cash on 12/31/10.

### **B. Material, Significant or Unusual Risks Relating to Investment Strategies**

Investing in securities and portfolio companies involves a risk of loss that clients should be prepared to bear. An investment in the Funds involves a significant degree of risk and there can be no assurance that the investment objective of the Funds' will be achieved. In addition to the speculative nature of such investments, the risks include limited operating history for the Funds, challenges in achieving optimum diversification, dependence on managers to enhance portfolio company values, limitations on withdrawal from the Funds, potential conflicts of interest, non-transferability of units, and illiquidity of the Funds' investments as well as illiquidity risks associated with an investment in the Funds. The Funds' risk management approach cannot entirely eliminate risk.

### **Material, Significant or Unusual Risks Relating to Investment Strategies**

The following risk factors do not purport to be a complete list or explanation of the risks in an investment in the Funds. These risks include only those AAM believes to be material, significant or unusual and related to particular significant investment strategies or methods of analysis employed by AAM.

#### **Global Growth and Xanthus**

### **Material, Significant or Unusual Risks Relating to Investment Strategies**

#### **Nature of Investments; Sector Concentration**

Alkeon has broad discretion in making investments for the Fund. Investments will generally consist of equity securities and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that Alkeon will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's

activities and the value of its investments. In addition, the value of the Fund's portfolio (especially fixed income securities) may fluctuate as the general level of interest rates fluctuates. Furthermore, in addition to market and economic conditions affecting the securities markets generally, the Fund's investments and its performance will be affected by risk factors particular to the specific sectors in which it invests.

### **Limited Diversification**

The Fund is a "non-diversified" investment company. Thus, there are no limitations on the percentage of the Fund's assets that may be invested in the securities of any one issuer. To the extent that a relatively high percentage of the Fund's assets are invested in the securities of a limited number of issuers within one or more sectors, the Fund's investment portfolio will be more susceptible to risk of loss from events affecting particular issuers, as well as from economic, political or regulatory events, than the portfolio of a diversified investment company or an investment company not focused on securities in those sectors. The Fund generally intends to invest no more than 15% of the value of its total assets (unleveraged and measured at the time of purchase) in the securities of any one issuer. Alkeon believes that this approach helps to reduce risk due to issuer-specific events. The Fund will not invest 25% or more of the value of its total assets in the securities (other than U.S. Government Securities) of issuers engaged in any single industry, including any industry within the technology sector. However, it may invest 25% or more of its assets in securities of issuers engaged in related industries within a particular sector, including industries related to identical products. Such related industries may be similarly affected by a single economic, political or regulatory event or development affecting their common products.

### **Risk of Net-Long Bias**

The Fund's portfolio may operate with a "net-long bias," *i.e.*, the dollar value of long positions in the portfolio exceed the dollar value of short positions. As a result, in a declining equity market environment, operating with a net-long bias could subject the Fund's portfolio to more downside volatility than would be the case if the Fund's portfolio had greater short exposure.

### **Leverage**

The Fund may borrow money to purchase securities, a practice known as "leverage," which involves certain risks. In this regard, the Fund may make margin purchases of securities, borrow money from banks and enter into reverse repurchase agreements. The Fund may also borrow money for temporary or emergency purposes or in connection with the repurchase of Interests. Trading equity securities on margin generally involves an initial cash requirement representing at least 50% of the underlying security's value with respect to transactions in U.S. markets and varying (typically lower) percentages with respect to transactions in foreign markets. Borrowings to purchase equity securities typically will be secured by the pledge of those securities. The financing of securities purchases may also be effected through reverse repurchase agreements with

banks, brokers and other financial institutions. This involves the transfer by the Fund of the underlying security to a counterparty in exchange for cash proceeds based on a percentage (which can be as high as 95% to 100%) of the value of the debt instrument. Although leverage will increase investment return if the Fund earns a greater return on the investments purchased with borrowed funds than it pays for the use of those funds, the use of leverage will decrease investment return if the Fund fails to earn as much on investments purchased with borrowed funds as it pays for the use of those funds. The use of leverage will therefore magnify the volatility of the value of the Fund's investment portfolio. In the event that the Fund's equity or debt instruments decline in value, the Fund could be subject to a "margin call" or "collateral call," pursuant to which the Fund must either deposit additional collateral with the lender or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its borrowing. Money borrowed for leveraging will be subject to interest costs that may or may not be recovered by return on the securities purchased. The Fund also may be required to maintain minimum average balances in connection with its borrowings or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate.

### **Short Selling**

The Fund may attempt to limit exposure to a possible market decline in the value of its portfolio securities through short sales of securities that Alkeon (subject to any policies established by the Board of Managers) believes possess volatility characteristics similar to those being hedged. In addition, the Fund may use short sales for non-hedging purposes to pursue its investment objective. For example, the Fund may "short" a security of a company if Alkeon believes the security is over-valued in relation to the issuer's prospects for earnings growth.

To effect a short sale, the Fund will borrow a security from a brokerage firm to make delivery to the buyer. The Fund is then obligated to replace the borrowed security by purchasing it at the market price at the time of replacement. The Fund will realize a gain if the borrowed security declines in price between the date of the short sale and the date on which the Fund replaces the security. The Fund will incur a loss if the price of the borrowed security increases between those dates. This loss can increase rapidly and without effective limit. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium or interest the Fund may be required to pay in connection with a short sale. There is a risk that the borrowed securities would need to be returned to the brokerage firm on short notice. If a request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, and the Fund might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the price at which the securities were sold short. The successful use of short selling may be adversely affected by imperfect correlation between movements in the price of the security sold

short and the securities being hedged. Short selling may exaggerate the volatility of the Fund's investment portfolio. Short selling may also produce higher than normal portfolio turnover and may result in increased transaction costs to the Fund. The Fund may also make short sales against-the-box, in which it sells short securities it owns or has the right to obtain without payment of additional consideration. If the Fund makes a short sale against-the-box, it will be required to set aside securities equivalent in kind and amount to the securities sold short (or securities convertible or exchangeable into those securities) and will be required to hold those securities while the short sale is outstanding. The Fund will incur transaction costs, including interest expenses, in connection with opening, maintaining and closing short sales against-the-box.

### **Lending Portfolio Securities**

The Fund may lend its portfolio securities to domestic and foreign brokers, dealers and financial institutions. These loans will be secured by collateral (consisting of cash, U.S. Government Securities or irrevocable letters of credit) maintained in an amount equal to at least 100% of the market value, determined daily, of the loaned securities. The Fund may at any time call the loan and obtain the return of the securities loaned. The Fund will be entitled to payments equal to the interest and dividends on the loaned security and may receive a premium for lending the securities. Lending portfolio securities may result in income to the Fund, but there may be delays in the recovery of the loaned securities or a loss of rights in the collateral supplied should the borrower fail financially. Securities lending involves a form of leverage, and the Fund may incur a loss if securities purchased with the collateral from securities loans decline in value.

### **Whistler Material, Significant or Unusual Risks Relating to Investment Strategies**

The investment strategy used to screen a prospective Investment Manager includes using a number of criteria, including the length and consistency of the corresponding Investment Fund's track record, its total assets under management, the volatility of returns of the Investment Fund, the size and frequency of withdrawals, the depth and experience of the Investment Manager's investment personnel, the stability of management team and the overall structure of its business.

Despite this screening process, as well as ongoing monitoring of both the Investment Funds and their Investment Managers, the risks exist that (a) the investment program for which the Investment Manager is selected is not followed, (b) the investment program will not be successful or (c) the information or assumptions used by AAM in making investment decisions on behalf of Whistler, including analysis of the overall risk profile of the underlying Investment Funds, may be incorrect.

Furthermore, since Whistler may make investments in Investment Funds only at certain times pursuant to limitations set forth in the governing documents of the Investment Funds, Whistler may have to invest some of its assets temporarily in money market securities.

### **Augusta Material, Significant or Unusual Risks Relating to Investment Strategies**

Augusta is currently being liquidated. As such, there are no material, significant or unusual risks relating to investment strategies.

#### **C. Material Risks Relating to Specific Investments Recommended**

### **Global Growth and Xanthus** **Material Risks Relating to Specific Investments Recommended**

#### **Equity Securities**

A significant portion of the Fund's investment portfolio normally consists of long and short positions in common stocks and other equity securities. The value of the Fund's equity securities varies in response to many factors, including, but not limited to, the activities and financial condition of individual companies, the business market in which individual companies compete and general market and economic conditions. The Fund's investments in equity securities of U.S. companies may include securities that are listed on U.S. securities exchanges as well as unlisted securities that are traded over-the-counter. Equity securities of companies traded over-the-counter may not be traded in the volumes typically found on a national securities exchange. Consequently, the Fund may be required to dispose of these securities over a longer (and potentially less favorable) period of time than is required to dispose of the securities of exchange listed companies. There is no minimum required market capitalization of the companies in which the Fund may invest, and the Fund may invest a portion of its assets in securities of companies having smaller market capitalizations. Investments in companies with smaller market capitalizations are generally riskier than investments in larger, well-established companies. Smaller companies often are more recently formed than larger companies and may have limited or less diverse product lines, distribution channels and financial and managerial resources, and narrower market penetration. There is often less publicly available information about these companies than there is for larger, more established issuers, making it more difficult for Alkeon to analyze the value of the company. The equity securities of smaller companies are often traded over-the-counter or on regional exchanges and may not be traded in the volume typical for securities that are traded on a national securities exchange. Consequently, the Fund may be required to sell these securities over a longer period of time (and potentially at less favorable prices) than would be the case for securities of larger companies. In addition, the prices of the securities of smaller companies may be more volatile than those of larger companies.

**Common Stocks.** Common stocks are shares of a corporation or other entity that entitle the holder to a *pro rata* share of the profits, if any, of the entity without preference over any other shareholder or claim of shareholders, after making required payments to holders of the entity's preferred stock and other senior equity. Common stock usually carries with it the right to vote and frequently an exclusive right to do so.

***Preferred Stocks.*** Preferred stock generally has a preference as to dividends, and upon the event of liquidation, over an issuer's common stock, but it ranks junior to debt securities in an issuer's capital structure. Preferred stock generally pays dividends in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fail to make one or more dividend payments on the preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

***Convertible Securities.*** Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics, in that they generally (1) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (2) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (3) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. Generally, the conversion value decreases as the convertible security approaches maturity. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed income security.

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

## **Bonds and Other Fixed-Income Securities**

The Fund may invest a portion of its assets in bonds and other fixed-income securities when, in the judgment of Alkeon (subject to any policies established by the Manager) such investments are warranted. In addition, the Fund may invest without limit in high quality fixed-income securities for temporary defensive purposes and to maintain liquidity.

Fixed-income securities include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities ("U.S. Government Securities") or by a foreign government; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

The Fund may invest in both investment grade and non-investment grade debt securities. Investment grade debt securities are securities that have received a rating from at least one nationally recognized statistical rating organization ("NRSRO") in one of the four highest rating categories or, if not rated by any NRSRO, have been determined by Alkeon to be of comparable quality. Non-investment grade debt securities (typically called "junk bonds") are securities that have received a rating from a NRSRO of below investment grade or have been given no rating, and are considered by the NRSRO to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Non-investment grade debt securities in the lowest rating categories may involve a substantial risk of default or may be in default. Adverse changes in economic conditions or developments regarding the individual issuer are more likely to cause price volatility and weaken the capacity of the issuers of non-investment grade debt securities to make principal and interest payments than is the case for higher grade debt securities. An economic downturn affecting an issuer of non-investment grade debt securities may result in an increased incidence of default. In addition, the market for lower grade debt securities may be thinner and less active than for higher grade debt securities.

## **Exchange Traded Funds and Other Similar Instruments**

Shares of exchange traded funds ("ETFs") and other similar instruments may be purchased or sold short by the Fund. An ETF is an investment company that is registered under the Investment Company Act of 1940 (the "1940 Act") that holds a portfolio of common stocks designed to track the performance of a particular index. ETFs sell and redeem their shares at net asset value in large blocks (typically 50,000 of its shares) called "creation units." Shares representing fractional interests in these creation units are listed for trading on national securities exchanges and can be purchased and sold in the secondary market in lots of any size at any time during the trading day.



Instruments the Fund may purchase that are similar to ETFs represent beneficial ownership interests in specific "baskets" of stocks of companies within a particular industry sector or group. These securities may also be listed on national securities exchanges and purchased and sold in the secondary market, but unlike ETFs are not registered as investment companies under the 1940 Act.

Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held. Because ETFs and pools that issue similar instruments bear various fees and expenses, the Fund's investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. Alkeon considers the expenses associated with an investment in determining whether to invest in an ETF or other instrument.

### **Technology Company Securities**

It is expected that, under normal market conditions, the Fund will maintain a significant exposure to the equity securities of companies which derive a major portion of their revenue directly or indirectly from business lines which benefit, or are expected to benefit from, technological events, advances or products ("Technology Companies"). Investing in securities of Technology Companies involves additional risks. These risks include: the fact that certain companies in the Fund's portfolio may have limited operating histories; rapidly changing technologies and products which may quickly become obsolete; cyclical patterns in information technology spending which may result in inventory write-offs, cancellation of orders and operating losses; scarcity of management, engineering and marketing personnel with appropriate technological training; the possibility of lawsuits related to technological patents; changing investor sentiments and preferences with regard to investments in Technology Companies (which are generally perceived as risky) with their resultant effect on the price of underlying securities; and volatility in the U.S. and foreign stock markets which may disproportionately affect the prices of securities of Technology Companies and thus cause the Fund's performance to experience substantial volatility. The Fund is thus subject to these and other risks associated with Technology Companies to a much greater extent than a fund that does not emphasize these investments.

It should be noted that Alkeon's definition of "Technology Companies" (as indicated above) covers companies in a broader range of industries and sectors than those that are more commonly considered technology companies. As a result, the Fund's portfolio and performance may not resemble those of funds that invest significantly in more traditional technology companies.

## **Growth Company Securities**

The Fund may invest a substantial portion of its assets in "growth companies." Investing in growth companies involves substantial risks. Securities of growth companies may perform differently from the stock market as a whole and may be more volatile than other types of stocks. Since growth companies usually invest a significant portion of earnings in their businesses, they may lack the dividends of value stocks that can cushion the impact of declining stock prices in a falling market. Also, earnings disappointments often lead to sharply falling prices for growth company stocks because investors buy growth company stocks in anticipation of superior earnings growth. Securities of growth companies may also be more expensive relative to their earnings or assets compared to value or other types of stocks.

The Fund may invest a significant portion of its net assets in securities of foreign issuers and in depositary receipts, such as American Depositary Receipts ("ADRs"), that represent indirect interests in securities of foreign issuers. Foreign securities in which the Fund may invest may be listed on foreign securities exchanges or traded in foreign over-the-counter markets. Alkeon defines "foreign issuers" as companies that derive a majority of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their operations or assets located outside of the U.S. Since there are companies that may be legally organized or have principal offices located in the U.S. that derive a majority of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their operations or assets located outside the U.S., such companies are also considered to be "foreign issuers" for these purposes. Investments in foreign securities are affected by risk factors generally not thought to be present in the U.S. These factors include, but are not limited to, the following: varying custody, brokerage and settlement practices; difficulty in pricing; less public information about issuers of foreign securities; less governmental regulation and supervision over the issuance and trading of securities than in the U.S.; the unavailability of financial information regarding the foreign issuer or the difficulty of interpreting financial information prepared under foreign accounting standards; less liquidity and more volatility in foreign securities markets; the possibility of expropriation or nationalization; the imposition of withholding and other taxes on interest, dividends, capital gains or other income; adverse political, social or diplomatic developments; limitations on the movement of funds or other assets of the Fund between different countries; difficulties in invoking legal process abroad and enforcing contractual obligations; and the difficulty of assessing economic trends in foreign countries. Moreover, governmental issuers of foreign securities may be unwilling to repay principal and interest due, and may require that the conditions for payment be renegotiated. Investment in foreign countries also involves higher brokerage and custodian expenses than does investment in U.S. securities. Other risks of investing in foreign securities include changes in currency exchange rates (in the case of securities that are not denominated in U.S. dollars) and currency exchange control regulations or other foreign or U.S. laws or restrictions, or devaluations of foreign currencies. A decline in the exchange rate would reduce the value of certain of the Fund's foreign currency denominated portfolio securities irrespective of the performance of the underlying investment. In addition, the Fund may incur costs in

connection with conversion between various currencies. The foregoing risks may be greater in emerging industrialized and less developed countries.

### **Foreign Securities; Emerging Markets; Currency Risks**

The Fund may invest a significant portion of its net assets in securities of foreign issuers and in depositary receipts, such as American Depositary Receipts ("ADRs"), that represent indirect interests in securities of foreign issuers. Foreign securities in which the Fund may invest may be listed on foreign securities exchanges or traded in foreign over-the-counter markets. Alkeon defines "foreign issuers" as companies that derive a majority of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their operations or assets located outside of the U.S. Since there are companies that may be legally organized or have principal offices located in the U.S. that derive a majority of their revenue or profits from foreign businesses, investments or sales, or that have a majority of their operations or assets located outside the U.S., such companies are also considered to be "foreign issuers" for these purposes.

Investments in foreign securities are affected by risk factors generally not thought to be present in the U.S. These factors include, but are not limited to, the following: varying custody, brokerage and settlement practices; difficulty in pricing; less public information about issuers of foreign securities; less governmental regulation and supervision over the issuance and trading of securities than in the U.S.; the unavailability of financial information regarding the foreign issuer or the difficulty of interpreting financial information prepared under foreign accounting standards; less liquidity and more volatility in foreign securities markets; the possibility of expropriation or nationalization; the imposition of withholding and other taxes on interest, dividends, capital gains or other income; adverse political, social or diplomatic developments; limitations on the movement of funds or other assets of the Fund between different countries; difficulties in invoking legal process abroad and enforcing contractual obligations; and the difficulty of assessing economic trends in foreign countries. Moreover, governmental issuers of foreign securities may be unwilling to repay principal and interest due, and may require that the conditions for payment be renegotiated. Investment in foreign countries also involves higher brokerage and custodian expenses than does investment in U.S. securities.

Other risks of investing in foreign securities include changes in currency exchange rates (in the case of securities that are not denominated in U.S. dollars) and currency exchange control regulations or other foreign or U.S. laws or restrictions, or devaluations of foreign currencies. A decline in the exchange rate would reduce the value of certain of the Fund's foreign currency denominated portfolio securities irrespective of the performance of the underlying investment. In addition, the Fund may incur costs in connection with conversion between various currencies. The foregoing risks may be greater in emerging industrialized and less developed countries.

## **Foreign Currency Transactions**

Alkeon may engage in foreign currency transactions for a variety of purposes, including to fix, in U.S. dollars, the value of a security the Fund has agreed to buy or sell, between trade and settlement date, or to hedge the U.S. dollar value of securities the Fund already owns, particularly if Alkeon expects a decrease in the value of the currency in which the foreign security is denominated.

Foreign currency transactions may involve, for example, the purchase of foreign currencies for U.S. dollars or the maintenance of short positions in foreign currencies, which would involve the Fund agreeing to exchange an amount of a currency it did not currently own for another currency at a future date in anticipation of a decline in the value of the currency sold relative to the currency the Fund contracted to receive in the exchange. Alkeon's success in these transactions will depend principally on its ability to predict accurately the future exchange rates between foreign currencies and the U.S. dollar. The frequency with which the Fund may engage in such foreign currency transactions will depend on the level of investment by the Fund in such foreign securities.

The Fund may enter into forward currency exchange contracts ("forward contracts") for hedging purposes and non-hedging purposes to pursue its investment objective. Forward contracts are transactions involving the Fund's obligation to purchase or sell a specific currency at a future date at a specified price. Forward contracts may be used by the Fund for hedging purposes to protect against uncertainty in the level of future foreign currency exchange rates, such as when the Fund anticipates purchasing or selling a foreign security. This technique would allow the Fund to "lock in" the U.S. dollar price of the security. Forward contracts may also be used to attempt to protect the value of the Fund existing holdings of foreign securities. There may be, however, imperfect correlation between the Fund's foreign securities holdings and the forward contracts entered into with respect to those holdings. Forward contracts may also be used for non-hedging purposes to pursue the Fund's investment objective (subject to any policies established by OAM), such as when Alkeon anticipates that particular foreign currencies will appreciate or depreciate in value, even though securities denominated in those currencies are not then held in the Fund's investment portfolio. There is no requirement that the Fund hedge all or any portion of its exposure to foreign currency risks.

## **Repurchase Agreements**

Repurchase agreements are agreements under which the Fund purchases securities from a bank that is a member of the Federal Reserve System, a foreign bank or a securities dealer that agrees to repurchase the securities from the Fund at a higher price on a designated future date. If the seller under a repurchase agreement becomes insolvent or otherwise fails to repurchase the securities, the Fund would have the right to sell the securities. This right, however, may be restricted, or the value of the securities may decline before the securities can be liquidated. In the event of the commencement of bankruptcy or insolvency proceedings with respect to the seller of the securities before the repurchase of the securities under a repurchase agreement is accomplished, the Fund

may encounter a delay and incur costs, including a decline in the value of the securities, before being able to sell the securities. Repurchase agreements that are subject to foreign law may not enjoy protections comparable to those provided to certain repurchase agreements under U.S. bankruptcy law, and they therefore may involve greater risks. The Fund has adopted specific policies designed to minimize certain of the risks of loss from its use of repurchase agreements, which may include counterparty risks (described further below).

### **Reverse Repurchase Agreements**

Reverse repurchase agreements involve the Fund's sale of a security to a bank or securities dealer and the Fund's simultaneous agreement to repurchase that security for a fixed price (reflecting a market rate of interest) on a specific date. These transactions involve a risk that the other party to a reverse repurchase agreement will be unable or unwilling to complete the transaction as scheduled, which may result in losses to the Fund. Reverse repurchase transactions are a form of leverage that may increase the volatility of the Fund's investment portfolio. The Fund has adopted policies designed to minimize certain of the risks of loss associated with reverse repurchase transactions.

### **Purchasing Initial Public Offerings**

The Fund may purchase securities of companies in initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer, and limited operating history. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Fund to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

### **Special Investment Instruments and Techniques**

The Fund may utilize a variety of special investment instruments and techniques (described below) to hedge its investment portfolio against various risks (such as changes in interest rates or other factors that affect security values) or for non-hedging purposes to pursue the Fund's investment objective. These strategies may be executed through derivative transactions. The instruments the Fund may use and the particular manner in which they may be used may change over time as new instruments and techniques are developed or regulatory changes occur. Certain of the special investment instruments and techniques that the Fund may use are speculative and involve a high degree of risk, particularly in the context of non-hedging transactions to pursue the Fund's investment

objective. There is no requirement that the Fund hedge its portfolio or any of its investment positions.

***Call and Put Options on Individual Securities.*** The Fund may purchase call and put options in respect of specific securities, and may write and sell covered or uncovered call and put options for hedging purposes and non-hedging purposes to pursue its investment objective. A put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying security at a stated exercise price at any time prior to the expiration of the option. Similarly, a call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying security at a stated exercise price at any time prior to the expiration of the option. A covered call option written by the Fund is a call option with respect to which the Fund owns the underlying security. The sale of such an option exposes the Fund during the term of the option to possible loss of opportunity to realize appreciation in the market price of the underlying security or to possible continued holding of a security that might otherwise have been sold to protect against depreciation in the market price of the security. A covered put option written by the Fund is a put option with respect to which cash or liquid securities have been placed in a segregated account on the Fund's books or with the Fund's custodian to fulfill the obligation undertaken. The sale of such an option exposes the Fund during the term of the option to a decline in price of the underlying security while depriving the Fund of the opportunity to invest the segregated assets. The Fund may close out a position when writing options by purchasing an option on the same security with the same exercise price and expiration date as the option that it has previously written on the security. The Fund will realize a profit or loss if the amount paid to purchase an option is less or more, as the case may be, than the amount received from the sale thereof. To close out a position as a purchaser of an option, the Fund would ordinarily make a similar "closing sale transaction," which involves liquidating the Fund's position by selling the option previously purchased, although the Fund would be entitled to exercise the option should it deem it advantageous to do so. The Fund may also invest in so-called "synthetic" options or other derivative instruments written by broker-dealers. Options transactions may be effected on securities exchanges or in the over-the-counter market. When options are purchased over-the-counter, the Fund bears the risk that the counterparty that wrote the option will be unable or unwilling to perform its obligations under the option contract. These options may also be illiquid and, in such cases, the Fund may have difficulty closing out its position. Over-the-counter options purchased and sold by the Fund may also include options on baskets of specific securities.

***Warrants and Rights.*** Warrants are derivative instruments that permit, but do not obligate, the holder to subscribe for other securities or commodities. Rights are similar to warrants, but normally have a shorter duration and are offered or distributed to shareholders of a company. Warrants and rights do not carry with them the right to dividends or voting rights with respect to the securities that they entitle the holder to purchase, and they do not represent any rights in the assets of the issuer. As a result, warrants and rights may be considered more speculative than certain other types of equity-like securities. In addition, the values of warrants and rights do not necessarily

change with the value of the underlying securities or commodities and these instruments cease to have value if they are not exercised prior to their expiration dates.

***Call and Put Options on Securities Indices.*** The Fund may purchase and sell call and put options on stock indices (such as the Morgan Stanley High Tech Index or the Standard & Poor's 100 Index) listed on national securities exchanges or traded in the over-the-counter market for hedging purposes and non-hedging purposes to pursue its investment objective. A stock index fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes will depend upon the extent to which price movements in the Fund's portfolio correlate with price movements of the stock index selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Fund will realize a gain or loss from the purchase or writing of options on an index depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indexes, in an industry or market segment, rather than movements in the price of a particular stock. Accordingly, successful use by the Fund of options on stock indexes will be subject to Alkeon's ability to predict correctly movements in the direction of the stock market generally or of a particular industry or market segment. This requires different skills and techniques than predicting changes in the price of individual stocks.

***Additional Derivative Transactions.*** The Fund may take advantage of opportunities in the area of swaps, options on various underlying instruments, swaptions and certain other customized derivative instruments. A swap is a contract under which two parties agree to make periodic payments to each other based on specified interest rates, an index or the value of some other instrument, applied to a stated, or "notional," amount. Swaps generally can be classified as interest rate swaps, currency swaps, commodity swaps or equity swaps, depending on the type of index or instrument used to calculate the payments. Such swaps would increase or decrease the Fund's investment exposure to the particular interest rate, currency, commodity or equity involved. The Fund currently engages in swap transactions for single issuer equity replacement. Such transactions are undertaken to provide the Fund with exposure to a single security without having to receive exposure to a broader index in which such security may be found. Some of these securities are located in foreign markets (including but not limited to Korea, India and Brazil) where the Fund may not otherwise be able to purchase the foreign security directly. Notwithstanding the fact that the Fund will not directly hold the foreign security, many of the risks associated with investments in foreign securities (as described more fully under "—Foreign Securities" above) may apply to swaps for such securities. Certain equity placement swaps in which the Fund engages have the effect of providing economic leveraging of the Fund's assets. Such leverage can be significant. As such, the impact of an adverse change in the Fund's exposure may result in losses greater than the nominal value of the swap, which can be significant under certain circumstances. The Fund does not currently use derivatives to gain exposure to broad indices, but uses standard put options on broad indices for hedging purposes. The risks of such put options are described more fully under "—Special Investment Instruments and Techniques – Call and Put Options on Securities Indices," above. In addition, the Fund may take advantage

of opportunities with respect to certain other derivative instruments that are not presently contemplated for use by the Fund or that are currently not available, but which may be developed, to the extent such opportunities are both consistent with the Fund's investment objective and legally permissible for the Fund. Special risks may apply to instruments that are invested in by the Fund in the future, which risks cannot be determined at this time or until such instruments are developed or invested in by the Fund. Although not generally used by the Fund at present, a swaption is an option entitling one party to enter into a swap agreement with the counterparty. In addition to swaps and swaptions, the Fund may become a party to various other customized derivative instruments entitling the counterparty to certain payments on the gain or loss on the value of an underlying or referenced instrument.

Swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk, each of which is described more fully herein under "Types of Investments and Related Risk Factors" and "Additional Risk Factors" below. In addition, as noted above, derivatives can involve significant economic leverage and may, in some cases, involve significant risks of loss.

#### **When-Issued and Forward Commitment Securities**

The Fund may purchase securities on a "when-issued" basis and may purchase or sell securities on a "forward commitment" basis in order to hedge against anticipated changes in interest rates and prices. These transactions involve a commitment by the Fund to purchase or sell securities at a future date (ordinarily one or two months later). The price of the underlying securities, which is generally expressed in terms of yield, is fixed at the time the commitment is made, but delivery and payment for the securities takes place at a later date. No income accrues on securities that have been purchased pursuant to a forward commitment or on a when-issued basis prior to delivery to the Fund. When-issued securities and forward commitments may be sold prior to the settlement date. If the Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, it may incur a gain or loss. These transactions will be subject to the Fund's limitation on indebtedness unless, at the time the Fund enters into such a transaction, a segregated account consisting of cash, U.S. Government Securities or liquid securities equal to the value of the when-issued or forward commitment securities is established and maintained. There is a risk that securities purchased on a when-issued basis may not be delivered and that the purchaser of securities sold by the Fund on a forward basis will not honor its purchase obligation. In these cases, the Fund may incur a loss.

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## **Restricted and Illiquid Investments**

Although the Fund invests primarily in publicly traded securities, it may invest a portion of the value of its total assets in restricted securities and other investments that are illiquid. Restricted securities are securities that may not be sold to the public without an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act"), or, if they are unregistered, may be sold only in a privately negotiated transaction or pursuant to an exemption from registration. In recognition of the increased size and liquidity of the institutional markets for unregistered securities and the importance of institutional investors in the formation of capital, the Securities and Exchange Commission (the "SEC") has adopted Rule 144A under the 1933 Act, which is designed to further facilitate efficient trading among qualified institutional investors by permitting the sale of certain unregistered securities to qualified institutional buyers. To the extent privately placed securities held by the Fund qualify under Rule 144A, and an institutional market develops for those securities, the Fund likely will be able to dispose of the securities without registering them under the 1933 Act. To the extent that qualified institutional buyers become, for a time, uninterested in purchasing these securities, investing in Rule 144A securities could have the effect of increasing the level of the Fund's illiquidity. The Fund may adopt procedures under which certain Rule 144A securities will not be deemed to be illiquid, if certain criteria are satisfied with respect to those securities and the market therefor. Foreign securities that can be freely sold in the markets in which they are principally traded are not considered by the Fund to be restricted or illiquid. Regulation S under the 1933 Act permits the sale abroad of securities that are not registered for sale in the United States. Repurchase agreements with maturities of more than seven days will be treated as illiquid.

Where registration is required to sell a security, the Fund may be obligated to pay all or part of the registration expenses, and a considerable period may elapse between the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to sell. Restricted securities for which no market exists and other illiquid investments are valued at fair value as determined in accordance with procedures approved and periodically reviewed by OAM. Restricted securities and other illiquid investments involve the risk that the securities will not be able to be sold at the time desired by Alkeon or at prices approximating the value at which the Fund is carrying the securities. As a result, in determining the proportion of the value of its total assets that will be invested in restricted and other illiquid investments, the Fund will consider the need to maintain an adequate level of liquidity in its portfolio in order to fund the repurchase of Interests from investors without unnecessarily adversely impacting the value of the Fund's portfolio. It is not expected that the Fund will invest all or a substantial portion of the value of its total assets in such restricted or other illiquid investments.

## **Temporary Investments; U.S. Government Securities Risk**

During periods of adverse market conditions in the equity securities markets, or otherwise for defensive purposes, the Fund may temporarily invest all or a substantial portion of its assets in high quality fixed-income securities, including money market instruments, or may temporarily hold cash or cash equivalents in such amounts as Alkeon deems appropriate under the circumstances. Securities will be deemed to be of high quality if they are rated in the top four categories by an NRSRO or, if unrated, are determined to be of comparable quality by Alkeon. Money market instruments are high quality, short-term debt obligations (which generally have remaining maturities of one year or less), and may include: U.S. Government Securities; commercial paper; certificates of deposit and banker's acceptances issued by domestic branches of United States banks that are members of the Federal Deposit Insurance Corporation; and repurchase agreements for U.S. Government Securities. In lieu of purchasing money market instruments, the Fund may purchase shares of money market mutual funds that invest primarily in U.S. Government Securities and repurchase agreements involving those securities.

The Fund may also invest in money market instruments or purchase shares of money market mutual funds pending investment of its assets in equity securities or non-money market debt securities, or to maintain such liquidity as may be necessary to effect repurchases of Interests from investors or for other purposes. It is possible that the U.S. Government would not provide financial support to its agencies or instrumentalities if it were not required to do so by law. If a U.S. Government agency or instrumentality in which the Fund invests defaults and the U.S. Government does not stand behind the obligation, the value of the Fund's investment portfolio could fall. The U.S. Government's guarantee of ultimate payment of principal and timely payment of interest of the U.S. Government Securities owned by the Fund does not imply that the Interests are guaranteed by the FDIC or any other government agency, or that the value of the Interests will not continue to fluctuate.

### **Whistler Material Risks Relating to Specific Investments Recommended**

Risks presented in a fund-of-funds structure such as Whistler's include:

#### **Limited Liquidity**

Whistler may have limited rights pursuant to which it may redeem, transfer or otherwise liquidate its investments in underlying Investment Funds. Additionally, Investment Funds typically reserve the right to reduce ("gate") or suspend redemptions and to satisfy redemptions by making distributions in-kind, under certain circumstances. The ability of Whistler to distribute proceeds from realized investments to its investors may be adversely affected by the imposition of "gates" or suspensions by an Investment Fund or by the decision by an Investment Fund to satisfy redemptions in kind. Thus, upon Whistler's withdrawal of all or a portion of its interest in an Investment Fund, Whistler may receive securities that are illiquid or difficult to value. In these

circumstances, AAM would seek to dispose of the securities in a manner that is in the best interests of Whistler.

In addition, certain Investment Funds may move highly illiquid or hard-to-value assets into so-called "side pockets" from which Whistler would be unable to withdraw until such assets were sold or became more liquid.

### **Multiple Levels of Fees and Expenses**

An investor who meets the conditions imposed by the Investment Managers could invest directly with the Investment Managers. By investing in Investment Funds indirectly through Whistler, an investor bears asset-based fees and performance-based allocations assessed by Whistler and the Investment Funds. In addition, the investor bears a proportionate share of the other fees and expenses of Whistler (including operating costs, distribution expenses and administrative fees) and, indirectly, similar fees and expenses of the Investment Funds.

Each Investment Manager receives any performance-based allocations to which it is entitled irrespective of the performance of the other Investment Managers and Whistler generally. Accordingly, an Investment Manager with positive performance may receive compensation from Whistler, and thus indirectly from investors, even if Whistler's overall investment return is negative.

### **Duplicative Transaction Costs**

Investment decisions of the Investment Funds are made by the Investment Managers entirely independently of each other. As a result, at any particular time, one Investment Fund may be purchasing shares of an issuer whose shares are being sold by another Investment Fund. Consequently, Whistler could directly or indirectly incur certain transaction costs without accomplishing any net investment result.

### **Transparency; Valuation of Investment Funds**

Market prices are not readily available for most Investment Funds in which Whistler invests. Whistler's valuation procedures provide that the value of its investments in Investment Funds ordinarily will be the value determined in accordance with the underlying investment vehicles valuation policies and provided to Whistler. The Investment Funds generally do not provide details, on a day-to-day basis or otherwise, with respect to the underlying portfolio securities in which they invest. Although AAM will review the valuation procedures used by the Investment Funds, AAM will have little or no means of independently verifying valuations provided by such Investment Funds.

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## **Control over Investment Managers**

Although Whistler invests in Investment Funds that AAM believes will be managed in a manner consistent with their stated investment objectives and strategies, there can be no assurance that the Investment Managers will not diverge from such objectives and strategies or otherwise engage in improper conduct.

In addition to the foregoing risk factors, the individual Investment Funds will pursue a variety of investment strategies, each of which have their own unique risks. It is expected that such investment strategies may include, but not be limited to, hedged equities, relative value arbitrage, event driven/risk arbitrage, distressed securities, short selling, opportunistic/macro, equity strategies, and commodities-based strategies, any or all of which may include the use of leverage and/or lending of portfolio securities. The individual portfolio securities in which such Investment Funds invest also have their own risks. This disclosure does not purport to describe the risks of the strategies used by such Investment Funds or the risks of their underlying securities.

### **Augusta Material Risks Relating to Specific Investments Recommended**

Augusta is currently being liquidated. As such, there are no material risks relating to specific investments recommended by the Fund.

## **ITEM 9. DISCIPLINARY INFORMATION**

None.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Broker Dealer Registration Status**

Bryan E. McKigney, Chief Operations Officer and President of AAM, and Jeffrey Alfano, Chief Financial Officer of AAM, are each a registered representative of OPCO, but do not do business in that capacity.

### **B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status**

Bryan E. McKigney, Chief Operations Officer and President of AAM, is an associated person of Advantage Advisers Multi-Manager, LLC, a registered commodity pool operator, commodity trading advisor and National Futures Association ("NFA") member approved.

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### C. Material Relationships or Arrangements with Industry Participants

OAM is the managing member (and therefore controls) AAM. OAM is registered with the Securities and Exchange Commission (the “SEC”) as an investment adviser and an affiliate of OPCO, a registered investment adviser and broker-dealer. In addition to serving as managing member of AAM, OAM, (directly or through affiliates) provides investment advisory services to registered and unregistered investment companies, including, without limitation, domestic and offshore funds and individual and institutional client accounts.

OAM is the sponsor of each of the Funds and as such creates or packages limited partnerships. OAM is the managing member of Advantage Advisers Multi-Manager, LLC.

AAM is affiliated with several investment advisers who serve as investment managers to, among other clients, registered and unregistered investment companies. Those officers and employees of OPCO or OAM who provide investment advisory, administrative and related services to the Funds also provide similar services to the clients of AAM's affiliated investment advisers.

OPY directly and indirectly controls (through ownership) each of the above-mentioned advisers. As managing member or general partner, OAM controls most of these advisers. Albert G. Lowenthal, a Principal at OAM, owns greater than 50% of the controlling Class B voting stock in OPY. He is also Chairman and CEO of OPCO. OAM and OPCO are indirectly owned by OPY. OPY directly or indirectly has control over the activities of several subsidiaries, some of which provide insurance products and/or services. AAM does not have arrangements that are material to its advisory business or its clients with any related person who is a CPO, CTA or insurance company or agency.

### **OPCO**

OPCO acts as the non-exclusive placement agent for the Fund. OPCO is a registered broker-dealer and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). OPCO is also registered as a Futures Commission Merchant with the Commodity Futures Trading Commission (the “CFTC”). OPCO is a full-service, self-clearing securities brokerage firm.

OPCO and its Financial Advisors affiliated with OPCO distribute interests in several limited partnerships managed by OAM and its affiliates. OPCO and its Financial Advisors may receive all or a portion of any future placement fee or commission for the distribution of limited partnership interests.

OPCO compensates its Financial Advisors for placing their interests in investment products offered or sponsored by OPCO and its affiliates, including the Funds. This compensation is based on an existing plan of compensation pursuant to which OPCO takes into account sales of all investment products offered or sponsored by OPCO and its affiliates which are originated by OPCO Financial Advisors. OPCO Financial Advisors may charge investors in the Funds a sales commission which may equal up to 3% of the amount transmitted by an investor in connection with its subscription interest in a Fund. The sales commission requires the consent of the investor. Not all investors in the Funds will be charged a sales commission. This compensation may be greater than what the OPCO Financial Advisors would receive if the client participated in other collective investment vehicles or advisory programs and thus may create an incentive for the OPCO Financial Advisors to recommend the purchase of shares in the Funds to clients over other investments or advisory services, which presents a conflict of interest.

OPCO may also provide brokerage services to the Funds on an agency basis and receives commission fees for those services.

Although placing clients in investment products offered or sponsored by OPCO and its affiliates, including the Funds, is potentially more lucrative to the Financial Advisors, each of these investment vehicles pursues different investment objectives and strategies and has differing tax, regulatory and investor suitability considerations. Moreover, before any investor is accepted by Client Services, the Branch Manager of such Financial Advisor must sign off on investor suitability.

### **Portfolio Managers**

AAM anticipates that the Portfolio Managers will employ an investment program for the vehicle through which the Fund invests that is substantially similar to the investment program employed by each of portfolio managers for its other accounts, if any. As a general matter, each of the portfolio managers will consider participation by the Fund (or the relevant investment fund in which the Fund invests) in all appropriate investment opportunities that are under consideration for investment by each of the portfolio managers for all their accounts.

There may be, however, situations under which a portfolio manager will cause its accounts to commit a different percentage of their respective assets to an investment opportunity than to which the portfolio manager will commit the Funds (or the relevant investment fund's) assets. There also may be circumstances under which a portfolio manager will consider participation by its accounts in investment opportunities in which the portfolio manager does not intend to invest on behalf of the Funds or the relevant fund, or vice versa.

The investment activities of the Funds or Investment Fund, on the one hand, and portfolio manager accounts, on the other, may differ considerably from time to time. In addition, the fees and expenses of the Investment Funds will differ from those of the portfolio manager accounts and the Funds.

When a the portfolio manager determines that it would be appropriate for its investment fund and one or more of its portfolio manager accounts to participate in an investment opportunity at the same time, it will attempt to aggregate, place and allocate orders on a basis that the portfolio manager believes to be fair and equitable, consistent with its responsibilities under applicable law. Decisions in this regard are necessarily subjective and there is no requirement that the Funds or any investment fund participate, or participate to the same extent as the portfolio manager accounts, in all trades. However, no participating entity or account will receive preferential treatment over any other and the portfolio managers will take steps to ensure that no participating entity or account will be systematically disadvantaged by the aggregation, placement and allocation of orders.

Situations may occur, however, where the Funds could be disadvantaged because of the investment activities conducted by the portfolio manager for the portfolio manager accounts. Each portfolio manager and its principals, officers, employees and affiliates, may buy and sell securities or other investments for its own accounts and may have actual or potential conflicts of interest with respect to investments made on behalf of the Funds or an Investment Fund. As a result of differing trading and investment strategies or constraints, positions may be taken by principals, officers, employees and affiliates of the portfolio manager that are the same, different or made at a different time than positions taken for the Funds.

Portfolio managers or their affiliates may, from time to time, provide investment advisory or other services to private investment funds and other entities or accounts managed by OPY or its affiliates. In addition, portfolio managers or their affiliates may from time to time receive research products and services in connection with the brokerage services that OPY and its affiliates may provide either (i) to one or more entities managed by the portfolio managers or (ii) to the Funds.

OPCO, OAM, their affiliates and their directors, officers and employees, may buy and sell securities or other investments for their own accounts and may have actual or potential conflicts of interest with respect to investments made by AAM on behalf of the Funds. As a result of differing trading and investment strategies or constraints, positions may be taken by directors, officers and employees of OPCO, OAM or their affiliates (including personnel of AAM) that are the same, different or made at a different time than positions taken for the Funds. AAM, OPCO, OAM and their affiliates will not purchase securities or other property from, or sell securities or other property to, the Funds except that the Funds may engage in transactions with accounts which are affiliated with the Funds only because they are advised by OAM or one of its affiliates or because they have common officers, directors or managing members. Such transactions would be made in circumstances where AAM has determined that it would be appropriate for the Fund to purchase and another OPY Client to sell, or the Fund to sell and another OPY Client to purchase, the same security or instrument on the same day. All such purchases and sales would be made pursuant to procedures that OAM or its affiliate has adopted regarding such conduct. Among other things, those procedures are intended to ensure that: (1) each such transaction will be effected for cash consideration at the current

market price of the particular securities; (2) no such transaction will involve restricted securities or securities for which market quotations are not readily available; and (3) no brokerage commissions, fees (except for customary transfer fees) or other remuneration will be paid in connection with any such transaction. Oppenheimer and its affiliated broker-dealers may act as broker for the Fund or the Investment Funds in effecting securities transactions.

Future investment banking or corporate finance activities of OPY, OPCO, OAM or the Portfolio Managers (or their affiliates) and their principals, partners, directors, officers or employees may give rise to additional conflicts of interest or may subject the Fund to future restrictions on its ability to purchase or sell certain securities.

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

AAM has adopted a written Code of Ethics pursuant to Rule 204A-1 under the Advisers Act. A copy of the Code of Ethics will be provided upon request to any client or prospective client. The purpose of the Code is to set forth standards of conduct expected of advisory personnel and address conflicts, such as front running, that arise from personal trading by advisory personnel. The Code of Ethics addresses these conflicts as follows:

1. Certain advisory personnel with access to the securities trading of the Funds or advisory clients are deemed as "access persons";
2. These access persons of AAM are required to certify that they are in compliance with the Code of Ethics on an annual basis;
3. Access persons are also required to provide compliance personnel with brokerage accounts through which they conduct personal trading; and
4. Access persons are required to obtain written pre-clearance by compliance personnel of all personal securities transactions (other than certain exceptions to this requirement as defined in the Code).

AAM and its related persons are engaged or may engage in investment activities for private investment companies, other registered investment companies, other accounts that may pursue investment strategies similar to those of the Funds or for its own accounts or other related accounts, in which the Funds have no interest. These accounts may from time to time purchase, sell or hold certain investments which are also being purchased, sold or held by the Funds. AAM will allocate investments among the Funds and these accounts pursuing the same investment strategy on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments and the respective investment programs, diversification goals, and portfolio positions of the Funds and these accounts.



The Funds are recommended by Financial Advisors of OPCO, who are related persons of AAM. OPCO acts as the placement agent for the sale of interests in collective investment vehicles for which AAM or other affiliates of OPCO serve as investment adviser or general partner. Financial Advisors of OPCO receive a portion of the fees paid to the investment adviser or general partner with respect to client accounts in such funds.

AAM has a financial interest in the Funds, which it serves in an advisory capacity. AAM's advisory role and related compensation is disclosed in the relevant private placement memorandum or accompanying fund organization document and those documents are provided to each prospective client prior to investment in the Funds. AAM's employees devote as much of their time to the activities of the Funds as AAM deems necessary and appropriate.

## ITEM 12. BROKERAGE PRACTICES

### A. Factors Considered in Selecting or Recommending Broker Dealers for Client Transactions

AAM does not recommend broker-dealers for client transactions. AAM has given Alkeon the authority to select broker-dealers to be used for all transactions of Global Growth and Xanthus. The particular securities and the amounts of such securities to be purchased and sold are determined by Alkeon, consistent with Global Growth and Xanthus' investment objectives, policies, restrictions, and with respect to Xanthus, the requirements and limitations of the 1940 Act.

Whistler generally does not engage directly in transactions generating brokerage commissions. The Investment Manager of each of the Investment Funds is directly responsible for making investment decisions and allocating brokerage on portfolio transactions.

## ITEM 13. REVIEW OF ACCOUNTS

### A. Frequency and Nature of Review of Client Accounts or Financial Plans

Global Growth and Xanthus: Alkeon reviews the respective Fund's portfolio on a day-to-day basis to verify trading and to determine whether the portfolio is in compliance with limits and investment strategy. Matters generally reviewed for each Fund include specific securities held, the asset mix of the Fund, availability of cash for investment, performance of the Fund, and major market and economic developments and their effect on the Fund's portfolio. OAM is responsible for ensuring compliance with imposed limits and restrictions and OAM's Valuation Committee is responsible for pricing securities that an independent agent cannot. Xanthus has a Board of Directors that has quarterly meetings and reviews the Fund's investments.

Whistler: The Fund has a Board of Directors that meets quarterly and reviews the Fund's investments. In addition, the Hedge Fund Due Diligence Committee reviews the portfolios of the underlying funds for which they are responsible on a day-to-day basis in order to verify trading and to determine whether positions in the underlying funds should be maintained in view of current market conditions. Matters generally reviewed include specific securities held, the asset mix of the Fund, availability of cash for investment and the performance of each underlying fund. The review process also involves AAM's regular evaluations of the portfolio managers with which Whistler is invested, to determine whether a specific investment manager is adhering to stated investment objective and whether investment performance is satisfactory.

B. Content and Frequency of Account Reports to Clients

For each of the Funds, investors receive quarterly reports regarding the Fund's performance, semi-annual unaudited financial reports and an annual audited financial report. Investors get annual information necessary to prepare their tax returns.

Investors in Whistler also receive monthly performance reports.

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

AAM does not receive economic benefits from non-clients for providing investment advice or other advisory services to clients.

B. Compensation to Non-Supervised Persons for Client Referrals

OPCO Financial Advisors receive a portion of the management fee and any performance fees paid with respect to interests in the Funds held by their clients. Additionally, certain OPCO Financial Advisors may charge investors an additional upfront placement fee.

ITEM 15. CUSTODY

Under SEC rules, AAM is deemed to have custody of Fund client assets. The following, each a qualified custodian, maintains the assets held by the Funds:

Global Growth:	Morgan Stanley & Co., Incorporated
Xanthus:	The Bank of New York Mellon Corporation
Augusta:	The Bank of New York Mellon Corporation
	Whistler (with respect to certain of its assets): The Bank of New York Mellon Corporation

The Funds are subject to an annual audit, and AAM distributes Funds' audited financial statements to the Funds' investors within 120 days of the Fund's fiscal year end, and in Whistler's case within 180 days of the Fund's fiscal year end, as it is a fund of funds. Such financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and audited Ernst & Young, LLP, an independent public accountant registered with and subject to regular inspection by the Public Company Accounting Oversight Board.

Upon liquidation, each Fund distributes its audited financial statements prepared in accordance with GAAP to all investors promptly after the completion of such audit.

#### ITEM 16. INVESTMENT DISCRETION

AAM exercises discretionary authority in managing Whistler. Discretionary authority in managing Global Growth and Xanthus has been delegated to Alkeon.

#### ITEM 17. VOTING CLIENT SECURITIES

##### A. Policies and Procedures Relating to Voting Client Securities

Global Growth and Xanthus: Alkeon exercises investment discretion over these clients' portfolios and will vote proxies in accordance with their own proxy voting policies and procedures.

Augusta: Until December 31, 2010, ECM exercised investment discretion over these clients' portfolios and voted proxies in accordance with its own proxy voting policies and procedures.

Whistler: Generally, AAM will vote proxies in a manner intended to maximize the value of investments to its clients.

When voting proxies, AAM will give substantial weight to the recommendation of management but will not support the position of a company's management if AAM determines that such position is not in the best interest of the company's shareholders (such as golden parachutes or option grants that dilute shareholder interests).

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Election of Boards of Directors

<b>Will generally vote IN FAVOR OF:</b>	<b>Will generally vote AGAINST:</b>
Candidates proposed by a company's Board of Directors	Shareholder proposals to limit the tenure of outside directors
Boards Recommendation to increase/decrease size of a Board	Proposals to classify or stagger the Board.

Tender Offer Defenses

<b>Will generally vote IN FAVOR OF:</b>	<b>Will generally vote AGAINST:</b>
Shareholder proposals that ask a company to submit its poison pill for shareholder ratification	Management proposals to require a supermajority shareholder vote to approve mergers and other significant business combinations
proposals to restrict greenmail payments	

Corporate Structure and Shareholder Rights

<b>Will generally vote IN FAVOR OF:</b>	<b>Will generally vote AGAINST:</b>
	Restrict or prohibit shareholder ability to call special meetings
	Management proposals to change the size of the Board without shareholder approval

Corporate and Social Policy Issues

<b>Will generally vote IN FAVOR OF:</b>	<b>Will generally vote AGAINST:</b>
Decisions that protect clients' economic interests	

From time to time proxy proposals may present conflicts between the interest of clients and AAM, OAM, its affiliates and employees. Such conflicts may arise when proxy votes on non-routine matters are solicited by an issuer that has a business relationship with AAM or its affiliates. In the event that AAM receives a proxy and has knowledge that one or more of the proposals in the proxy raises a conflict of interest that is material, AAM will vote the proposals according to the policies of an independent third party.

Clients may request information on how AAM has voted such client's proxies and may request AAM's Proxy Voting Policies and Procedures by contacting:

Advantage Advisers Management, L.L.C.  
200 Park Avenue, 24<sup>th</sup> Floor  
New York, NY 10166  
(212) 440-4664

ITEM 18. FINANCIAL INFORMATION

Not Applicable.