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This Brochure provides information about the qualifications and business practices of Passport Capital, LLC (“Passport” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us at (415) 321-4600. 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.

Passport is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Passport is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), and in the fund documents pertaining to any investment in a Passport –advised fund. Investors who enter into managed account relationships with Passport receive such information in the applicable investment management agreement and/or other documents governing the account.

This brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities or interests in any of the entities described in this brochure. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription documents, or by means of a managed account investment management agreement and related documentation.

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to investors as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure, dated January, 2011, did not require. However, there have been no material changes in the content of our Form ADV since January 2011.

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#### **Item 4 – Advisory Business**

Passport Capital, LLC is a global investment firm founded by John H. Burbank III. In addition to the corporate headquarters in San Francisco, Passport or its affiliates have foreign offices including Hong Kong and Vancouver.

Passport has been managing client assets since August 2000. Passport's Advisory business is limited to serving as investment manager to privately offered pooled investment vehicles ("Funds") and Managed Accounts ("Managed Accounts"), collectively referred to as "Clients", and serving directly or through an affiliate as general partner, managing member or director to the Funds. Each Fund offered by Passport is governed by a Private Placement Memorandum ("PPM") and Investment Management Agreement ("IMA"), while each Managed Account is governed by an IMA.

John H. Burbank III is the sole managing member of Passport and controls 100% of the voting shares. Passport has ordinary members that have economic interests in Passport but do not have voting rights. Passport employs over 70 people.

Passport serves as discretionary investment adviser to both the Funds and the Managed Accounts. In providing such services Passport directs and manages the investment and reinvestment of each Client's assets in accordance with their PPM or IMA and provides reports to investors in the Funds and holders of the Managed Accounts ("Investors") and Clients.

Passport seeks to create portfolios for its Clients that generate high compounded returns on a risk-adjusted basis over a long term horizon. Passport's investment process uses a combination of macroeconomic and sector analyses to develop major investment themes Passport believes will present good investment opportunities and then performs bottom up fundamental research on individual companies to identify individual investments that express the themes and create the desired sector exposure in a global portfolio of securities. In addition to macro analysis, sector analysis, and bottom up fundamental research, Passport utilizes quantitative tools in risk management analysis, portfolio construction, and other portfolio decisions, to further inform portfolio managers regarding risk exposures, risk scenarios, hedging and comparisons of investment opportunities. Passport's areas of focus are the following: Agriculture, Basic Materials, Consumer, Energy, Financial Services, Healthcare, Capital Markets, Internet / Technology, India, Middle East & North Africa, and global mortgage-backed securities instruments and markets. Passport's investment strategies are further described in Item 8 below.

Passport's investment Advisory clients consist of both the Funds and the Managed Accounts.

The Funds fall within one of the offered Strategies. Investors choose between the Funds based on their interests and desires for exposure to different sectors, regions, investment types, returns and risk management objectives, and issuer market capitalizations among other factors. A particular Fund may have various share class options which allow Investors to choose between options for length of lock-up period and liquidity of underlying security positions. Detailed descriptions of such share class options are outlined in each Fund's PPM.

There are no material restrictions on the types of trades and strategies the Adviser may employ for the Funds though descriptions of the Funds' mandates and investment objectives and investment strategies are communicated to Investors through the Funds' PPMs.

Each Managed Account may be specifically tailored to the individual needs of the Managed Account holder, though Passport generally has entered into Managed Account relationships with investors whose investment objectives fall within one or more of the investment strategies that are the focus of Passport's investment team.

Managed Accounts may have restrictions on investing in certain securities or types of securities, restrictions regarding specific securities or industries, gross or net exposure guidelines, or maximum position sizes, among other restrictions as individually negotiated and defined in the IMA for each Managed Account.

Passport does not participate in any wrap fee programs.

As of December 31, 2010, Passport managed approximately \$4 billion of discretionary client assets, and had one non-discretionary Advisory relationship.

## **Item 5 – Fees and Compensation**

Passport receives an annual Management Fee from the Funds. The amount of the Management Fee ranges up to 2% per annum and depends on the investor's choice of share class and lockup period. Managements Fees are calculated using one of three methods;

- calculated and payable quarterly as of the first day of each calendar quarter,
- calculated and payable monthly in advance of the month as of the first business day of the calendar month or

- calculated and payable monthly in arrears.

A detailed description of the management fee calculation is outlined in each Fund's PPM. As stated in the PPM, Passport may waive or reduce the Management Fee for any investor in its sole discretion.

Passport receives management fees from the Managed Accounts as individually negotiated with the account owner(s) and set out in their respective IMA.

The Funds and Managed Accounts each also pay a performance fee as noted in Item 6 below.

The calculation and payment of the Management Fee for both the Funds and the Managed Accounts will be pro-rated for any period that is less than a full month or quarter, as applicable. Any such prepaid fees, not subsequently earned through continuing management services would be refunded.

Passport or an affiliated entity, such as Passport Advisors, LP; Passport Holdings, LLC Passport Plus, LLC, or Ventures II, LLC, also receives a Performance based fee from the Funds as described in Item 6.

Passport's fees are exclusive of brokerage commissions, brokerage fees, transaction fees, and other related costs and expenses, which shall be incurred by the Client. Clients may incur certain charges imposed by custodians, brokers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Exchange-traded funds which can be held by a Fund or Managed Account also charge internal management fees, which are disclosed in its prospectus. Such charges, fees and commissions are exclusive of and in addition to Passport's fee, and Passport shall not receive any portion of these commissions, fees, and costs.

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

**Managed Accounts:** In some cases, Passport has entered into performance fee arrangements with qualified Managed Account Clients: such fees are subject to individualized negotiation with each such Client. To qualify for a performance based fee arrangement the Managed Account Client must have at least \$750,000 under Passport's management or a net worth of more than \$1.5 million. In measuring clients' assets for the calculation of performance-based fees, Passport shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for

Passport to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Passport has procedures designed and implemented to ensure that all Clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among Clients.

**Fund Performance Fees:** The amount of performance based fee is dependent on the Investor's choice of Fund and share class and ranges up to 20% per annum of the profits (including realized and unrealized gains and losses) allocated to the Capital Account of each Fund investor. Performance based fees are either charged at the end of the calendar quarter or at the end of a calendar year. The Fund's general partner, board of directors or Passport, as applicable, may waive or reduce the performance fee for any Investor at its discretion.

## **Item 7 – Types of Clients**

Passport's investment advisory Clients include the Funds and the Managed Accounts.

The Funds are generally structured as master/feeder funds, meaning that Investors contribute to a feeder fund which then, along with one or more additional feeder funds, contributes to a master fund. The collective assets of the master fund are then invested in a pool of securities as determined by Passport as discretionary investment adviser. The feeder fund offerings generally include a U.S. limited partnership option (the "Onshore Feeder Funds") and a British Virgin Islands corporation option (the "Offshore Feeder Funds").

The Onshore Feeder Funds are made available to investors who are "Accredited Investors" as defined under the US Securities Act of 1933, as amended, and, dependent on choice of Fund, also qualify as either "Qualified Clients" under Rule 205-3 of the Investment Advisers Act of 1940 or "Qualified Purchasers" within the meaning of the Investment Company Act of 1940. The Offshore Feeder Funds are made available to Investors who are qualified non-U.S. investors or are considered qualified U.S. tax-exempt investors and who are both Accredited Investors and either Qualified Clients or Qualified Purchasers, dependent on choice of Fund. .

Investors in the Funds include individuals, trusts, investment companies, pension plans, fund of funds, corporations and other types of business entities.

The minimum investment requirement for the Funds range from \$1,000,000 to \$10,000,000, dependent on the choice of Fund and share class. Additionally the Funds may waive their minimum subscription requirements in their sole discretion.

Subject to the discretion of Passport to accept less, the minimum investment threshold for Managed Accounts is \$100 million. Holders of Managed Accounts are generally institutions, corporations, pension plans and other types of business entities.

Passport may from time to time enter into letter agreements or other similar agreements (collectively, "Side Letters") with one or more Investors in the Funds which provide such investor with additional and/or different rights (including, without limitation, with respect to management fees, the performance based fees, withdrawals, access to information, minimum investment amounts and liquidity terms) than such Underlying Investors have pursuant to general terms of the Fund. Passport will not be required to notify any or all of the other Underlying Investors of any such written agreements or any of the rights and/or terms or provisions thereof, nor will Passport be required to offer such additional and/or different rights and/or terms to any or all of the other underlying Investors.

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

### **INVESTMENT STRATEGIES.**

Passport offers a number of investment strategies. The firm's flagship strategy is the Global strategy, which focuses on a concentrated portfolio of long and short equity investments on a global basis. The portfolio managers employ macro economic to identify secular investment themes and sectors that Passport believes are attractive for investment, and then conduct bottom up fundamental research in seeking to identify the most attractive investment opportunities to express a theme or obtain exposure within particular sectors. The Global strategy also utilizes risk management analysis in portfolio construction seeking to inform decisions regarding exposure to sectors and individual positions, the liquidity profile of the portfolio, hedging, and daily risk levels and tolerances. While the Global strategy most typically trades primarily in equity or equity-based securities and options, there are no limits on the type of securities the strategy may trade. From time to time the strategy may invest in a wide variety of derivatives, swaps, convertible securities, and credit instruments. For example, the strategy may express its investment themes and ideas through securities such as credit default swaps, interest rate derivatives, or mortgage-backed securities, and may employ ongoing trading strategies with respect to such securities, or other equity or credit instruments and derivatives. Passport also trades currency futures to hedge currency risk. The Global strategy tends to



have a longer-term investment duration but may engage in a variety of other trades, or hedges, that are shorter in duration when the portfolio managers believe attractive opportunities for such trading exist.

The firm has two additional global, long short equity strategies: Passport Special Opportunities strategy and Passport Long/Short strategy. While these strategies may maintain and trade some of the same positions as the Global strategy, each has different return, concentration, risk, liquidity and investment duration profiles resulting in portfolios that are distinct and differentiated from the flagship Global strategy. In seeking to understand these three long short equity strategies, and their differences, Investors and potential Investors should thoroughly review the PPM for each of these Funds, including the descriptions of the particular Fund's investment mandate, its investment objectives and its risk factors.

Passport also manages three resource sector strategies, Passport Basic Materials strategy, Passport Energy strategy and Passport Agriculture strategy. The Funds and Managed Accounts employing these strategies have portfolios that are highly concentrated in these particular resource sectors. Investors and potential Investors should thoroughly review the PPM(s), and/or IMA(s), for each of these products, including the descriptions of the particular Fund's or Managed Account's investment mandate, its investment objectives, and its risk factors.

There can be no assurance that the strategies, Funds, Managed Accounts, or the risk management system employed by Passport, will meet their objectives, and the above products involve substantial risk of loss for Investors that investors should be prepared to bear if they invest in one or more of the Funds or invest by way of a Managed Account.

#### **MATERIAL RISKS.**

Each prospective Investor should thoroughly review the risk factors described in the Fund's PPM or described in the IMA governing a Managed Account, prior to investing, which provide an extensive, but non-exhaustive list, of applicable risk factors.

Investments in the Funds or Managed Accounts involve a high degree of risk. A Fund's or Managed Account's portfolio may be subject to wide swings in value. Investing in securities involves risk of loss that clients should be prepared to bear. Passport, as the Adviser, will follow an investment policy that, if unsuccessful, could involve substantial losses. Although Passport has the flexibility to react to changing market conditions, adverse changes in a company's situation could involve substantial losses. Passport makes no guarantee, either oral or written, that a Fund's or Managed Account's investment objective will be achieved. Under the respective IMA, Passport, as the Adviser, is not liable for any error in judgment

and/or for any investment losses a Fund or Managed Account may experience, in the absence of bad faith, fraud, gross negligence, willful misconduct or a willful violation of applicable law.

Investors should consider the Funds and Managed Accounts as a supplement to an overall investment program and should only invest if they are willing to undertake the risks involved. An investment in a Fund or Managed Account involves significant risks that may not be associated with other investment vehicles. In addition, investors who are subject to income tax should be aware that an investment in a Fund or Managed Account may create taxable income or tax liabilities in excess of cash distributions to pay such liabilities.

Prospective Investors should carefully consider, among other factors, the risks described below. These risk factors are not meant to be an exhaustive listing of all potential risks associated with an investment in a Fund or Managed Account.

**Reliance on the Adviser.** The Funds and Managed Accounts have limited operating histories. There can be no assurance that the Funds or Managed Accounts will achieve their investment and risk management objectives. The past investment performances of the Adviser and its respective employees and affiliates who are responsible for managing the portfolio of the Funds and Managed Accounts may not be indicative of the future results of an investment in any Fund or Managed Account.

**No Input in Fund or Managed Account Affairs.** Investors in the Funds will have no right to take part in the conduct, management, operation or control of a Fund or the Fund's business. Investors will have extremely limited voting rights. Holders of Managed Account will generally have no right to take part in the conduct, or management of a Managed Account.

**Investment and Trading Risks In General.** All investments risk the loss of capital. Passport believes that the Funds' and Managed Accounts' investment programs and research techniques moderate this risk through a careful selection of securities and other financial instruments and risk management techniques. No guarantee or representation, however, is made that any Fund's or Managed Account's program will be successful, and investment results may vary substantially over time. A Fund's or Managed Account's investment program may utilize such investment techniques as options, limited diversification, margin transactions and short sales, which practices can, in certain circumstances, maximize the adverse impact to which the Fund or Managed Account may be subject.

**Risks Associated With Reliance on the Adviser.** The management of the Funds' and most Managed Accounts' investments will be vested exclusively with the Adviser. Persons should not invest in a Fund or Managed Account unless they are willing to entrust all aspects of the management of the Fund's or Managed Account's investments to the complete discretion of the Adviser. The success of a Fund's or Managed Account's investment strategy will depend on the management, skill and acumen of the Adviser. Investors will generally have no opportunity to select or evaluate in advance any of the Fund's investments or strategies. There can be no assurance that the members of the investment management team will remain employed by the Adviser. Additionally, investors generally have no right to obtain information about a Fund's current investments or strategies. If the Adviser, in its sole discretion, grants an Investor access to such information, such access may be subject to strict confidentiality provisions.

**Concentration of Investments; Investment Discretion.** The Funds are not limited with respect to the concentration of their investments in particular securities, industries, or sectors and at times the Funds may hold a relatively small number of securities positions, each representing a relatively large portion of the Fund's capital. The portfolios of Managed Accounts may also contain concentrated positions subject to compliance with the terms of their respective IMA. Losses incurred in positions making up a significant percentage of a Fund's or Managed Account's capital could have a material adverse effect on such Fund's or Managed Account's overall financial condition.

In addition, the Investment Manager has wide latitude subject to any particular restriction or guidelines contained in the respective PPM or IMA to invest or trade a Fund's and Managed Account's assets, to pursue any particular strategy or tactic or to change a Fund's or Managed Account's emphasis, objectives, policies and/or strategy, all without obtaining the approval of the Investors. Subject to compliance with any specific guidelines in their respective PPMs or IMAs, a Fund's or Managed Account's may at any time include long or short positions in publicly traded or privately issued or negotiated common stocks, privately placed securities, preferred stocks, stock warrants and rights, sovereign debt, corporate debt, bonds, notes or other debentures or debt participations, convertible securities, swaps, options (purchased or written), futures contracts, commodities and other derivative instruments, partnership interests and other securities or financial instruments including those of investment companies and other investment vehicles managed by other investment managers, Passport or an affiliate of Passport.

**Risks Associated with Investing in Foreign Markets.** The Funds and Managed Accounts will invest in foreign or domestic securities denominated in foreign currencies and/or traded outside of the United States. Such investments require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, impositions of exchange control regulation by the United States and foreign governments, U.S. and foreign withholding taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries and political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in foreign nations.

There may be less publicly available information about certain foreign companies than would be the case for comparable companies in the United States and certain foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those applicable to U.S. companies. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these foreign markets are less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, settlement of trades in some non-U.S. markets is much slower and more subject to failure than in U.S. markets. There also may be less extensive or more arbitrary regulation of the securities markets in particular countries than in the United States. Additional costs could be incurred in connections with international investment activities. Foreign brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges when a Fund or Managed Account changes investments from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of foreign laws to foreign custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in foreign jurisdictions. There is also potential difficulty in pursuing legal remedies.

**Risks of Emerging Markets.** The Funds and Managed Accounts may invest in global markets which are considered to be emerging markets. Such markets are generally less mature and developed than those in advanced countries. There are significant risks involved in investing in emerging markets, including liquidity risks, sometimes aggravated by rapid and large outflows of “hot money” and capital flight, currency risks, and political risks, including potential exchange control regulations and potential restriction on foreign investment and repatriation of capital. In many cases, such risks are significantly higher than those in developed markets.

Emerging market countries have varying laws and regulations and, in some, foreign investment is controlled or restricted to varying degrees. In some countries where prior government approval is required for foreign investments, there are regulations that may limit the amount of the foreign investment in a particular type of investment, company or sector of the economy, or there are certain restrictions on foreign capital remittances abroad. There are also different fiscal policies: (i) in some countries the same treatment is given to nationals as to foreigners; (ii) in some countries capital gains are not taxable; and (iii) in some countries interest income from some securities may not be taxable or may be taxable at lower rates.

**Highly Volatile Markets.** The prices of financial instruments in which the Funds and Managed Accounts may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Funds' and Managed Accounts' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Funds and Managed Accounts are also subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouse.

**Specialized, Speculative Investment Program.** The specialized investment programs of the Funds and Managed Accounts involve investing in all types of securities, including, but not limited to, a wide variety of debt securities, equities and special situations, common and preferred stocks, options, futures, forwards, warrants, bonds, notes, bills, rights, commodities and derivatives. Many of the Funds' and Managed Accounts' investments have limited liquidity. The Funds and Managed Accounts are designed to serve as part of an overall investment program for sophisticated investors willing and able to assume the capital risks inherent in non-investment grade securities. The governing documents for the Funds impose no limits on the types of securities or other instruments in which the Funds may take positions, the type of positions it may take or the concentration of the Fund's investments.

**Availability and Accuracy of Information.** Passport, as Adviser, will select investments for the Funds and Managed Accounts on the basis of information and data derived from first-hand research by Passport and, for public companies, filed by the issuers of such securities with the SEC or foreign exchanges or regulators. Although Passport intends to evaluate all such information and data and to seek independent corroboration when Passport considers it appropriate and when it is reasonably available, Passport will not in many cases be in a position to confirm the completeness, genuineness or accuracy of such information and data.

**Availability of and Ability to Acquire Suitable Investments.** While Passport believes that many attractive investments of the type in which the Funds and Managed Accounts may invest are currently available and can be identified, there can be no assurance that such investments will continue to be available, or that available investments will meet the Funds' or Managed Account's investment criteria. In addition, the Funds and Managed Accounts may be unable to find a sufficient number of attractive investment opportunities to meet their investment objective.

**High Portfolio Turnover and Recognition of Gain.** The Fund's or Managed Account's investment strategy may result in a short holding period before investments are rolled over into new investments or sold. This will cause the recognition of any investment gains on a more frequent basis than other investment strategies. Many of those gains will not likely qualify for the holding period needed for capital gains tax treatment. Therefore, taxable investors may have a greater need to pay regular taxes (out of their own resources or by requesting withdrawals) than compared to other investment strategies that hold investments longer.

**Equity Securities.** The Funds and Managed Accounts invest in equity securities. The purchaser of an equity security typically receives an ownership interest in the company as well as certain voting rights. The owner of an equity security may participate in a company's success through the receipt of dividends, which are distributions of earnings by the company to its owners. Equity security owners may also participate in a company's success or lack of success through increases or decreases in the value of the company's shares as traded in the market for such shares. Equity securities generally take the form of common stock or preferred stock. Preferred stockholders typically receive greater dividends but may receive less appreciation than common stockholders and may have lesser or greater voting rights as well. Equity securities may also include convertible securities, warrants or rights. Convertible securities typically are debt securities or preferred stocks which are convertible into common stock after certain time periods or under certain circumstances. Warrants or rights give the holder the right to purchase a common stock at a given time for a specified price.

**Small Company Risk.** The Funds and Managed Accounts may invest in the securities of small or medium-size companies that may be more susceptible to market downturns, and the prices of which may be more volatile than those of larger companies. Smaller companies generally have narrower markets and more limited managerial and financial resources than larger, established companies.

**Private Equity Risk.** Some of the Funds and Managed Accounts invest in Private equity. Private equity investments involve an extraordinarily high degree of business and financial risk and can result in substantial or complete losses. Some portfolio companies in which the Funds or Managed Accounts may invest may be operating at a loss or with substantial variations in operating results from period to period and may need substantial additional capital to support expansion or to achieve or maintain competitive positions. Such companies may face intense competition, including competition from companies with much greater financial resources, much more extensive development, production, marketing and service capabilities and a much larger number of qualified managerial and technical personnel. Passport can offer no assurance that the marketing efforts of any particular portfolio company will be successful or that its business will succeed. Furthermore, Passport, as Adviser, will have the right at any time in its sole and absolute discretion and without notice to any Investor, to modify, amend, renegotiate, extend, change or waive the terms of any private equity investments the Funds or Managed Accounts make.

**Preferred Stock.** The Funds or Managed Accounts may invest in preferred stock which may have characteristics of both debt and equity securities. Dividend payments to preferred stockholders may be suspended or cancelled if the issuer experiences liquidity difficulties and the principal paid for preferred stock is generally subordinate to the debt obligations of the issuer. Consequently, investments in preferred stock carry significant risk of loss of principal.

**Options.** The Funds and Managed Accounts may invest in, or write, options. The purchaser of a put or call option runs the risk of losing the entire investment in a relatively short period of time. The writer of an uncovered call option is subject to a risk of loss should the price of the underlying security increase, and the writer of an uncovered put option is subject to a risk of loss should the price of the underlying security decrease.

**Swaps and Derivatives.** The Funds and Managed Accounts may enter into swaps with financial intermediaries as part of its investment activities. A swap is an agreement between two parties whereby cash payments periodically are exchanged based upon changes in the price of an underlying asset (such as an equity security, an index of securities or another asset or group of assets with a readily determinable value). For example, an interest rate swap involves one party agreeing to make periodic payments to the first party that vary with the prime rate or another variable interest rate indicator. Swaps and other derivatives are subject to the risk on non-performance by the swap counterparty, including risks relating to the financial soundness and creditworthiness of

the swap counterparty. Swaps and other forms of derivative instruments are not guaranteed by an exchange or clearing house or regulated by any U.S. or foreign government authority. It may not be possible to dispose of or close out a swap or other derivative position without the consent of the counterparty, and the Funds or Managed Accounts may not be able to enter into an offsetting contract in order to be able to cover its risk. In addition, in valuing derivative instruments it is anticipated that the Funds or Managed Accounts will typically rely on quotes or other information provided by such counterparties

**Currencies.** The Funds and Managed Accounts may invest most of their assets in equity and debt securities denominated in currencies other than the U.S. dollar, and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. dollar. However, the Funds and Managed Accounts value their securities and other assets in U.S. dollars. To the extent unhedged, the value of a Fund's or Managed Account's assets will fluctuate with the exchange rate between the U.S. dollar and other currencies, as well as with price changes of the respective Fund's or Managed Account's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to other currencies in which a Fund or Managed Account makes its investments will reduce the effect of increases and magnify the effect of decreases in the prices of such Fund's or Managed Account's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effects of increases and reducing the effects of decreases in the prices of the Fund's or Managed Account's non-U.S. dollar securities.

**Forward Currency Contracts.** The Funds and Managed Accounts may, primarily for the purposes of hedging against currency fluctuations to which such Fund or Managed Account may be subject, invest in forward currency contracts, but there can be no assurance that such hedging transactions will be effective. A Fund or Managed Account may also use currency contracts as part of trading strategies intended to take advantage of price differentials between currencies or fluctuations in currency prices. Forward currency contracts may not be liquid in all circumstances so that, in volatile markets, to the extent a Fund or Managed Account wishes to do so, it may not be able to close out a position by taking another position in equal and opposite to such position on a timely basis or without incurring a sizable loss. Closing transactions with respect to forward currency contracts usually are effected with the currency trader who is a party to the original forward contract and generally require the consent of such trader. There can be no assurance that a Fund or Managed Account will be able to close out its forward currency contracts. There are not limitations on daily price moves in forward contracts. Banks and futures commissions merchants with whom a Fund or Managed Account may maintain accounts may require such Fund or Managed Account to deposit margin with respect to such trading. Banks are



not required to continue to make markets in forward contracts. There have been periods during which certain banks have refused to quote prices for such forward contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Trading of forward contracts through banks is not regulated by any U.S. government agency. Funds or Managed Accounts investing in foreign currency contracts will be subject to the risk of bank failure and the inability of, or refusal by, a bank to perform with respect to such contracts.

**Interest Rates.** The values of some or all of the Funds' or Managed Accounts' investments may change in response to movements in interest rates. The market value of debt securities that are interest rate sensitive is inversely related to changes in interest rates. That is, an interest rate decline produces an increase in a security's market value and an interest rate increase produces a decrease in value. The longer the remaining maturity of a security, the greater is the effect of interest rate changes. Changes in the ability of an issuer to make payments of interest and principal and in the market's perception of its creditworthiness also affect the market value of that issuer's debt securities.

In addition, a decline in interest rates could reduce the amount of current income a Fund or Managed Account is able to achieve from interest on certain debt, including floating rate debt. To the extent that the cash flow from a fixed income security is known in advance, the present value (i.e., discounted value) of that cash flow decreases as interest rates increase; to the extent that the cash flow is contingent, the dollar value of the payment may be linked to then prevailing interest rates. Moreover, the value of many fixed income securities depends on the shape of the yield curve, not just on a single interest rate. Thus, for example, a callable cash flow, the coupons of which depend on a short rate such as three-month LIBOR, may shorten (i.e., be called away) if the long rate decreases. In this way, such securities are exposed to the difference between long rates and short rates. A Fund or Managed Account may also invest in floating rate securities. The value of these investments is closely tied to the absolute levels of such rates, or the market's perception of anticipated changes in those rates. This introduces additional risk factors related to the movements in specific interest rates that may be difficult or impossible to hedge, and that also interact in a complex fashion with prepayment risks.

**Short Sales.** The Funds and Managed Accounts may engage in "short sale" transactions. A short sale involves the sale of a security that the Fund or Managed Account does not own in the hope of purchasing the same security (or a security exchangeable therefore) at a later date at a lower price. Short selling allows an investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the

borrowed securities can result in a loss. Short sales of securities and financial instruments can, in certain circumstances, substantially increase the impact of adverse price movements on a Fund's or Managed Account's investments. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in the inability of the respective Fund or Managed Account to cover the short position, and of theoretically unlimited potential for loss to such Fund or Managed Account. There can be no assurance that securities necessary to cover a short position would be available for purchase by a Fund or Managed Account.

**Bonds and Mortgage-Backed Securities.** The Fund or Managed Account may invest in bonds or other fixed income securities, including commercial paper, "higher yielding" (and therefore, higher risk) debt securities, residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities Collateralized mortgage obligations ("CMOs") or convertible bonds when the Investment Manager believes that such securities offer opportunities for capital growth. Such securities may be below "investment grade" and face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer's inability to meet timely interest and principal payments. The market values of lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing. A major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities. Investments in residential mortgage-backed securities, commercial mortgage-backed securities, asset-backed securities or convertible bonds may be based on assumptions regarding pre-payment rates, default rates, behavior of borrowers, behavior of lenders, the housing market, securities structure, quality of loans, quality of securities, and other factors which may be inaccurate or may not come to pass. Certain mortgage-backed securities, CMO, and other securities that the Advisor may recommend for its clients, may be considered illiquid because of the absence of a readily available market. The absence of a trading market can make it difficult to ascertain a market value for such securities. At any particular time, it may not be possible to dispose of such securities promptly or at an acceptable price. In general such securities are subject to: i) interest rate risk, the risk that a debt security will generally decrease in value as interest rates rise, (ii) market risk, the risk that the market value of the investment will decline, (iii) credit risk, the risk that the obligor will default on its obligations, (iv) liquidity risk, the risk

that the instrument will not be readily marketable, and (v) valuation risk, the risk that because the instrument is thinly traded, it may have only one pricing source.

**Fixed Income Securities.** The Funds or Managed Accounts may invest a portion of their capital in bonds or other fixed income securities, including, without limitation, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. Government or one of its agencies or instrumentalities; foreign sovereign debt, commercial paper; and “higher yielding” (and, therefore, higher risk) debt securities of the former categories. 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). It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

**Leverage.** The Funds and Managed Accounts may borrow from banks and other financial institutions in order to enhance their investment leverage. The Funds and Managed Accounts may also engage in other investment strategies (such as options and derivatives) that may result in leveraging the assets of the Fund or Managed Account. Loans may be secured by assets of the Fund or Managed Account pledged to lenders. Leveraging by means of borrowing may exaggerate the effect of any increase or decrease in the value of the assets of the Fund or Managed Account and money borrowed will be subject to interest and other costs (which may include commitment fees and/or the cost of maintaining minimum average balances), which may or may not exceed the income received from the instruments purchased with borrowed funds. The use of margin accounts by the Funds or Managed Accounts in connection with their portfolio transactions is also a form of leverage. Similarly, certain investment strategies involving the use of derivatives may have the effect of creating a leveraged transaction. Any such leverage will increase the risk of an investment in the fund or managed Account, but it also offers the potential for higher returns.

**Hedging Transactions.** The Funds and Managed Accounts may utilize financial instruments such as forward contracts, options, futures, ETFs and swaps for hedging purposes or as part of its trading strategies. Hedging may mitigate losses, but does not eliminate the risk of loss and may limit opportunities for gain. The success of the Funds and Managed Accounts hedging transactions is subject to the movements of securities

prices and currency and interest rates. The degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio position may vary. The Adviser may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Fund or Managed Account from achieving the intended hedge or expose the fund or Managed Account to risk of loss.

**Credit Default Swaps.** The Funds and Managed Accounts may invest in, buy or sell, or obtain exposure to credit default swap agreements. A credit default swap is a derivatives contract under which one party pays a fixed amount on a periodic basis in exchange for the payment by the other party of an amount equal to the depreciation in the value of the reference security upon the occurrence of the bankruptcy or certain other event with respect to the issuer of such reference security. The “buyer” in a credit default contract is obligated to pay the “seller” a periodic, stream of payments over the term of the contract provided no event of default has occurred. In the event of default, the seller must pay the buyer the “par value” (full notional value) of the reference obligation in exchange for the reference obligation. The Funds and Managed Accounts may be either the buyer or seller in the transaction. If the Fund or Managed Account is a buyer and no event of default occurs, the fund loses its investment and recovers nothing. However, if an event of default occurs, the buyer receives full notional value for a reference obligation that may have little or no value. As a seller, the Fund or Managed Account receives a fixed rate of income throughout the term of the contract, provided there is no default event. If an event of default occurs, the seller may pay the notional value of the reference obligation. The value of the reference obligation received by the seller, coupled with the periodic payments previously received may be less than the full notional value it pays to the buyer, resulting in a loss of value to the Fund or Managed Account. Credit default swaps involve greater risks than if the Fund or Managed Account had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to illiquidity risk, counterparty risk and credit risks. The swap counterparties with which the Fund or Managed Account does business may encounter financial difficulties, fail, or otherwise become unable to meet their obligations. Any such development would impair the operational capabilities of the Fund or Managed Account or cause damaging losses, or even complete loss, of the capital of the affected portfolio.

**Futures Contracts and Options on Futures Contracts.** The Funds and Managed Accounts may enter into futures contracts that relate to securities in which it may directly invest and indices comprised of such securities and may purchase and write call and put options on such contracts. The Funds and Managed Accounts may also purchase futures and options if cheaper than the underlying stocks or bonds.

A financial futures contract is a contract to buy or sell a specified quantity of financial instruments such as U.S. Treasury bills, notes and bonds, commercial paper and bank certificates of deposit or the cash value of a financial instrument index at a specified future date at a price agreed upon when the contract is made. Under such contracts no delivery of the actual securities making up the index takes place. Rather, upon expiration of the contract, settlement is made by exchanging cash in an amount equal to the difference between the contract price and the closing price of the index at expiration, net of variation margin previously paid.

A stock index futures contract is a contract to buy or sell specified units of a stock index at a specified future date at a price agreed upon when the contract is made. The value of a unit is based on the current value of the contract index. Under such contracts no delivery of the actual stocks making up the index takes place. Rather, upon expiration of the contract, settlement is made by exchanging cash in an amount equal to the difference between the contract price and the closing price of the index at expiration, net of variation margin previously paid.

Substantially all futures contracts are closed out before settlement date or called for cash settlement. A futures contract is closed out by buying or selling an identical offsetting futures contract. Upon entering into a futures contract, the Fund or Managed Account is required to deposit an initial margin with the custodian for the benefit of the futures broker. The initial margin serves as a “good faith” deposit that the Fund or Managed Account will honor its futures commitments. Subsequent payments (called “variation margin”) to and from the broker are made on a daily basis as the price of the underlying investment fluctuates.

The Fund or Managed Account transactions, if any, in options, futures, options on futures and equity swaps involve additional risk of loss. Loss can result from a lack of correlation between changes in the value of derivative instruments and the portfolio assets (if any) being hedged, the potential liquidity of the markets for derivative instruments, or the risks arising from margin requirements and related leverage factors associated with such transactions. The use of these management techniques also involves the risk of loss if the Adviser is incorrect in its expectation of fluctuations in securities prices, interest rates or currency prices.

The Funds and Managed Accounts may also buy and sell put and call options on futures contracts. These options give the Fund or Managed Account the right (but not the obligation), for a specified price, to sell or purchase, as the case may be, the underlying futures contracts at any time during the option period. The Fund or Managed Account may terminate its position in an option contract by selling or purchasing, as the case may be, an

offsetting option in the same series. There is no guarantee that such a closing transaction can be effected. The Fund or Managed Account's ability to establish and close out positions on such options is dependent upon a liquid market. Loss from investing in options on futures is potentially unlimited.

Unlike trading on U.S. commodity exchanges, trading on non-U.S. commodity exchanges is not regulated by the United States Commodity Futures Trading Commission (the "CFTC") and may be subject to greater risks than trading on U.S. exchanges. For example, some non-U.S. exchanges are "principals" markets in which no common clearing facility exists and a trader may look only to the broker for performance of the contract. In addition, unless the Fund or Managed Account hedges against fluctuations in the exchange rate between the U.S. Dollar (in which interests in the Partnership are denominated) and other currencies in which trading is done on non-U.S. exchanges, any profits that the Fund or Managed Account might realize in trading could be reduced or eliminated by adverse changes in the exchange rate, or the Partnership could incur losses as a result of those changes.

1. *Speculative and Volatile.* Futures contracts prices are highly volatile. Such volatility may lead to substantial risks and returns, generally much larger than in the case of equity or fixed-income investments. Price movements of futures contracts are influenced by, among other things, changing supply and demand relationships; government trade, fiscal, monetary and exchange programs and policies; national and international political and economic events; and changes in interest rates. In addition, governments from time to time intervene, directly and by regulation in certain markets, particularly in currencies and gold. Such intervention is often intended to influence price directly. None of these factors can be controlled by the Adviser and no assurances can be given that advice will result in profitable trades for the Funds and Managed Accounts or that the Funds and Managed Accounts will not incur substantial losses.

2. *Highly Leveraged.* The Funds and Managed Accounts may trade futures on a leveraged basis due to the low margin deposits required for trading. The low margin deposits normally required in futures trading permit an extremely high degree of leverage; margin requirements for futures trading being in some cases as little as 2% of the face value of the contracts traded. For example, if at the time of sale 10% of the price of the futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract was then closed out, result in a total loss of the margin deposit before any deduction for the trading commission. A decrease of more than 10% would result in a loss of more than the total margin deposit. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss to the Partnership. Like other leveraged investments, any trade may result in losses in excess of the amount invested.

3. *Illiquidity.* Futures trading at times may be illiquid. Certain United States commodity exchanges impose “daily limits” on the amount by which the price of most futures contracts traded on such exchanges may vary during a single day. Daily limits prevent trades from being executed during a given trading day at a price above or below the daily limit. Once the price of a futures contract has moved to the limit price, it may be difficult, costly or impossible to liquidate a position. Such limits could prevent the Adviser from promptly liquidating unfavorable positions and restrict its ability to exercise or offset commodity options held in the Funds’ and Managed Accounts’ portfolios, subjecting the Funds and Managed Accounts to substantial losses. In addition, even if futures prices have not moved the daily limit, the Adviser may be unable to execute trades at favorable prices if the liquidity the market is not adequate. Daily limits have been applicable to bond futures for some time and have recently been imposed on stock index futures. It is also possible for an exchange or the CFTC to suspend trading in a particular contract, order immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

4. *Position limits.* The CFTC and the United States commodities exchanges have established limits referred to as “speculative position limits” on the number of futures positions and the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on United States commodities exchanges. All accounts (proprietary or client) owned or managed by the Adviser will be combined for position limit purposes. In addition, for purposes of complying with speculative position limits, the Funds’ and Managed Accounts’ outright futures positions will be required to be aggregated with any futures positions owned or controlled by the Adviser or any principal of the Adviser. The Adviser may be unable to take positions in particular futures or could be required to liquidate positions held for the Funds and Managed Accounts in order to comply with such limits. Any such liquidation could result in substantial costs to the Funds and Managed Accounts.

**Commodity Options.** The Funds and Managed Accounts may purchase or sell commodity options. An option on a futures contract or on a commodity gives the buyer of the option the right, but not the obligation, to take a position at the exercise price in the underlying futures contract or commodity. The buyer of a call option acquires the right to a long position in the underlying futures contract or commodity, and the buyer of a put option acquires the right to take a short position in the underlying futures contract or commodity.

The cost of acquiring a commodity option is its premium. The writer (or seller) of an option on futures is obligated to take a futures position at a specified price opposite to the option buyer if the option is exercised. Thus, the writer of a call option must stand ready to take a short position in the underlying futures contract at the strike price if the buyer

should exercise the option. The writer of a put option, on the other hand, must stand ready to take a long position in the underlying futures contract at the strike price.

**Writing Options Creates Additional Risks.** The writer of a call option who does not have a long position in the underlying futures contract or physical commodity is subject to risk of loss should the price of the futures contract or commodity be higher than the strike price prior to expiration of the option by an amount greater than the premium received for writing the option. The writer of a call option who has a long position in the underlying futures contract or physical commodity is subject to the full risk of a decline in price of the futures contract or commodity reduced by the premium received for granting the option. In exchange for the premium received for writing a call option, the option writer gives up all of the potential gain resulting from an increase in the price of the underlying futures contract or commodity above the strike price prior to expiration of the option.

The writer of a put option who does not have a short position in the underlying futures contract or physical commodity (e.g., commitment to sell the physical) is subject to risk of loss should the price of the futures contract or commodity decrease below the strike price prior to expiration of the option by an amount in excess of the premium received for writing the option. The writer of a put option on a futures contract who has a short position in the underlying futures contract is subject to the full risk of a rise in the price in the futures contract reduced by the premium received for writing the option. In exchange for the premium received for writing a put option on a futures contract, the option writer gives up all of the potential gain resulting from a decrease in the price of the futures contract below the strike price prior to expiration of the option. The writer of a put option on a physical commodity is subject to the full risk of a decline in the price of the physical commodity which must be obtained to fulfill the commitment reduced by the premium received for writing the option. In exchange for the premium, the writer of a put option on a physical commodity gives up all the potential gain which would have resulted from a decrease in the price of the commodity below the strike price prior to expiration of the option.

The use of stock index futures contracts as a hedging device involves several risks. No assurance can be given that a correlation will exist between price movements in the stock index and price movements in the securities that are the subject of a hedge. Furthermore, positions in futures contracts may be closed out only on the exchange on which they were entered into or through a linked exchange, and no secondary market exists for those contracts. In addition, although the Partnership expects to enter into futures contracts only if an active market exists for such contracts, no assurance can be given that an active market will exist for such contracts at any particular time. Certain exchanges do not permit trading in particular contracts at prices that represent a fluctuation in price during a single



day's trading beyond a certain set limit. If prices fluctuate during a single day's trading beyond those limits, the Partnership could be prevented from promptly liquidating unfavorable positions and thus be subject to losses.

**Derivatives.** The Funds and Managed Accounts may also invest in derivatives, which generally include complex derivative instruments which seek to modify or replace the investment performance of particular securities, commodities, currencies, interest rates, indices or markets on a leveraged or unleveraged basis. These instruments generally have counterparty risk and may not perform in the manner expected by the counterparties, thereby resulting in greater loss or gain to the Funds and Managed Accounts. These investments are all subject to additional risks that can result in a loss of all or part of an investment. In particular, interest rate and credit risk volatility, world and local market price and demand, and general economic factors and activity. Derivatives may have very high leverage embedded in them which can substantially magnify market movements and result in losses greater than the amount of the investment. Some of the markets in which the Funds and Managed Accounts effect derivative transactions are over-the-counter or interdealer markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of exchange-based markets. This exposes the Funds and Managed Accounts to the risks that a counterparty will not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. Although the Funds and Managed Accounts will attempt to limit their derivative transactions to well-known and well-capitalized firms, the Funds and Managed Accounts are not restricted from dealing with any particular counterparty or from concentrating all of its transactions with one counterparty.

**Derivatives are Difficult to Value.** Derivative instruments may be difficult to value accurately. Any misvaluation could adversely affect the Funds and Managed Accounts and its investors.

**Unusual Securities Creations.** The Adviser may cause a Fund(s) or Managed Account(s) to invest in unusual securities created for particular purposes that are not of a type typically traded in the securities markets. Examples of such securities include, but are not limited to, publicly traded limited liability companies, contingent payment rights, and securities whose value is contingent upon the occurrence of a series of events. There may be no liquid market for such securities. The market prices, if any, of such investments tend to be more volatile and it may be impossible to sell such investments when desired or to realize their fair value in the event of a sale. Moreover, securities in which the Fund or Managed Account may invest include those that are not listed on a stock exchange or traded in an over-the-counter market. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. There may be

substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements which would be applicable if their securities were publicly traded.

**Control Positions.** Although the Funds and Managed Accounts do not do so on a regular basis, or as a typical investment technique, the Funds or Managed Accounts may from time to time obtain a control position or other substantial position in any public or private company. Should the Funds or Managed Accounts obtain such a position, the funds or Managed Accounts may be required to make filings with the SEC or other global regulators and the Funds or Managed Accounts may become subject to other regulatory restrictions that could limit the ability of the Funds or Managed accounts to dispose of their holdings at the times and in the manner the Funds or Managed Accounts would prefer. Violations of these regulatory requirements could subject the Funds or Managed Accounts to significant liabilities. Obtaining a control or substantial position may cause the Adviser or its representatives to have to become active in the management of such company(s).

**Representation on Boards of Directors.** The Funds or Managed Accounts may seek to designate a director to serve on the board of directors of the companies in which they invest. Such director may be a principal, employee, member, manager or other affiliate of the Adviser. The designation of directors could expose the assets of the Funds or Managed Accounts to claims by such companies, their security holders and their creditors. While the Adviser intends to manage the Funds and Managed Accounts to minimize exposure to these risks, the possibility of successful claims against the Funds and Managed Accounts cannot be precluded.

**Default and Counterparty Risk.** Some of the markets in which the Funds and Managed Accounts will effect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes the Funds and Managed Accounts to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds and Managed Accounts to suffer a loss. In addition, in the case of a default, the Funds and Managed Accounts could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund or Managed Account has concentrated its transactions with a single or small group of counterparties. The Funds and Managed Accounts do not have an

internal credit function which evaluates the creditworthiness of the counterparties. The ability of a Fund or Managed Account to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds and Managed Accounts.

**Sovereign Debt.** The Funds and Managed Accounts may invest in debt securities issued by governments and their agencies, including governments of emerging markets. Investing in instruments of government issuers in emerging markets may involve significant economic and political risks. Holders of certain emerging market instruments may be requested to participate in the restructuring and rescheduling of these obligations and to extend further loans to their issuers. The interests of holders of emerging market instruments could be adversely affected in the course of restructuring arrangements. Sovereign debt rated below investment grade by a nationally recognized bond rating organization is regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations.

**Loans.** The Funds and Managed Accounts may invest in loans. Loans may include fixed or floating rate loans arranged through private negotiations between one or more financial institutions and an obligor. Although loans are traded among certain financial institutions, some of the loans the Funds and Managed Accounts may invest in will be illiquid.

**Loan Participation.** The Funds and Managed Accounts may invest in loan participations. Investment in loan participations involves certain risks in addition to those associated with direct loans. A loan participant has no contractual relationship with the borrower of the underlying loan. As a result, the participant is generally dependent upon the lender to enforce its rights and obligations under the loan agreement in the event of a default and may not have the right to object to amendments or modifications of the terms of such loan agreement. A participant in a syndicated loan generally does not have the voting rights, which are retained by the lender. In addition, a loan participant is subject to the credit risk of the lender as well as the borrower, since a loan participant is dependent upon the lender to pay its percentage of payments of principal and interest received on the underlying loan. The Funds and Managed Accounts will acquire participations only if the seller of the participation is determined by the Adviser to be creditworthy.

**Illiquid Assets.** Certain investment positions of the Funds and Managed Accounts may be illiquid or not readily marketable. The Funds and Managed Accounts may invest in "restricted" or non-publicly traded securities and will invest in securities traded on foreign exchanges. The Funds and Managed Accounts may take significant stakes in small cap or thinly traded companies. The Funds and Managed Accounts may not be readily able to

dispose of such non-publicly traded and illiquid or not readily marketable public securities and, in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. An exchange or regulatory authority may suspend trading in a particular security or contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In the Adviser's discretion, the Funds and Managed Accounts may effect in kind distributions with respect to such illiquid, not readily marketable or non-publicly traded securities. Investors that receive in kind distributions may not be able to dispose of such securities for an indefinite period of time.

**Limited Liquidity.** An investment in the Funds or a Managed Account advised by Passport is suitable only for sophisticated investors who have no need for liquidity in their investment. An investment in the Funds or Managed Accounts provides limited liquidity, since interests in the Partnership are not freely transferable and withdrawals and redemptions are subject to applicable lock ups and other restrictions such as notice requirements and specified dates when withdrawals and redemptions are permitted. Withdrawal and redemption proceeds may be paid in kind, in a form that may be illiquid, not easily disposable or readily marketable for an extended period of time. Withdrawals and redemptions are also subject to the withdrawal and redemption limits, suspension of withdrawals and redemptions and other restrictions described in the PPMs and IMAs.

**Institutional Risk and Custodial Risk.** The institutions, including brokerage firms and banks, with which the Funds, their respective Master Fund, and Managed Accounts do business, or to which securities have been entrusted for custodial and prime brokerage purposes, may encounter financial difficulties that impair the operational capabilities or the capital position of the Funds or Managed Accounts. There is a risk that any of such counterparties could become insolvent. Brokers may trade with an exchange as a principal on behalf of a Fund, Managed Account or Master Fund, in a "debtor-creditor" relationship, unlike other clearing broker relationships where the broker is merely a facilitator of the transaction. Such broker could, therefore, have title to all of the assets of a Fund, Managed Account or Master Fund (for example, the transactions which the broker has entered into on behalf of a Fund, Managed Account or Master Fund as principal as well as the margin payments which such Fund, Managed Account and/or Master Fund provides). The insolvency of a Fund's, Managed Account's or Master Fund's counterparties is likely to impair the operational capabilities or the assets of such Fund, Managed Account and Master Fund. Although Passport will monitor the Funds', Managed Accounts' and the Master Funds' exposure to their respective counterparties, if one or more of a Fund's, Managed Account's or Master Fund's counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code) or elsewhere, there exists the risk

that the recovery of such Fund's, Managed Account's or Master Fund's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

**Possible Effects of Withdrawals and Redemptions.** Substantial withdrawals or redemptions could require a Fund or Managed Account to liquidate investments more rapidly than would otherwise be desirable to raise the necessary cash to fund the withdrawals or redemptions and to achieve a market position appropriately reflecting a smaller equity base. Applicable withdrawal or redemption limits are intended to mitigate this risk, but will not eliminate it. This situation could adversely affect the value of interests in the Funds or Managed Accounts.

**Incentive Allocation or Performance Fee.** The allocation to the Adviser or its affiliates of a percentage of each investor's net Capital Appreciation for a fiscal year, or the payment to the adviser of a performance fee may create an incentive for the Adviser to cause the Funds or Managed Accounts to make investments that are riskier or more speculative than would be the case if this special allocation or payment of performance fees were not made. In addition, since the Adviser's incentive allocation and performance fees are calculated on a basis which includes unrealized appreciation of the Fund's or Managed Account's assets, such allocations and fees may be greater than if it were based solely on realized gains. The incentive allocation made and performance fees paid by the Funds to the Adviser were set by the Adviser or its affiliates without negotiations with any third party.

**Valuation of the Fund's or Managed Account's Assets.** The Adviser has delegated to the Administrator the determination of the net asset value of the Funds and Managed Accounts. In determining the net asset value, the Administrator will follow the valuation policies and procedures adopted by the Adviser. If and to the extent that the Adviser or its affiliates are responsible for or otherwise involved in the pricing of any of the Funds' or Managed Accounts' portfolio securities or other assets, the Administrator may accept, use and rely on such prices in determining the net asset value of the Fund or Managed Account and shall not be liable to the Fund or Managed Account or any investor, or the Adviser, or any other person in so doing. Since the Funds and Managed Accounts may hold a significant portion of their assets in a form of illiquid, not readily marketable or non-publicly traded securities, the value assigned to such securities by the Adviser or its affiliates and/or the Administrator may materially differ from the actual value received for such securities upon a happening of a liquidation event with respect to such securities.

**Suspension of Withdrawals and Redemptions.** The Adviser or its affiliates may suspend the right of any investor to withdraw capital or to receive a distribution from a Fund if, in the Adviser's judgment, such a suspension would be in the best interests of the Fund.

**Conflicts Associated with the Adviser's or its Affiliates Other Activities.** The Adviser or its affiliates may also elect in the future to sponsor, manage or participate in other securities investment activities and programs unrelated to the Funds and Managed Accounts (some of which may compete with the Funds and Managed Accounts' investment activities). The Adviser and its affiliates may also engage in business ventures unrelated to the activities of the Funds and Managed Accounts, and business opportunities that relate to, or which they became aware of because of, investments made by a Fund(s) or Managed Account(s) but which opportunities are deemed by the Adviser not to be suitable for the Fund's or Managed Account's portfolio. Investors in the Funds and Managed Accounts will have no right to participate in such activities of the Adviser or its affiliates and will have no right to participate in any profits generated from such activities. The Adviser's or its affiliates' judgment may be affected by the conflicts of interests inherent in such relationships and activities. Examples of these conflicts include;

1. **Competing Time Pressures.** The other activities of the Adviser and its affiliates will create conflicts of interest with the Funds and Managed Accounts over the time devoted to managing the portfolios of the Funds and Managed Accounts versus the time devoted to other activities.
2. **Conflicting Fiduciary Duties.** Because the Adviser and its affiliates may have fiduciary duties to a Fund or Managed Account and to other clients, the interests of a Fund or Managed Account and the other clients in the selection, allocation, negotiation and administration of investments may conflict and the Adviser and its affiliates will be subject to conflicting demands on their time and attention. The Adviser and its affiliates will attempt to resolve all such conflicts in a manner that is fair to all such interests.

**Allocation of Investment Opportunities.** The Adviser on behalf of the Funds and Managed Accounts, and in other capacities with other entities or for its own accounts, will have discretion in determining which investments will be made by the Funds, Managed Accounts or other clients, sold to others, or made by the Adviser or their affiliates with or without the participation of the Funds or Managed Accounts. In addition, the Adviser may be able to obtain more favorable compensation, cost reimbursement or risk sharing arrangements in connection with some investments if a Fund or Managed Account does not participate and the Adviser or its affiliates may be influenced to refrain from causing a Fund or Managed Account to make such investments even though participation might benefit such Fund or Managed Account. Under the governing documents of a Fund or Managed Account (which Investors and potential Investors should carefully review) the

Adviser or its affiliates may be permitted to make any investments, whether or not in competition with a Fund or Managed Account or in a manner that would limit or eliminate such Fund's or Managed Account's opportunity to make the investment, without any accountability to such Fund or Managed Account.

When two or more share classes of a Fund seek to purchase the same securities, the securities actually purchased or sold will be allocated among the share classes on a good faith equitable basis by the Adviser or its affiliates in their sole discretion in accordance with the respective investment objectives and policies of each share class, including any special investment policies of a particular share class, and the procedures adopted by the Adviser

**Industry Specific Risks of Agricultural Companies.** Certain of the Funds and Managed Accounts invest in companies operating in the agriculture industry. The agriculture industry is highly seasonal, which causes the results of operations and cash flows of the companies in the industry to fluctuate during the year. Many agricultural products are based upon the planting, growing and harvesting cycles. Agricultural products are global commodities and are subject to intense price and quantity competition from both domestic and foreign sources. Agricultural customers base their purchasing decisions principally on the delivered price and availability of agricultural products. Failure to accurately anticipate and prepare for the demands of agricultural customers, which often may be difficult to do, may reduce sales or increase the risk of product obsolescence by the companies in which the Fund or Managed Account may invest.

Weather conditions have significant impact on the agriculture industry and, consequently, on the operating results of companies servicing the agriculture industry. Atmospheric concentration of carbon dioxide and other greenhouse gasses have increased dramatically, resulting in a gradual increase in global average temperatures and an increase in the frequency and severity of natural disasters. These trends are expected to continue in the future, and have the potential to significantly impact the agricultural sector. Additionally, adverse weather conditions such as floods, droughts, freezing temperatures, or hurricanes, some of which are highly unpredictable and may be exacerbated by global climate change, can cause crop failures that in turn affect the supply of feed and seed and the demand for fertilizer, marketing of grain products, as well as the demand for crop protectants, seeds and other agronomic supplies. Further, weather conditions that delay or intermittently disrupt field work during the planting and growing seasons may cause agricultural customers to use less agricultural products such as fertilizers and agricultural equipment and weather conditions following harvest may delay, reduce or eliminate opportunities for agricultural customers to utilize certain agricultural products. An adverse effect of certain weather conditions on crop yields which lowers the income of growers and may impair

their ability to pay for agricultural product can also adversely affect the operating results of companies in the agriculture industry by reducing their revenues.

Weather conditions may also directly affect certain companies operating in the agriculture industry. For instance, the operations of companies that engage in the manufacture of certain agricultural products may be subject to significant operational interruption if one or more their facilities were to experience a major accident, or be subject to damages resulting from severe weather conditions or other natural disasters. In addition to causing severe damage to or destruction of property and equipment of such companies, some of those hazards may cause personal injury, loss of life and environmental damage, and may result in the imposition of civil or criminal penalties on such companies.

Many companies producing agricultural products purchase production inputs from third parties, and fluctuations in the price of raw materials for agricultural products cause fluctuations in the operating results of the companies that produce them. The price of raw materials for many agricultural products are affected by factors such as weather conditions, global imbalances of supply and demand, and general economic conditions which are beyond the control of the companies that produce such agricultural products. Such companies may use hedging strategies to mitigate the risk of short-term changes in the price of their production inputs, but they may not be able to avoid the risk of medium- and long-term changes. Accordingly, increases in the price of raw materials may negatively impact the cost of agricultural products sold or cause the companies that produce agricultural products to increase the sale prices of their products which could adversely affect their revenues with reduced sales.

The agriculture industry is subject to increasingly stringent environmental, safety and health laws and regulations. These laws and regulations may directly or indirectly influence factors affecting the agricultural business, including the number of acres planted, the mix of crops planted, crop prices, the level of agricultural product inventories and the amounts of and locations where fertilizer may be applied. It is difficult to predict the direction of future laws and regulations affecting the agriculture industry, and this may introduce unpredictability and volatility in the operating results of companies in the agriculture industry.

Economic forces, including agricultural commodity, energy and financial markets, foreign exchange rate fluctuations, as well as government policies and regulations affecting the agricultural sector and related industries could adversely affect the operations and profitability of the companies in which the Fund may invest. Agricultural production and trade flows are significantly affected by government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties,



subsidies, land use rights and import and export restrictions on agricultural commodities and commodity products can influence industry profitability, the planting of certain crops versus other uses of agricultural resources, the location and size of crop production, whether unprocessed or processed commodity products are traded and the volume and types of imports and exports.

Driven by environmental and health concerns, there has been increasing legislation, especially in the U.S., that either encourages or requires use of alternative fuel sources such as ethanol that are produced by processing corn and other biomass. The Fund may invest in companies engaged in the production of ethanol and other energy-related products produced with certain agricultural products. Such companies may face additional risks that may not be shared by other companies in the agriculture industry. The demand for ethanol is dependent upon numerous factors such as governmental regulations, governmental incentives, whether the phase out or restrictions on the use of traditional energy products continues and the development of other technologies or products that may compete with ethanol and ultimately make ethanol obsolete.

The number of individuals with expertise in the agriculture industry is limited. Many companies operating in the agriculture industry depend on their key executives for the success of their business strategy and their ability to operate profitably. The loss of the services of a key executive by a company in which the Fund or Managed Accounts may invest could have a material adverse effect on such company since their replacements may be hard to find due to a limited pool of qualified candidates.

Many countries have government programs that provide financial support to agricultural customers and farmers. Any changes in these government programs, which may not be foreseen or predicted, can cause shifts in demand for and supply of the products that are produced or utilized by the companies in which the Fund or Managed Account may invest, which, in turn, might adversely affect the Fund's or Managed Account's performance.

The Fund or Managed Account may invest in companies engaged in international operations whose business will be subject to special risks and uncertainties associated with international business, including difficulties and costs associated with complying with a wide variety of complex laws, treaties and regulations; nationalization of properties by foreign governments, unexpected changes in regulatory environments; changes in local political or economic conditions; currency fluctuations; tax rates that may exceed those in the United States; earnings that may be subject to withholding requirements; and the imposition of tariffs, exchange controls or other restrictions. Acts of terror or war may impair the ability of the companies in which the Fund or Managed Account may invest to operate in particular countries or regions, and may impede the flow of goods and services

between countries. Customers in weakened economies may be unable to purchase the products of the companies in which the Fund or Managed Account may invest, or it could become more expensive for them to purchase imported products in their local currency, and such companies may be unable to collect receivables from such customers. Volatile economic, political and market conditions in other countries may significantly and adversely impact the companies in which the Fund or Managed Account may invest and may in turn have a negative impact on the Fund's or managed Account's performance.

**Industry Specific Risks of Materials Companies.** The Funds and Managed Accounts may invest in the basic materials sector, and such investments may represent a significant portion of a Fund's or Managed Account's portfolio. To the extent that a Fund's or Managed Account's assets are concentrated in the materials sector, such Fund or Managed Account will be more affected by the performance of the materials sector than a portfolio that was more diversified. Companies in the basic materials sector may be adversely affected by commodity price volatility, exchange rates, import controls and increased competition. At times, worldwide production of industrial materials has exceeded demand as a result of over-building or economic downturns, leading to poor investment returns or losses. Other risks may include liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control. The basic materials sector may also be affected by economic cycles, technical progress, labor relations, and government regulations.

**Industry Specific Risks of Energy Companies.** The Funds and Managed accounts may invest in energy companies which are also subject to risks that are specific to the industry they serve. Energy companies that provide crude oil, refined product and natural gas services are subject to supply and demand fluctuations in the markets they serve which will be impacted by a wide range of factors, including fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events, and economic conditions, among others.

Energy companies with propane assets are subject to earnings variability based upon weather conditions in the markets they serve, fluctuating commodity prices, increased use of alternative fuels, increased governmental or environmental regulation, and accidents or catastrophic events, among others.

Energy companies with coal assets are subject to supply and demand fluctuations in the markets they serve, which will be impacted by a wide range of factors including, fluctuating commodity prices, the level of their customers' coal stockpiles, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental

regulation, depletion, rising interest rates, declines in domestic or foreign production, mining accidents or catastrophic events, health claims and economic conditions, among others.

Energy companies engaged in the exploration and production business are subject to overstatement of the quantities of their reserves based upon any reserve estimates that prove to be inaccurate, that no commercially productive oil, natural gas or other energy reservoirs will be discovered as a result of drilling or other exploration activities, the curtailment, delay or cancellation of exploration activities are as a result of a unexpected conditions or miscalculations, title problems, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with environmental and other governmental requirements and cost of, or shortages or delays in the availability of, drilling rigs and other exploration equipment, and operational risks and hazards associated with the development of the underlying properties, including natural disasters, blowouts, explosions, fires, leakage of crude oil, natural gas or other resources, mechanical failures, cratering, and pollution.

#### **Item 9 –Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of Adviser’s management.

On May 28, 2009, in matter No. WTM/KMA/68/ISD/05/2009, the Securities and Exchange Board of India (“SEBI”) issued an Interim Order regarding Mr. Dipak Patel (then a co-portfolio manager of Passport’s India strategy) Passport, Passport India Investments (Mauritius) Limited (“Passport India”), and certain other parties. The Interim Order cited prima facie findings that Mr. Patel shared information with two individuals in India regarding certain anticipated trades to be made by Passport India.

Passport placed Mr. Patel on administrative leave and Mr. Patel resigned from Passport shortly thereafter.

The May 28, 2009 interim order issued by SEBI required, among other things, (1) Dipak Patel not to buy, sell or deal in securities, (2) Dipak Patel not to be associated with any foreign institutional investor (as defined by SEBI), (3) Passport and its sub-account Passport India to conduct an internal inquiry into the matter identified in the interim order and to initiate appropriate action against Dipak Patel, (4) Passport and Passport India to submit a report to SEBI describing the actions taken by them in response to the interim

order, and (5) Passport and Passport India to take measures to ensure that trading information is not used to the detriment of market integrity. The interim order also imposed certain obligations on the parties not affiliated with Passport. Passport believes that it timely complied with the interim order in all respects. Mr. Patel is no longer employed by the firm or its affiliates. Passport retained outside counsel to investigate this matter, and a report was provided to the SEBI advising, among other things, that the action of Mr. Patel as described in the interim order were contrary to Passport's then-existing policies and that no one else at Passport authorized or was aware of such activity by Mr. Patel.

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

Neither Passport nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Passport nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

Ejnar Knudsen, a Portfolio Manager of Passport with respect to the Passport Agriculture Master Fund SPC Ltd. fobo Portfolio A (the "Passport Agriculture Master Fund"), is a managing member of Craton Capital Management, LLC ("Craton"). Craton is the investment manager to Craton Capital, LP, an investment partnership focused on the agriculture industry. Mr. Knudsen's interest in Craton may be deemed to be a material conflict of interest with his service as a Portfolio Manager of the Passport Agriculture Master Fund. Passport, Mr. Knudsen and Craton have taken a number of steps to address the potential conflict of interest, including requiring that Passport's central trading desk is copied on all Craton trades and communicates with the applicable brokers to ensure that Passport's trades are receiving fair and efficient execution.

In addition to serving as the Investment Adviser for the Funds and Managed Accounts, Passport, or its affiliates, serves as general partner of a number of private investment funds, and as managing member to various affiliated entities.

Passport does not recommend or select other investment advisers for its Clients from which it directly or indirectly receives compensation. Other than the relationship with Craton described above, Passport does not have other business relationships with other investment advisers that create or potentially create a material conflict of interest.

As described above, Passport and its affiliates serve as manager, general partner and/or investment adviser to private investment funds and makes investments in the Funds available to qualified individual and institutional investors. Passport does not advise clients as to the appropriateness of investing in such private investment funds. Passport does not receive any compensation for making the investments available to investors (except to the extent that Passport receives Advisory and other fees from the Funds) or for selling interests in the Funds.

### **Item 11 – Code of Ethics**

Passport has adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct. The Code of Ethics includes provisions relating to the confidentiality of investor information, personal securities trading, acceptance of gifts, and participation in outside business interests, among other things. All supervised persons at Passport must acknowledge the terms of the Code of Ethics annually, or as amended. A copy of Passport's Code of Ethics is made available to investors and prospective investors upon request.

Passport anticipates that, in appropriate circumstances, consistent with Clients' investment objectives, it will cause accounts over which it has management authority to purchase or sell securities in which Passport, its affiliates and/or Clients, directly or indirectly, may have a position of interest. Passport anticipates that in such circumstances it will also recommend such purchases or sales of securities to Clients.

All employees and other supervised persons are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, Passport and its members, owners, directors, officers and employees, and their immediate families may trade for their own accounts in securities which are recommended to and/or purchased for Passport's Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of employees and other supervised persons will not interfere with their duty to act in the best interest of Passport's Clients. Personal trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Passport and its Clients. All Passport employees must have personal securities transaction information sent to an outside service provider for review by Passport's compliance team. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to Client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee.

Passport manages portfolios on behalf of its Clients for which certain securities or investment opportunities may be appropriate for more than one of the Funds or Managed Accounts. Passport has adopted a Trade Aggregation and Allocation Policy that applies to all portfolios managed by Passport and serves to ensure that trades and investment opportunities are allocated on a basis Passport believes to be fair and equitable. This policy is reviewed and updated on a periodic basis.

Passport aggregates trade orders for Funds and Managed Accounts that utilize, either entirely or partially, similar investment strategies, or similar strategies in a particular sector. Once the trade has been executed, the price paid by each participating Fund or Managed Account is the average price of the order on that day. Transaction costs are promptly allocated to each participating Fund and Managed Account on a pro rata basis, based upon the ratio of the amount of particular issue of securities allocated to such participant to the overall amount of that issue purchased or sold.

In allocating investment opportunities among Funds and Managed Accounts, Passport will consider several factors including:

- a. The investment objectives of the respective Fund or Managed Account
- b. The current exposure in each Fund and Managed Account to that particular position or that particular sub-sector
- c. The target allocation in each Fund and Managed Account for that particular position or that particular sub-sector
- d. The current exposure (long, short, gross and net) of each Fund and Managed Account in total and by sub-sector
- e. The liquidity of the investment opportunity

Generally, a company undertaking an initial public offering ("IPO") will have a limited operating history and thus IPO investments may be, in many cases, considered speculative. The principle of fair allocation of investment opportunities is applied to IPOs, with special attention being given to the suitability of IPO investments vis á vis a particular Fund's or Managed Account's investment objectives and strategies.

From time to time, Passport may obtain limited investment opportunities in certain securities in an amount that Passport determines to be appropriate for the Funds or Managed Accounts, and the remaining portion of which, if any, Passport may elect to make available for co-investment (each, a "Co-Investment Opportunity") to current and prospective investors. In addition, Passport, or its affiliates may separately participate in

the Co-Investment Opportunities offered to Funds and Managed Accounts and investors. As such, Passport or its affiliates may hold the same Co-Investment securities as are held by a Fund or Managed Account or Investors, and this may create a conflict of interest among Passport, such affiliated holders and the respective Fund, Managed Account or Investor. In cases in the portfolio manager deems the investment opportunity appropriate for a Fund or Managed Account, Passport would make the Co-Investment Opportunity available to individual investors once the Funds and Managed Accounts have been allocated their appropriate share of the available investment opportunity.

From time to time, Passport may accept as investors in a Fund certain affiliated entities and individuals, including Passport and its affiliates, as well as other private investment vehicles of which Passport is a general partner, manager, or investment adviser. For example, Passport, its employees or a related entity will generally have an investment in the private investment vehicles Passport manages. Passport may also invest a Fund's or Managed Account's assets, either directly or indirectly, in investment vehicles managed by Passport. Therefore, Passport its employees or a related entity participate, indirectly, in transactions effected for private investment vehicles. Due to the relationship between Passport and such private investment vehicles, Passport could be considered to have recommended the investment should a person who is otherwise a client of Passport invest.

Periodically, Passport may seek to adjust or rebalance Client investment accounts or portfolios by effecting cross trades between or among such Client investment accounts, including accounts of Funds in which Passport and/or its affiliates are invested (i.e., causing one or more such Funds to sell securities to one or more such Fund or a Managed Account). Cross trades may involve conflicts of interest between or among Passport and the accounts of Clients participating in the cross trades, as well as among the participating Client accounts. In effecting cross trades, Passport seeks to reduce the transaction costs to its participating Clients of such account adjustments. All such cross trades will be consistent with the investment objectives and policies of each Fund or Managed Account involved in the trades, and typically will be effected at a current independent market price of the securities involved in the trades determined by Passport, or by an authorized representative of any Passport-advised Fund or Managed Account involved in the cross trade. If no independent market price is available, a cross trade will not be effected subject to limited exceptions requiring express approval of an alternative pricing methodology by the firm's compliance group. Notwithstanding the foregoing, if the assets of any Client account are deemed to be "plan assets" under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Passport will not effect cross trades respecting that Client's account unless Passport determines that the account's participation in cross trades would not result in a prohibited transaction under ERISA.

## Item 12 – Brokerage Practices

Federal law requires Passport to deal fairly and honestly with and on behalf of its Clients. While Passport is not required to obtain the lowest available commission rate for executing a given trade, it is our fiduciary obligation to use our “best efforts” to obtain a reasonable commission rate in relation to the quality of the execution and the value of brokerage services received from the executing broker. Therefore, Passport has adopted standards with respect to executing trades.

It is Passport’s policy for the Chief Compliance Officer, in consultation with the Chief Investment Officer and portfolio managers, to assess a new broker-dealer relationship using some or all of the following performance factors:

- Execution capability;
- Research quality;
- Commissions and pricing;
- Block trading coverage for a particular security;
- Effective communications;
- Ability to position the proposed trade (for example: the trading of odd lots)
- Distribution and underwriting capabilities;
- Use of electronic efficiencies;
- Ability to settle trades efficiently;
- Financial stability;
- Ancillary services; and
- General reputation.

No relationship may be initiated or maintained with a broker-dealer that is:

- Suffering business continuation difficulties that have been publicly reported upon that in the opinion of the Chief Compliance Officer impacts its ability to perform.
- A party to litigation or the subject of government investigation that in the opinion of the Chief Compliance Officer impacts its ability to perform.

Passport evaluates existing broker-dealer relationships, using the assessment factors itemized above.



Passport conduct meetings with trade personnel (including portfolio managers, and traders) to review its approved broker dealers, as reflected on Passport's written broker commission report. Each executing broker-dealer having conducted at least 10% of the Firm's executions is evaluated according to best execution factors.

**Research and Other Soft Dollar Benefits.** It is Passport's policy to limit its use of soft dollars to arrangements falling within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended. Only bona fide research and brokerage products and services that provide assistance to Passport in the performance of its investment decision-making responsibilities are permitted and any allocation of brokerage commissions is reasonable in relation to the research, service or product provided.

Passport receives a wide range of research services from brokers and dealers. These services include information on the economy, industries, groups of securities, individual companies, statistical information, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. These services provide both domestic and international perspective. Research services are received primarily in the form of written reports, computer generated services, telephone contacts and personal meetings with security analysts. In addition such services may be provided in the form of meetings arranged with corporate and industry spokespersons, economists, academicians and government representatives. In some cases, research services are generated by third parties but are provided to Passport by or through broker-dealers.

Consistent with seeking best execution, Passport may direct transactions for the accounts of its client Funds and Managed Accounts to executing brokers in return for research or brokerage services furnished by them to Passport. Selecting an executing broker in recognition of such research or brokerage services, rather than on the basis of simple transaction execution, is known as paying for those services with "soft dollars." Research and other brokerage services or products received by Passport generally will be used to service all of the Passport-advised Funds and Managed Accounts. However, it is possible that brokerage commissions paid by the account of a particular Fund or Managed Account may be used to pay for research or services that are not used in managing that particular Fund or Managed Account. In some cases, the soft dollars paid to an executing broker for a Fund's or Managed Account's transactions may be greater than the commissions that are charged by another broker that does not provide soft dollar research or services to Passport. Because many brokerage soft dollar products or services could be considered to provide a benefit to Passport, and because the soft dollars used to acquire them are the

assets of the client Funds and/or Managed Accounts paid as execution costs, Passport could be considered to have a conflict of interest in allocating client brokerage business.

Passport does not use brokerage in exchange for client referrals nor does it participate in Directed Brokerage.

**Aggregation Policy.** The SEC has stated that when a transaction is suitable for more than one client, an investment adviser may aggregate trade orders and allocate purchase and sale opportunities on a fair and consistent basis. Management of the Funds' and Managed Accounts' portfolios are governed by the principle of fair allocation of investment opportunities.

Passport manages portfolios for which certain securities or investment opportunities may be appropriate for more than one of the portfolios. The following policy applies to all portfolios managed by Passport and serves to ensure that trades are allocated on a basis Passport believes to be fair and equitable.

Passport aggregates trade orders for portfolios that utilize, either entirely or partially, similar investment strategies, or similar strategies in a particular sector. Once the trade has been executed, the price paid by each portfolio is the average price of the order on that day. Transaction costs are promptly allocated to each account on a pro rata basis, based upon the ratio of the amount of particular issue of securities allocated to the account to the overall amount of that issue purchased or sold

### **Item 13 – Review of Accounts**

John Burbank serves as the sole managing member and Chief Investment Officer and manages a staff of investment and trading related personnel. This group is charged with management and review of the Funds and Managed Accounts that are advised by Passport.

Reviews of the Passport-advised Funds and Managed Accounts are performed by the appropriate portfolio managers and risk manager, the Chief Compliance Officer, Chief Investment Officer, and Chief Financial Officer. There are no “periodic” reviews as the portfolios are monitored continuously. The reviewers are instructed to focus on performance of a position compared to its industry and in light of general economic trends, and to monitor individual security position levels, diversification levels, cash and cash equivalent positions, other position limits, industry, country and sector weightings and adherence to investment guidelines.

Investors in the Funds receive a monthly statement of their holdings in the Funds managed by Passport. At least annually, Fund Investors receive a letter stating annual performance of the Funds and discussing investment outlook. Investors in Passport Ventures, LLC (“Passport Ventures”) receive quarterly statements of their holdings and may or may not receive an annual letter. Holders of the Managed Accounts receive such reporting as designated in the IMA in place for each Managed Account.

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

No one other than a client provides an economic benefit to Passport for providing investment advice or other Advisory services.

Third Party Solicitor Arrangements Passport may enter into third party solicitor arrangements whereby it pays a referral fee for client referrals. Any such arrangements are consistent with Rule 206(4)-3 of the Advisers Act Under no circumstances is the client disadvantaged by the payment of such fees. Clients of Passport whose accounts involve third party solicitor arrangements are advised of the arrangement in writing and do not pay higher fees as a result of the arrangement. Passport has retained The Hina Group as a third party solicitor.

#### **Item 15 – Custody**

Neither Passport, nor any parties affiliated with Passport maintains physical possession or custody of any Fund, Managed Account or Investor assets or securities. Custody of the assets of each Fund is maintained under clearing broker arrangements with one or more clearing brokers or banks selected by Passport, in its sole discretion (the “Custodian”), each of whom is a “qualified custodian” as required under Rule 206(4)-2 under the Advisers Act. Passport enters into a Disbursement Procedures Agreement with each Fund’s Custodian, which restricts the Custodian from making any fee or allocation payments to Passport or its affiliates from any account maintained by the Custodian unless they receive a dually signed request from the outside administrator of the Fund in conjunction with an authorized signatory of Passport with the exception of Passport Ventures where Passport has sole authorization. However, due to the nature of certain affiliations Passport or certain of its related persons has with the general partners or directors of certain Funds and/or its service as general partner of certain Funds, Passport is considered to have custody of client funds and securities under Rule 206(4)-2 under the Advisers Act. Passport follows the applicable requirements of this Rule for all Funds for which it has custody.

## **Item 16 – Investment Discretion**

Passport has full discretionary authority over assets held by the Funds and Managed Accounts, limited only by the investment guidelines set forth in each Fund's PPM and IMA and each Managed Account's IMA. Investment discretion exercised by Passport includes discretion regarding:

1. Securities to be bought or sold
2. The amount of the securities to be bought or sold
3. The broker-dealer to be used in the transaction
4. The commission rate to be paid to the broker-dealer that executes the transaction.

Passport's discretionary authority may be subject to conditions imposed by each Fund and Managed Account (for example, investment restrictions regarding specific securities or industries, gross or net exposure guidelines, or maximum position sizes).

Prior to assuming discretionary authority of a new Fund or Managed Account an IMA is prepared and executed.

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

Passport accepts and exercises proxy voting authority with respect to securities held in the Funds (and some of the Managed Accounts as mandated by their respective IMAs).

Applicable law states that it is a fraudulent, deceptive or manipulative act for Passport to exercise voting authority with respect to the Funds' or Managed Accounts' securities, without first adopting and implementing written policies and procedures that are reasonably designed to ensure that proxies are voted in the best interest of its Clients. Policies and procedures are implemented by Passport to ensure its compliance with all regulatory requirements and are made available to Investors in the Funds and Managed Accounts upon request.

Upon written request, to a member of Passport's investor relations group or its Chief Compliance Officer, Passport will promptly provide an Investor in a Fund or Managed Account information as to how the Client voted (or declined to vote) a proxy(s) relating to a security(s) held by the Client, including the date of such action and the basis for the vote or decision not to vote a proxy(s).

Managed Accounts may decide to vote their own proxies. In such cases they will receive their proxies or other solicitation directly from their custodian or a transfer agent. A Managed Account may contact Passport's Chief Compliance Officer with questions regarding a particular solicitation.

#### **Item 18 – Financial Information**

Passport does not require or solicit pre-payment of fees, six months or more in advance. Passport has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.

#### **Item 19 – Requirements for State-Registered Advisers**

This section is not applicable to Passport.