

CoreCommodity Management, LLC

FORM ADV PART 2A

The Brochure

**680 Washington Boulevard
11th Floor
Stamford, CT 06901**

**Tel: (203) 708-6500
www.corecommodityllc.com**

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This brochure provides information about the qualifications and business practices of CoreCommodity Management, LLC. If you have any questions about the contents of this brochure, please contact us at (203) 708-6500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. CoreCommodity Management, LLC is registered as an investment adviser with the SEC. Registration does not imply that a registered adviser has achieved a certain level of skill, expertise, or training in providing advisory services to its clients.

Additional information about CoreCommodity Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Since the last annual amendment, Fees and Compensation (Item 5), Methods of Analysis, Investment Strategies and Risk of Loss (Item 8), Other Financial Industry Activities and Affiliations (Item 10), and Custody (Item 15) have been updated. A marked copy of this Part 2.A showing the changes is available upon request.

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Item 4. Advisory Business

CoreCommodity Management, LLC (“CoreCommodity” or “we”) was formed under the laws of the State of Delaware on November 10, 2003 and engages in the business of offering advisory and portfolio management services to private funds, registered investment companies and managed accounts (collectively “Accounts”). On April 16, 2012, we changed our name from Jefferies Asset Management, LLC (“JAM”) to CoreCommodity Management, LLC. We have been registered as an investment adviser with the Securities and Exchange Commission (“SEC”) since January 20, 2006. We are a member of the National Futures Association (“NFA”), registration number 0340119, and have been registered with the Commodities Futures Trading Commission (the “CFTC”) as a commodity trading advisor since April 2008, and as a commodity pool operator since January 2013.

CoreCommodity’s principal place of business is in Stamford, Connecticut, where we perform portfolio management, research, trading, operations, accounting, legal and compliance functions. Prior to September 2013, CoreCommodity was a wholly owned subsidiary of Jefferies Group LLC (“Jefferies Group”). Jefferies Group is a wholly-owned subsidiary of Leucadia National Corporation (NYSE: LUK) (“Leucadia”). As a result of a transaction between CoreCommodity’s senior management and Jefferies Group, on or about September 11, 2013, CoreCommodity became an independent asset manager controlled by our senior management, with Jefferies retaining a significant economic interest in CoreCommodity (the “Transaction”). On February 28, 2014, Jefferies Group’s indirect interest in CoreCommodity was assigned to LAM Holding LLC, a wholly-owned subsidiary of Leucadia. Adam De Chiara and Bradford Klein are the Co-Presidents of CoreCommodity.

We currently offer various investment programs, certain of which we offer through our Investor Solutions Group (“ISG”). ISG shares in our general research and investment policy-making efforts, but ISG maintains separate portfolio management and trading personnel.

Our investment advice relates primarily to commodities. We may trade commodity futures, options on futures, commodity equities, over-the-counter (“OTC”) swaps on commodities and commodity indexes, depending on the strategy. We also trade U.S. Treasury Inflation Protection Securities (“TIPS”), other U.S. Treasury securities and other short term sovereign debt for collateral management.

To the extent that clients engage us to provide investment advice in a separately managed account (“SMA”) format, we manage the SMA in accordance with the investment guidelines agreed to with the client. In the case of our clients that are private funds and registered investment companies, we manage these Accounts in accordance with their respective offering document or prospectus.

As of December 31, 2016, we managed assets totaling \$5,599,865,567 on a discretionary basis. We do not manage assets on a non-discretionary basis. Our assets under management are calculated as follows: SMAs are valued at agreed-upon notional value and commingled vehicles are valued at net asset value. Assets under management in this Item 4 include Accounts to which

we provide advice relating only to commodity futures which may not meet the definition of “securities portfolios” in Item 5.F of Form ADV Part 1A.

Item 5. Fees and Compensation

With respect to our private funds, we typically receive management and/or incentive fees, which can vary by fund. The fee terms are set forth in the respective offering memorandum (“Offering Memorandum”) or investment management agreement. Our private funds allow investors to select a fee arrangement, either a flat management fee or a combination of management and incentive fees.

Private fund management fees, which accrue monthly and are payable monthly or quarterly in arrears, range from 0.50% to 1.50% per annum of the net asset value of the respective fund. Management fees are appropriately prorated for partial periods. Incentive fees are typically 20% of any outperformance of the fund compared to a benchmark index, or in certain cases may be 20% of net new appreciation of the respective fund. Incentive fees are typically paid at the end of the calendar year or upon redemption. We deduct our fees directly from our private funds, with the involvement of the private fund’s third-party administrator.

Management and incentive fees with respect to SMAs are generally similar to those charged to our private funds, although our SMA clients bear their own trading and operational expenses directly whereas private funds bear trading and administrative expenses as described below. Fee arrangements for SMAs are generally set forth in the investment management agreement. We generally invoice directly our SMA clients for fees periodically in arrears (typically quarterly), although we may agree to alternate billing arrangements. We do not deduct fees directly from SMA client Accounts.

With respect to the registered investment companies for which we act as a sub-adviser, we receive a share of the management fees charged by the adviser, the amounts of which are negotiated with the respective advisers.

The fees described above are our typical fee rates. We may, in our sole discretion, waive all or a portion of the fees due to us. Each private fund has the right to enter into agreements with one or more of its investors providing for a waiver or modification of certain terms of the fund. Such arrangements are documented in side letter agreements with particular investors in certain funds.

As we consider appropriate, we may invest a portion of an Account’s assets in one or more money market funds, mutual funds or exchange-traded funds. When any such investments are made, the Account will be paying, in addition to the compensation payable to us, the Account’s proportionate share of any management fees charged by the manager of such money market fund, mutual fund or exchange-traded fund.

The private funds generally bear all expenses related to their operations, as well as the costs related to the *pro rata* share of their respective master fund’s operations, other than the initial organizational and offering expenses and our overhead expenses such as general overhead, salary

and office expenses. Unless otherwise negotiated, SMA clients are typically responsible for expenses related to their Accounts such as audit, execution, exchange, clearing and custody fees.

Our clients include employee benefit plans subject to the Employee Retirement Income and Security Act of 1974, as amended (“ERISA”). As such, we are deemed to be a fiduciary to these clients under ERISA and we are subject to rules and regulations under ERISA and the Internal Revenue Code relating to the types of compensation received from such clients.

Item 6. Performance-Based Fees and Side-by-Side Management

Performance Based Fees.

We receive performance-based fees from certain of our clients in the form of incentive fees. Prospective investors should note that (i) the fact that incentive fees may be payable out of increases in trading profits may create an incentive for us to make investments that are riskier or more speculative than would be the case if we were compensated solely based on a flat percentage of capital and (ii) we may receive increased compensation because the incentive fees are calculated on a basis that includes unrealized appreciation as well as realized gains.

Where incentive fees are to be paid on outperformance versus a benchmark index: (i) in periods where the index produces negative returns, the fact that the incentive fee is payable during a loss quarter or year for so long as our program outperforms the index on a relative percentage basis may create an incentive for us to make investments that are less risky or speculative than would be the case if we were compensated solely based on absolute returns; and (ii) in periods when the index produces positive returns, the fact that the incentive fee is payable only when outperformance is generated may create an incentive for us to make investments that are riskier or more speculative than would be the case if we were compensated solely based on a flat percentage of capital.

Side-by-Side Management.

We trade on behalf of many client Accounts. As described in “Fees and Compensation” above, we receive performance-based incentive fees from some Accounts. Some Accounts, such as the registered investment companies, are not subject to any form of performance-based fee. As a result, we have a possible conflict of interest, because we can potentially receive proportionately greater compensation from those Accounts that pay us incentive fees than from those Accounts that pay us management fees only. We have an incentive to:

- direct the best investment ideas or give favorable allocation to those Accounts that pay performance-based fees;
- use trades by an Account that does not pay performance-based fees to benefit those Accounts that do pay performance-based fees, such as where a private fund sells short before a sale by an SMA that does not pay incentive fees, or a private fund sells a security only after a SMA that does not pay incentive fees has made a large purchase of the security; and

- benefit those Accounts paying a performance-based fee over those clients that do not pay performance-based fees and which have a different and potentially conflicting investment strategy.

We owe a fiduciary duty to our clients not to favor one Account over another, without regard to the types and amounts of fees paid by those Accounts. In light of the possible conflicts of interest described above, we have allocation policies and procedures in place to ensure that Accounts are treated fairly. Where we determine to trade for more than one Account in the same instruments, we generally aggregate the trades and cause the Accounts to trade *pari passu* with each other. However, while Accounts may trade the same and/or similar instruments, some may be distinguished from one another by their investment objectives, investment methodology, degrees of leverage, relative size, available capital, tax considerations or other parameters. Accordingly, our investment professionals may cause purchases or sales to be effected for one or more Accounts while not causing such purchases or sales to be effected for other Accounts. Discretion as to which Accounts will receive allocations of particular positions may occur whether investment opportunities are limited or unlimited, and opportunities to participate in transactions may not necessarily be allocated among the Accounts in any particular proportion. For example, but without limitation, client Accounts, in trading a new, experimental or different methodology, may enter the same markets earlier than (either days before or on the same day as) other Accounts.

The following are our current specific allocation approaches. If multiple Accounts qualify for participation in the purchase of a specific security or investment opportunity by a particular portfolio group, we will, in general, allocate the instruments among the Accounts for which the instrument or investment opportunity is appropriate, on a fair and equitable basis. Common trades on the same day among securities Accounts managed by the same portfolio management group generally are allocated on the basis of the relative assets committed to the strategy at the average price per share among such Accounts. Common trades (defined as same contract, same month or, separately, same spread, same month(s)) on the same day among commodity futures Accounts managed by the same portfolio management group generally are aggregated and randomly allocated across such strategies by fill upon execution, or, in the case of ISG, are generally allocated on the basis of the relative assets committed to the strategy at the average price per lot among such Accounts. To the extent ISG engages in OTC transactions, such transactions are allocated on the basis of the relative assets committed to the strategy to the extent applicable. We may change these particular approaches from time to time to account for different markets, different investment instruments or other circumstances.

Item 7. Types of Clients

We provide (and have provided) advisory services to the following types of clients:

- Private funds (*e.g.*, hedge funds and commodity pools);
- Foundations and endowments;
- Pension and profit sharing plans;

- Sovereign wealth funds;
- Government and municipal entities;
- Corporations and other business entities; and
- Other institutional investors.

We also act as sub-adviser to several registered investment companies.

Private funds are generally organized as “master-feeder” structures whereby a U.S. feeder fund domiciled in Delaware and a non-U.S. feeder fund that is a Cayman Islands exempted company invest in a master fund that is also a Cayman Islands exempted company. Each private fund is excepted from the definition of an “investment company” pursuant to Section 3(c)(7) of the Investment Company Act of 1940 (the “Company Act”). The investors in these private funds are generally “accredited investors,” as that term is defined in Regulation D promulgated under the Securities Act of 1933, and “qualified purchasers,” as that term is defined in the Company Act and the rules promulgated thereunder. Each of the private funds sets minimum investment requirements for the investors in such vehicle. These minimum investments are typically \$1,000,000. Such minimum investment requirements may be waived at our discretion, except to the extent that such waiver is expressly prohibited by the constituent documents of the private fund or applicable law.

SMA clients are typically institutional investors. These clients must be “qualified eligible persons” as that term is defined in CFTC Rule 4.7 and/or “qualified clients” as defined in SEC Rule 205-3, as applicable. We review any requests for SMAs on a case-by-case basis, but the minimum investment is typically \$25,000,000, which minimum we may waive in our discretion.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

The following is a summary of the investment strategies and methods of analysis we generally employ on behalf of our clients. Specific descriptions of such strategies and methods are included in the relevant Offering Memorandum for our private fund, prospectus of the registered investment company, or, in the case of any SMA, the managed account disclosure document or managed account agreement (together, the “Disclosure Document”). All investments involve risk of loss that investors should be prepared to bear.

Investment Strategy and Methods of Analysis

We offer strategies which seek to achieve an investment objective agreed with the applicable client or as set forth in the relevant Disclosure Documents (the “Investment Objective”). We offer various investment programs or strategies to our clients. Certain strategies may seek to track the performance of a specified index (*e.g.* the S&P GSCI Commodity Index). Other strategies may seek to outperform a specified index, using such techniques as yield management and/or tactical weighting. Still other strategies may seek to provide clients a positive return independent of market or index performance. The majority of our strategies trade commodity futures only. Our strategies

present risks to our clients and clients must fully understand and accept those risks before making any investment or establishing an SMA.

Each strategy, as well as trading approaches used in the strategies, is proprietary and highly confidential to CoreCommodity. Accordingly, clients should note that the descriptions set out below are general only and are not intended to be exhaustive.

Our strategies trade in the commodities markets, primarily by buying and selling commodity futures contracts and as otherwise agreed with clients. Each strategy also may buy and sell exchange-traded options on futures contracts and other commodity-related or commodity-linked financial instruments (such as commodity equities) if they are of a type traded or cleared through a regulated clearing organization, central clearinghouse, futures exchange, or electronic futures exchange. While we may agree to provide cash management services to our clients (*e.g.*, managing a portfolio of high quality short term credit instruments such as U.S. Treasury securities), it is not typically a source of performance for our strategies.

In addition, other instruments, such as but not limited to foreign exchange instruments, equity securities, OTC swaps and other instruments, may be traded if authority is granted by the client. Our strategies rely on the discretion of our investment professionals, who may employ one or more proprietary investment and/or trading methodologies (the “Methodologies”).

Where the Investment Objective is to seek to outperform an index or some other objective involving our discretion, the Methodologies may utilize or include rules-based rollover schedules, futures contract month selection, rebalancing schedules and/or other techniques. By way of illustration, but without limitation, we may vary the term structure of the portfolio by purchasing futures contracts that have later expiration dates than the contracts that comprise the index, or may overweight and/or underweight certain components of the relevant index to adjust relative and/or absolute commodity weights, or may purchase substitute commodity futures in place of (or in addition to) the component futures comprising the index. Where the Investment Objective does not relate to an index, we exercise discretion as agreed with the client.

Each strategy, to the extent intended to replicate an index, focuses primarily on the commodity futures or other instruments that make up the relevant index, such as relating to energy, industrial metals, precious metals, agricultural and livestock commodities. While such strategies generally maintain long exposure to the applicable index’s components (except as otherwise agreed), we do not expect to replicate any index precisely. The strategies are expected to trade on foreign exchanges, particularly as to index components that trade on such foreign exchanges.

We are under no requirement to limit ourselves to a particular Methodology or level of exposure. In general, our Methodologies are determined by the judgment or discretion of our investment professionals.

We may formulate new approaches to carry out the principal Investment Objectives based on, among other factors, changing market circumstances. This includes (without limitation) the incorporation of new markets, instruments and strategies. We will notify a client of such changes only if they amount to material changes to the Investment Objective.

Clients should note that the foregoing is not intended to be an exhaustive description of the strategies and Methodologies that may be employed by us. At various times, depending on our agreements with clients, we may employ on behalf of Accounts any of the strategies and Methodologies discussed herein in various proportions as well as others, some of which may involve higher levels of risk. There is risk associated with each strategy and Methodology, and there is no assurance that any of the strategies or Methodologies will be profitable or will achieve outperformance of the relevant index or other benchmark index as applicable, or that we will be able to achieve the Investment Objective or avoid losses. The strategies and Methodologies used present special and significant risks which investors should carefully consider in conjunction with their investment, legal and tax advisors. In addition, clients may request, and/or we may develop, additional strategies with some similarities to existing strategies. Any such strategies may be subject to risks and conflicts of interest, and also may be subject to additional risks and conflicts of interest that may be described in the applicable Disclosure Documents. A description of certain of those risks appears below.

Risks Relating to Trading and the Markets

The Account May be Highly Leveraged. Because of the low margin deposits normally required in trading futures interests, an extremely high degree of leverage is typical of a futures interests trading account. As a result, a relatively small price movement in a futures interest may result in immediate and substantial losses to the investor. For example, if 10% of the face value of a contract is deposited as margin for that contract, a 10% decrease in the value of the contract would cause a total loss of the margin deposit. A decrease of more than 10% in the value of the contract would cause a loss greater than the amount of the margin deposit. Where the client is unable to make a margin payment within the time required, its position may be liquidated at a loss and the client will be responsible for the resulting deficit. Leverage may be used with other instruments in addition to futures interests, with similar risks of loss. Trading on margin also results in interest charges to a client's Account. In addition, there may be leverage inherent in our investment strategies and Methodologies.

Futures and Options Trading is Speculative and Volatile. Rapid fluctuations in the market prices of commodity interests make an investment volatile. Volatility is caused by changes in supply and demand relationships; weather; agricultural, trade, fiscal, monetary and exchange control programs; U.S. and non-U.S. political and economic events and policies; and changes in interest rates, among other factors. Use of leverage magnifies the effect of volatility. A client may lose part or all of an Account, including losses in excess of the amount committed to an Account, requiring a client to commit additional capital to cover those losses.

Options Trading can be More Volatile than Futures Trading. We may trade exchange-traded options on futures. Although successful options trading requires many of the same skills as successful futures trading, the risks are somewhat different. Successful options trading requires a trader to assess near-term market volatility accurately because that volatility is directly reflected in the price of outstanding options. Correct assessment of market volatility can therefore be of much greater significance in trading options than it is in many long-term futures or securities trading strategies where volatility does not have as great an effect on the price of a futures contract or a security.

The higher the leverage chosen for an Account, the greater the profit potential and risk of loss in proportional terms as well as the higher the expected volatility and brokerage commission expense.

The Account May Engage in OTC Transactions, Including Swap Transactions. We generally trade in the commodities markets by buying and selling commodity futures contracts on futures exchanges and forward contracts on the London Metal Exchange (“LME”). We also may buy and sell exchange-traded options on futures contracts and other commodity-related or commodity-linked instruments if they are of a type traded or cleared through a regulated clearing organization, central clearinghouse, futures exchange or electronic futures exchange. In addition, we may trade on the OTC market if we, in our sole discretion, determine that, given market and regulatory developments, such instruments are desirable investments for an account and consistent with the client’s Investment Objective and any investment restrictions agreed with the client, including that such swaps are commodity-related or otherwise commodity-linked and are traded or cleared through a regulated clearing organization, clearinghouse, futures exchange or electronic futures exchange.

The risks relating to OTC derivatives that are not otherwise cleared through a central clearing party include, but are not limited to, the following : (1) credit risk (the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations); (2) market risk (adverse movements in the price of a financial asset or commodity); (3) legal risk (the characterization of a transaction or a party’s legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could preempt otherwise enforceable contract rights); (4) operational risk (inadequate controls, deficient procedures, human error, systems failure or fraud); (5) documentation risk (exposure to losses resulting from inadequate documentation); (6) liquidity risk (exposure to losses created by an inability to prematurely terminate the derivative); (7) systemic risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (8) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity, futures commission merchant (“FCM”) or clearinghouse); and (9) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty). Transactions in OTC derivatives may involve other risks as well, as there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. Further, when used for hedging purposes there may be an imperfect correlation between these instruments and the investments or market sectors being hedged. Lastly, regulatory restraints may restrict the notional amount of instruments that Accounts may trade.

Market Illiquidity and Volatility May Cause Less Favorable Trade Prices. Commodities and other instruments purchased by us on behalf of an Account may lack a liquid trading market, which may result in the inability of us on behalf of such Account to sell any such instrument, thereby forcing the Account to incur potentially unlimited losses. This lack of liquidity and depth could

be a disadvantage to a client both in the realization of the prices that are quoted and the execution of orders at desired prices. In addition, instruments that are at one time marketable could become unmarketable (or more difficult to market) for a number of reasons.

Although we typically purchase and sell actively traded contracts where last trade price information and quoted prices are readily available, the prices at which a sale or purchase occur may differ from the prices expected because there may be a delay between receiving a quote and executing a trade, particularly in circumstances where a market has limited trading volume and prices are often quoted for relatively limited quantities. In addition, most U.S. futures exchanges have established “daily price fluctuation limits” which preclude the execution of trades at prices outside of the limit, and, from time to time, the CFTC or the exchanges may suspend trading in market disruption circumstances. The daily limits establish the maximum amount that the price of a futures contract may vary either up or down from the previous day’s settlement price. Once the daily limit has been reached in a particular futures contract, no trades may be made at a price beyond the limit. In these cases it is possible that a client could be required to maintain a losing position which it would otherwise exit, preventing it from avoiding significant losses or be unable to establish a position and miss a profit opportunity.

Trading on Some Non-U.S. Exchanges Presents Greater Risks to Accounts than Trading on U.S. Exchanges. Accounts are expected to trade on exchanges located outside the United States. Trading on U.S. exchanges is subject to SEC and CFTC regulation and oversight, including, for example, minimum capital requirements for brokers, regulation of trading practices on the exchanges, prohibitions against trading ahead of customer orders, prohibitions against filling orders off exchanges, prescribed risk disclosure statements, testing and licensing of industry sales personnel and other industry professionals, and recordkeeping requirements. Trading on non-U.S. exchanges is not regulated by the SEC, CFTC or any other U.S. governmental agency or instrumentality and may be subject to regulations that are different from those to which U.S. exchange trading is subject, provide less protection to investors than trading on U.S. exchanges, and may be less vigorously enforced than regulations in the U.S. Positions on non-U.S. exchanges also are subject to the risk of exchange controls, expropriation, excessive taxation or government disruptions. Accounts could incur losses in non-U.S. positions because of fluctuations in exchange rates. Further, we may purchase forward contracts on the LME. While LME forward contracts are cleared through a central clearinghouse, the proceeds of closing transactions may not be available to the client’s Account until after the applicable contracts have expired.

The Unregulated Nature of the OTC Markets Creates Counterparty Risks that Do Not Exist in Futures Trading on Exchanges. Unlike futures contracts, OTC “spot” and forward contracts are entered into between private parties off an exchange and are not regulated by the CFTC or by any other U.S. governmental agency. Because such contracts are not traded on an exchange, the performance of those contracts is not guaranteed by an exchange or its clearinghouse and the client is at risk with respect to the ability of the counterparty to perform on the contract. Because trading in the OTC foreign exchange markets is not regulated, there are no specific standards or regulatory supervision of trade pricing and other trading activities that occur in those markets. To the extent we are authorized to trade for an Account in the foreign exchange markets or other OTC markets, these risks are applicable to such Account.

The Account is Subject to Speculative Position Limits. The CFTC and the U.S. commodities exchanges have established limits referred to as “speculative position limits” on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options on futures contracts traded on U.S. commodities exchanges. Subject to applicable exemptions, all proprietary (if any) or client accounts owned or managed by us are likely to be combined for purposes of calculating position limits. An Account could be required to liquidate positions, or may not be able to fully implement its strategies, in order to comply with such limits, even though the positions attributable to the Account do not themselves trigger the position limits or are a small portion of the aggregate positions directed by us. Position limits could force an Account to liquidate profitable positions, result in a tracking error between the Account’s portfolio and our standard trading program and cause the Account to incur substantial transaction costs.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Reform Act”) significantly expands the CFTC’s authority to impose position limits with respect to futures contracts, options on futures contracts, swaps that are economically equivalent to futures or options on futures, swaps that are traded on a regulated exchange and certain swaps that perform a significant price discovery function. In response to this expansion of its authority, in 2012, the CFTC proposed a series of new speculative position limits with respect to futures and options on futures on so-called “exempt commodities” (which includes most energy and metals contracts) and with respect to agricultural commodities. Those proposed speculative position limits were vacated by a United States District Court. However, the CFTC has again proposed a new set of speculative position rules which are not yet finalized (or effective). If the CFTC is successful in this second try, the size or duration of positions available to Accounts and to us may be severely limited. All Accounts, subject to applicable exemptions, are likely to be combined for speculative position limit purposes. An Account could be required to liquidate positions it holds in order to comply with such limits, or may not be able to fully implement trading instructions generated by its trading models, in order to comply with such limits. Any such liquidation or limited implementation could result in substantial costs to clients.

An Account May Not be Able to Mitigate a Regulatory Event Expediently. If as a result of the adoption of any new, a change in any existing, or a change in the official interpretation of any, law, a governmental authority imposes or seeks to impose position limits or other additional restrictions, limitations, conditions, requirements or regulations on us based on Leucadia’s economic interest in CoreCommodity and such imposition has had or will have a material and negative impact on CoreCommodity or the reasonable prospects of CoreCommodity, which cannot be reasonably mitigated in any other manner or the mitigation measure of which would cause a breach of a fiduciary duty to a client, our senior management may, at their option, purchase or offer for sale to a third party the interests of Leucadia in CoreCommodity necessary such that the underlying regulatory event is no longer continuing. However, it is not known whether our senior management will have or be able to raise sufficient capital to purchase or be able to have a third party purchase such interests of Leucadia, or if so, after what period of time. The inability to purchase or find a third party to purchase Leucadia’s interests in CoreCommodity, or the delay in effecting any such purchase, may adversely affect certain or all Accounts.

Possible Illiquid Markets, Disruption of Market Trading, Among Other Events May Exacerbate Losses. The commodity markets are subject to temporary distortions or other

disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators, government intervention and exchange regulation.

Futures positions cannot always be liquidated at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. To the extent that we acquire large positions in Accounts, this increases the risk of illiquidity by making its positions more difficult to liquidate while increasing the losses incurred while trying to do so. A market disruption, such as when non-U.S. governments may take or be subject to political actions which disrupt the markets in their currency or major exports, can also make it difficult to liquidate a position.

In addition, U.S. futures exchanges and some non-U.S. exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day as described above under “Market Illiquidity and Volatility May Cause Less Favorable Trade Prices.”

Market illiquidity and price limits may cause losses for each Account.

Because the Futures Contracts Have No Intrinsic Value, the Positive Performance of the Account is Wholly Dependent Upon an Equal and Offsetting Loss. Futures trading is a risk transfer economic activity. For every gain there is an equal and offsetting loss rather than an opportunity to participate over time in general economic growth. Overall stock and bond prices could rise significantly and the economy as a whole prosper while an Account trades unprofitably.

Failure of Commodity Futures Trading to Exhibit Low to Negative Correlation to General Financial Markets Will Reduce Benefits of Diversification and May Exacerbate Losses to the Account. Historically, commodity futures’ returns have tended to exhibit low to negative correlation with the returns of other assets such as stocks and bonds. Although commodity futures trading may provide a diversification benefit to investor portfolios because of its historically low to negative correlation with other financial assets, the fact that the commodities are not 100% negatively correlated with financial assets such as stocks and bonds means that an Account cannot be expected to be automatically profitable during unfavorable periods for the stock or bond market, or vice-versa. If an Account performs in a manner that correlates with the general financial markets or does not perform successfully, no diversification benefit will be obtained from the account and the account may produce no gains to offset losses from other investments.

Possibility of Additional Government or Market Regulation. Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies (including commodity strategies) during the past decade have led to increased governmental as well as self-regulatory scrutiny of alternative investments. U.S. regulatory agencies are continuing to engage in rulemaking as a result of the passage of the Reform Act. Further legislation proposing additional regulation of the industry is considered periodically by the U.S. Congress, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to us, the markets in which our clients trade and invest, the size of position limits, or the counterparties with which our clients do business may be instituted in the future. Any such regulation could have a material adverse impact on our clients, require increased transparency as to the identity of our clients, or restrict our ability or willingness to continue providing our advisory services.

Market Disruptions; Governmental Intervention. The global financial markets have in recent years gone through pervasive and fundamental disruptions that have created significant volatility and uncertainty and led to extensive and unprecedented governmental intervention. Such intervention has in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition — as one would expect given the complexities of the financial markets and the limited time frame within which governments have felt compelled to take action — these interventions have typically been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as to previously successful investment strategies.

An Account may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to an Account from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Account. Market disruptions may from time to time cause dramatic losses for an Account, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

The U.S. Federal Reserve has intervened in the credit markets and may continue to do so. Non-U.S. governments have also taken similar measures. Future government interventions may lead to sudden and material changes in the valuations of investment instruments. Government intervention is subject to inherent uncertainties relating to prevailing economic conditions and political considerations.

A number of countries have at times imposed bans on specific trading strategies, for example short-selling, typically on an “emergency” basis, making it impossible for numerous market participants either to continue to implement their strategies or to control the risk of their open positions. Any ongoing regulatory limitations, for example on short-selling, could materially adversely affect our ability to implement its strategies for the benefit of an Account.

It is impossible to predict what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on our strategies.

Accounts are Subject to Credit Risk. An Account is subject to credit risk because commodity brokers will act as the FCM or the counterparties with respect to a significant portion of an Account’s assets. Exchange-traded futures and futures styled option contracts are marked to market on a daily basis, with variations in value credited or charged to the account on a daily basis. The commodity brokers, as FCMs for the client’s exchange-traded contracts, are required, pursuant to CFTC regulations, to segregate from their own assets, and for the sole benefit of their commodity customers, all funds held by them with respect to exchange-traded futures and futures styled options contracts, including an amount equal to the net unrealized gain on all open futures and futures styled options contracts. With respect to an Account’s cleared OTC contracts, if any, the central clearing regime is expected to decrease counterparty risk and increase liquidity compared to bilateral OTC derivative transactions because central clearing interposes the central

clearing house as the counterparty to each participant's transaction. However, central clearing does not eliminate counterparty risk or illiquidity risk entirely. The counterparty risk for cleared derivatives is generally lower than for uncleared OTC derivative transactions, since generally a clearing organization becomes the counterparty to each party to a cleared derivative contract and, in effect, guarantees the parties' performance under the contract as each party to a trade looks only to the clearing house for performance of financial obligations. However, there can be no assurance that the clearing house, or its members, will satisfy its obligations to an Account.

Regulators will require most liquid derivative contracts to be traded and executed on trading facilities. Certain CFTC-regulated derivatives trades have been subject to this requirement since February 2014, but the OTC derivative trades that we effect for our clients, where applicable, have not yet been included in this requirement. It is not yet clear when the parallel SEC requirements will go into effect. Moving trading to an exchange-type system may increase market transparency and liquidity but may require an Account to incur increased expenses to access the same types of derivative contracts. In the event an OTC transaction that is not executed on such a trading facility is submitted for clearing and rejected by the FCM or clearinghouse, we may be required to unwind the trade on a principal-to-principal basis with the counterparty with which it executed the trade, in which case the Account is subject to the risk of its counterparty's creditworthiness.

Enhanced Regulation of the OTC Derivatives Markets. The Reform Act includes provisions that comprehensively regulate the OTC derivatives markets. The implementation of these regulations is ongoing as of the date of this Form ADV Part 2. Although the full effects of The Reform Act on the OTC derivatives markets have yet to be determined, dealers are subject to new minimum capital and margin requirements, business conduct standards, disclosure requirements, reporting and recordkeeping requirements, transparency requirements, position limits, limitations on conflicts of interest and other regulatory burdens. These requirements increase the overall costs for OTC derivative dealers, which costs may be passed along, at least partially, to market participants, such as an Account, in the form of higher fees or less advantageous dealer marks as market changes continue to be implemented. The overall impact of the Reform Act on Accounts remains uncertain and it is unclear how the OTC derivatives markets will adapt to this new regulatory regime, along with additional, sometimes overlapping, regulatory requirements imposed by non-U.S. regulators.

Failure of FCMs or Commodity Brokers to Segregate Assets May Increase Losses; Despite Segregation of Assets, the Account Remains at Risk of Significant Losses. The Commodity Exchange Act requires a FCM to segregate all funds received from customers from such broker's proprietary assets. If a FCM fails to do so, the assets of an Account might not be fully protected in the event of such FCM's bankruptcy. Furthermore, in the event of a FCM's bankruptcy, the client could be limited to recovering either a *pro rata* share of all available funds segregated on behalf of such FCM's combined customer accounts or the client may not recover any assets at all, even though certain property specifically traceable to the Account was held by such FCM. If there is a shortfall for any reason in a FCM's segregated account, the assets of the Account might not be fully protected. A FCM may, from time-to-time, have been the subject of certain regulatory and private causes of action. In the event of a bankruptcy or insolvency of any exchange or a clearing house, a client could experience a loss of the funds deposited through its FCM as margin with the exchange or clearing house, a loss of any profits on its open positions on the exchange, and the loss of unrealized profits on its closed positions on the exchange.

ERISA Matters. Most pension and profit sharing plans, individual retirement accounts and other tax-advantaged retirement funds are subject to provisions of the Internal Revenue Code of 1986, as amended, the Employee Retirement Income Security Act of 1974, as amended, or both, which may be relevant to a decision as to whether such a client should invest with the Manager. There may, for example, be issues as to whether such an investment is “prudent.” Legal counsel should be consulted by such an investor before investing with us.

Credit Risk. To the extent that an Account enters into OTC contracts, there may be no daily settlements of variations in value, and there is no requirement to segregate funds held with respect to such contracts. In such cases, the Account is subject to the credit risk of any other securities brokerage firm, foreign exchange broker or OTC counterparty with which it enters into a swap or OTC transaction.

An Account May Use Hedging Instruments. An Account may use hedging techniques. Typically, these techniques involve one or more of the following risks: (i) imperfect correlation between the performance and value of the instrument and the value of the account’s portfolio holdings or other objective of CoreCommodity; (ii) possible lack of a secondary market for closing out a position in such instrument in the event it is rejected by the FCM or clearinghouse; (iii) losses resulting from interest rate, spread or other market movements not anticipated by us; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen an Account’s position; and (v) in the event an OTC transaction submitted for clearing is rejected by the FCM or clearinghouse default or refusal to perform on the part of the counterparty with which an Account has executed the trade. Furthermore, to the extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy would be affected by implementation of the various regulations adopted pursuant to the Reform Act.

The ability of an Account to hedge successfully will depend on our ability to predict pertinent market movements, which cannot be assured. We are not required to hedge and there can be no assurance that hedging transactions will be available or, even if undertaken, will be effective. In addition, it should be noted that an Account will always be exposed to certain risks that cannot be hedged, such as credit risk (relating both to particular financial instruments and the relevant FCM or clearinghouse).

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the financial instruments hedged; (ii) imperfect correlation between movements in the financial instruments on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of a portfolio’s assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

Institutional Risk. The institutions, including brokerage firms and banks, with which Accounts trade or invest, may encounter financial difficulties that impair the operational capabilities or the capital position of such Accounts. In such event, there is a risk that Accounts could be faced with trading or settlement delays and/or portfolio losses. In addition to the risk of a counterparty or broker defaulting, there is also the risk that major institutional investors in a private fund may be

compelled to withdraw from the fund or that its counterparties or brokers will be required to restrict the amount of credit previously granted to the fund due to their own financial difficulties, resulting in forced liquidation of substantial portions of the fund's portfolio.

Other Investment Companies; Multiple Levels of Fees. We may invest in investment companies, including ETFs and money market funds. Investing in other investment companies involves substantially the same risks as investing directly in the underlying securities, but may involve additional expenses at the investment company level. Assets invested in such investment companies will be included in computing the management fees and/or incentive fees paid to us. To the extent an Account invests in other investment companies, the client incurs certain duplicative fees and expenses, including investment advisory and administration fees, of such investment companies; that is, there is a layering of certain fees and expenses. Investments in investment companies also may involve the payment of substantial premiums above the value of such companies' portfolio securities.

Exchange Traded Funds ("ETFs") and Exchange Traded Notes ("ETNs"). ETFs and ETNs in which an Account may invest may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses.

Fixed Income Securities. The value of the fixed income securities in which an Account may invest changes as the general levels of interest rates fluctuate. When interest rates decline, the value of an Account's fixed income securities can be expected to rise. Conversely, when interest rates rise, the value of such securities is generally expected to decline.

Reliance on Our Discretion. We are responsible for making all trading decisions for Accounts and no guarantee or representation is made that the strategies employed will be successful. Our discretion may involve the use of one or more Methodologies. Use of the Methodologies is unlikely to be successful unless the relationships and patterns underlying the Methodologies are correct and remain correct in the future. To the extent that the Methodologies do not reflect certain factors that may influence prices of the underlying instruments, major losses and/or underperformance in relation to the applicable index may result. For example, a pending political event not accounted for in the relationships and patterns of the Methodologies may be very likely to cause a major price movement, but an Account might well continue to maintain positions that would incur major losses as a result of such movement if the Methodologies are followed.

The Methodologies may be more effective with certain underlying instruments than with others, or may not work at all with respect to certain instruments. To the extent that the Methodologies are used for instruments for which they are less effective, diminished returns or increased losses may result.

The Methodologies may not reflect the changing dynamics of the markets. An influx of new market participants, changes in market regulation, international political developments, demographic changes and numerous other factors can contribute to once successful strategies becoming outdated. Not all these factors can be identified, much less quantified. Moreover, any factor which would make it more difficult to execute trades at desired prices in accordance with the Methodologies (such as a significant lessening of liquidity in a particular market) would also be detrimental. Other advisors' trading methods may utilize similar methodologies in making

trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated.

We anticipate that we will continue to test and evaluate our strategies, including the Methodologies, as a result of which our strategies may be modified from time to time. Any such modification will not be subject to any requirement that clients receive notice of the change or that they consent to it (except to the extent that the Methodologies are expressly incorporated in an index and CoreCommodity and a client in a Program have agreed that we will seek replication of the index as so constructed). There can be no assurance as to the effects (positive or negative) of any modification on a Program's or a client account's performance.

In general, the risks associated with investing pursuant to our discretion are magnified because of the confidential and proprietary nature of our strategies. As a result, prospective investors need to consider the appropriateness of an investment in a Program even more carefully than they would in the case of a similar investment with more transparency.

Equity Risk. Where we are authorized to invest in equity securities, we may invest in equity securities of companies engaged in the production and distribution of commodities and commodity-related products and services in the agriculture, base/industrial metals, energy and precious metals sectors. The values of equity securities in an Account will fluctuate and, as a result, the Account's value may decline suddenly or over a sustained period of time. An investment in equity securities does not measure the performance of direct investment in the underlying commodities and, therefore, may not move in the same direction and to the same extent as the underlying commodities.

Small- to Mid-Capitalization Companies Risk. Investments in securities of companies with small- to mid-sized market capitalizations can present higher risks than do investments in securities of larger companies. Prices of such securities can be more volatile than the securities of larger capitalization firms and can be more thinly traded. This may result in such securities being less liquid.

Interest Rate Risk. Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates. As nominal interest rates rise, the value of fixed income securities held by an Account are likely to decrease. A nominal interest rate can be described as the sum of a real interest rate and an expected inflation rate. Securities with longer durations tend to be more sensitive to changes in interest rates, and are usually more volatile than securities with shorter durations. For example, if an Account has an average duration of five years, a 1% increase in interest rates generally would result in a 5% decrease in Account's value. Inflation-protected securities, including TIPS, decline in value when real interest rates rise. In certain interest rate environments, such as when real interest rates are rising faster than nominal interest rates, inflation-indexed securities may experience greater losses than other fixed income securities with similar durations.

Non-U.S. Investment Risk. Investments in non-U.S. securities and commodities may experience additional risks compared to investments in U.S. securities and commodities. The markets in many foreign countries are relatively small, with a limited number of issuers and securities. Furthermore, foreign taxes also could detract from performance. Companies based in non-U.S. countries may

not be subject to accounting, auditing and financial reporting standards and practices as stringent as those in the U.S. Therefore, their financial reports may present an incomplete, untimely or misleading picture of a non-U.S. company, as compared to the financial reports of U.S. companies. Nationalization, expropriations or confiscatory taxation, currency blockage, political changes or diplomatic developments can cause the value of an Account's investments in a non-U.S. country to decline. In the event of nationalization, expropriation or other confiscation, an Account could lose its entire investment in that country.

Emerging Markets Risk. To the extent that an Account invests in securities or commodities interests related to issuers or commodities located in emerging markets, the risks may be heightened by political changes, changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

Currency Risk. The risk that fluctuations in exchange rates between the U.S. dollar and non-U.S. currencies may cause the value of an Account's non-U.S. investments to decline in terms of U.S. dollars. Additionally, certain of an Account's foreign currency transactions may give rise to ordinary income or loss to the extent such income or loss results from fluctuations in the value of the foreign currency. Accounts that may invest in securities and commodities denominated in, or which receive revenues in, non-U.S. currencies are subject to this risk.

Potential Loss of Investment and Amounts in Excess of the Investment. The past results of our portfolio managers or other investment professionals, and our past results are not necessarily indicative of the future performance of an Account. As is true of any investment, there is a risk that an investment with us will be lost entirely or in part, including losses in excess of the amount committed to an Account, requiring an investor to commit additional capital to cover those losses. None of our strategies is a complete investment program (nor are all strategies together a complete investment program) and should represent only a portion of an investor's portfolio management strategy.

Index Changes. An index may be modified by the index sponsor at any time. This is true even with respect to an index which we sponsor, except as otherwise expressly agreed. To the extent an index sponsor modifies the index, our strategies may become less effective. In addition, an index sponsor may take the position that we do not have the right to provide a product seeking to replicate or outperform the index's value. If the index is discontinued or our ability to use the index is terminated then a new index will have to be selected. Any use of a replacement index for an Account having an Investment Objective of replicating or outperforming that index will require the approval of the client.

"Backwardation" or "Contango" in the Market Prices of the Commodities Will Affect the Value of the Account. As futures contracts near expiration, they are replaced by contracts that have a later expiration. Thus, for example, a contract purchased and held in August 2017 may specify an October 2017 expiration. As that contract nears expiration, it may be replaced by selling the October 2017 contract and purchasing the contract expiring in December 2017. This process is referred to as "rolling." Historically, the prices of certain index commodities have frequently been higher for contracts with shorter-term expirations than for contracts with longer-term expirations, which is referred to as "backwardation." In these circumstances, absent other factors,

the sale of the October 2017 contract would take place at a price that is higher than the price at which the December 2017 contract is purchased. While certain index commodities have historically exhibited consistent periods of backwardation, backwardation will likely not exist in these markets at all times. The absence of backwardation in certain index commodities may adversely affect the value of an Account, depending on its current Methodologies.

Conversely, certain index commodities historically exhibit “contango” markets rather than backwardation. Contango markets are those in which the prices of contracts are higher in the distant delivery months than in the nearer delivery months due to, for example, the costs of long-term storage of a physical commodity prior to delivery or other factors. Although certain index commodities have historically exhibited consistent periods of contango, contango will likely not exist in these markets at all times. Contango in certain index commodities may adversely affect the value of an Account, depending on its current Methodologies.

Diversification. An Account’s portfolio may be benchmarked against, and seek to outperform, an index and may invest primarily by buying and selling futures contracts and other financial instruments which are linked to the price of commodities or commodity indices. An Account may diversify its portfolio more or less than the index and under certain market conditions may hold a few, relatively large positions in relation to the capital of the account. Consequently, a loss in any such position could ultimately result in significantly greater losses to the account than if its capital had been spread over a wide number of positions or matched the investments in the index. Greater diversification may also cause the account to underperform the index. Further, the investment portfolio of an Account may be subject to more rapid change in value than would be the case if the Account were required to maintain a wide diversification among types of financial instruments, industries, areas and issuers.

Special Risks for Index Replication. Clients that engage us to seek replication of an index should be aware that we do not have the responsibility to change the index design (or to depart from the objective of seeking to substantially replicate the index), even if we believe that the index is no longer likely to produce investment gains or that the index is no longer likely to achieve outperformance of a benchmark.

Clients Have No Recourse to Any Index Sponsor. Clients have no rights against any index sponsor. Except as otherwise explicitly agreed, the index sponsor is not responsible for and has not participated in the design or implementation of our strategies, and our strategies are not sponsored, endorsed, sold or promoted by the index sponsor.

Our Performance May Be Adversely Affected by Increased Assets Under Our Management. The success achieved by trading advisers or managers often diminishes as the assets under their management increases. We have not agreed to limit the amount of additional assets that we will manage.

Potential Inability to Trade or Report Due to Systems Failure. Our strategies are dependent to a significant degree on the proper functioning of our internal and external computer systems. Accordingly, systems failures, whether due to third party failures upon which such systems are dependent, cyber-attacks or the failure of our hardware or software, could disrupt trading or make trading impossible until such failure is remedied. Any such failure, and consequential inability to

trade (even for a short time), could, in certain market conditions, cause the Accounts to experience significant trading losses or to miss opportunities for profitable trading. Any such failures also could cause a temporary delay in reports to investors.

Cybersecurity Breaches. We and our clients are subject to risks associated with a breach in our cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from “hacking” by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data, as well as misappropriation of confidential information. If a cybersecurity breach occurs, we and our clients may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and proprietary information; and reputational damage. Any such breach could expose us to civil liability, as well as regulatory inquiry and/or action. In addition, clients could be exposed to additional losses as a result of unauthorized use of their personal information.

Placement of Orders and Other Instructions. Clients may communicate with us from time to time via electronic means, such as email, instant messaging etc. There may be issues in using such electronic communications, such as delays in sending or receiving such messages, internet or systems outages or other issues that may prevent the timely delivery of such communications. Therefore, no client order, trade or other instruction or communication to us will be deemed accepted until such client receives an acknowledgement and acceptance in writing from us.

Dependence Upon a Limited Group of Investment Professionals. Our strategies are substantially dependent upon the skill, judgment and expertise of a very limited group of our investment professionals. The death, disability or other unavailability of one or more of our investment professionals could be material and adverse to the Accounts.

Competition. Our strategies compete with numerous other private investment funds and financial institutions (both diversified and specialized funds), as well as other investors, many of which may have substantially greater resources than us.

In recent years there has been a marked increase in the number of, and flow of capital into, investment vehicles established in order to implement alternative asset investment strategies, including commodity strategies and the strategies similar to the strategies implemented by us. While the precise effect cannot be determined, such increase may result in increased price volatility or reduced profitability with respect to certain positions. Prospective investors should understand that we may compete with other investment vehicles and programs, as well as investment and commercial banking firms, which have substantially greater resources, in terms of financial wherewithal and research staffs, than may be available to us and the Accounts.

Short Sales. Although it is not typical of our strategies, there may be circumstances in which we may enter into transactions, known as “short sales,” in which we sell an instrument we do not own in anticipation of a decline in the market value of the financial instrument. Losses from short sales

are potentially unlimited. Brokers may also require an Account to “cover” a short position at an inopportune time.

Limited Operating History. Certain of our strategies have limited operating history, and CoreCommodity has a limited record of performance. While our investment professionals have substantial experience relating to the types of opportunities our strategies pursue, there can be no assurance that we will generate performance results equivalent to the results generated by these investment professionals in the past (or avoid losses). Market conditions and trading approaches are continually changing, and the fact that we may have achieved certain performance in the past may be largely irrelevant to future prospects. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. NO ASSURANCE CAN BE MADE THAT PROFITS WILL BE ACHIEVED, THAT SUBSTANTIAL LOSSES WILL NOT BE INCURRED, OR THAT THE RELEVANT PROGRAM’S INVESTMENT OBJECTIVE WILL BE ACHIEVED.

Substantial Charges. Each Account is subject to substantial charges, and must generate profits and interest income which exceed its fixed costs in order to avoid depletion of its assets. Such charges include, among others, brokerage commissions, exchange fees and management fees regardless of performance.

An Account May Suffer Losses Even When Achieving Objectives. Certain of our strategies do not seek absolute returns, but rather seek to track or outperform an index. As a result, these strategies may achieve their Investment Objective even in a situation where the Accounts implementing them suffer a loss.

A Program May Not Always Replicate Precisely the Changes in the Levels of its Index. Even where the Investment Objective is to substantially replicate an index, the performance of an Account will not precisely correspond to the performance of the applicable index. The divergence between the index and Account may vary (at times perhaps significantly) depending on market conditions and other factors, including our fees, administrative expenses, brokerage commissions, exchange fees, clearing and custodial fees and other transaction costs.

Item 9. Disciplinary Information

Joseph Contorinis, a former employee who left JAM in 2007, was found guilty of insider trading in October 2010 for conduct that occurred in or about January 2006. During his time with JAM, Mr. Contorinis worked for JAM’s Paragon Division with respect to a fund that traded equity securities. Neither CoreCommodity nor any other of our current or former employees other than Mr. Contorinis were charged in this matter. We cooperated fully with the investigation.

Item 10. Other Financial Industry Activities and Affiliations

Material Financial Industry Affiliations of the Firm

In addition to being a registered investment adviser, we are also registered with the CFTC as a commodity trading advisor and commodity pool operator and are a member of the NFA. Certain of our employees are registered representatives of ALPS Distributors, Inc., a registered broker dealer.

Potential Conflicts of Interest

Compensation. We could receive substantial compensation in the form of management fees, even from Accounts that lose value.

Our Co-Presidents, Messrs. De Chiara and Klein, also receive, indirectly, compensation from our affiliate, CoreCommodity Indexes, LLC (“CCI”) which acts as an index sponsor to certain indexes.

Advisory Time. We devote as much of our time to each of our clients as in our judgment is reasonably required. However, we also provide investment advisory services and securities and commodities research and brokerage services for other clients (including other managed accounts as well as pooled vehicles) and engage in other business ventures in which our advisory clients have no interest. As a result of these separate business activities, we may have conflicts of interest in allocating management time, services, and functions among Accounts and other business ventures or clients.

By way of example, the same investment professionals for a strategy may perform services for each version of the strategy (relating to different indices). In addition, the same investment professional may implement one or more strategies or versions of a strategy for managed accounts or via collective investment vehicles such as hedge funds or commodity pools managed in parallel with the managed accounts. Further, the same investment professionals may implement other strategies related to or different from such strategy, including but not limited to discretionary trading strategies with an investment objective of seeking absolute returns and/or an objective of seeking significant outperformance compared to an index.

Mr. Adam De Chiara acts as Co-President of CoreCommodity and is the Portfolio Manager for many of our strategies.

Other Clients; Allocation of Investment Opportunities. CoreCommodity is responsible for the investment decisions made on behalf of Accounts. As described above, there are no restrictions on our ability to exercise discretion over any number of Accounts of other clients following the same or different Investment Objectives, philosophies and strategies. As a general matter, it would not be expected that Accounts with different portfolio managers would share information relating to potential transactions. Therefore, one Account may trade prior to and at a better price than another Account trading in the same instrument.

These situations may involve potential conflicts between the interest of CoreCommodity or our related persons, on the one hand, and the interests of our clients, on the other. CoreCommodity and its employees may, for their own account or for client accounts, trade in the markets and

instruments in which an Account trades, and in so doing may take positions opposite to, or ahead of, those held by an Account or may be competing with the Account for positions in the marketplace. Such trading may result in competition for investment opportunities or create other conflicts of interest for CoreCommodity in respect of its obligations to an Account.

An Account may experience returns that differ from other Accounts in the same strategy due to, among other factors: (a) regulatory constraints on the ability of the Account to have exposure to certain contracts; (b) the client's selection of clearing broker, which affects access to markets and exchanges (and, accordingly, instruments); (c) the effect of intra-month adjustments to the trading level of the Account; (d) the manner in which the Account's cash reserves are invested; (e) the size of the Account; (f) the client's functional currency, and (g) the effective date of the investment. Additionally, certain markets may not be liquid enough to be traded for an Account.

Asset Valuation. Our fees are based directly on the value of the Accounts as of various dates. To the extent that our agreements with our clients provide that we will value the clients' assets, we will have a conflict of interest in reviewing or determining such valuations because the valuations directly affect the value of the Account and thus the amount of management fees that we receive.

Position Limits. We may be required to aggregate, for position limit purposes, the futures positions held in Accounts with positions held in other accounts. This aggregation of positions could require us to liquidate or modify positions for some or all of the Accounts, and such liquidation or modification may adversely affect certain or all Accounts. We may have an incentive to favor certain Accounts over others when liquidating positions or adjusting trading strategies in the context of such limits.

The Thomson Reuters/CoreCommodity CRB Index ("TR/CC CRB Index") May Change Without Regard to an Account. Certain personnel of CoreCommodity also serve as officers of our affiliate CCI, and in their capacity as CCI officers they make up fifty percent of the Index Committee for the TR/CC CRB Index (the "Committee"). Thomson Reuters appoints the other half of the Committee. The Committee may change the composition of the TR/CC CRB Index (or make other changes) without regard to any resulting impact to an Account, including without limitation that the Committee may make such changes in a way that serves the interests of third parties paying license fees to Thomson Reuters and CCI rather than serving the interests of clients.

Additionally, Accounts may invest in futures that are components of CCI's indexes (including the TR/CC CRB Index), and certain indexes used or referenced may be the same as or similar to CCI's indexes. The Methodologies used by us in making investment decisions for Accounts may rely on, be the same as or be related to the methodologies used by CCI to design, modify and operate its indexes or trading strategies. CCI may change or discontinue operation of its proprietary indexes at any time.

Index Licensing Fees. Clients pursuing an Index replication strategy may be responsible for Index licensing fees payable to the Index sponsor (including CCI, except to the extent agreed otherwise with the client), in addition to any management fees payable to us.

Side Letters. As described above in Item 5, we may enter into side letters to agree to different fee terms or other negotiated terms.

Material Non-Public Information. In the unlikely event that we acquire confidential or material non-public information, we may be restricted from initiating transactions in certain instruments. In such instances, if any, we will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, it may not be able to initiate a transaction for an Account that we otherwise might have initiated. An Account may be frozen in an investment position that it otherwise might have liquidated or closed out.

General. We may, without prior notice to a client, arrange, recommend, and/or effect transactions in which, or provide services in circumstances where, we have, directly or indirectly, a material interest or relationship with another party that may present a potential conflict with our duty to a client.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

We maintain a Code of Ethics (the “Code”). The purpose of the Code is to identify the ethical and legal framework in which we and our personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding our standard of business conduct. A complete copy of the Code is provided to clients and prospective clients upon request.

The Code is based on a few basic principles: (i) the interests of our clients come before our interests and those of our personnel; (ii) the professional activities and personal investment activities of our personnel must be consistent with the Code and avoid any actual or potential conflict between the interests of clients and those of our firm or our personnel; (iii) the activities of our personnel must be conducted in a way that avoids any abuse of any such person’s position of trust with and responsibility to our firm and its clients; and (iv) our personnel may not engage in any act, practice or course of conduct that would violate the provisions of the federal securities laws.

Personal Trading

Personal Securities Transactions. Our policies require that our employees do not trade securities or commodities for their own account, except for (i) government and municipal securities, open-ended mutual funds and registered commodity pools not managed by us, or (ii) otherwise with pre-approval from our compliance personnel. Without limiting the foregoing, we may under certain circumstances permit an employee to maintain a position in a security even if an Account trades the instrument. The records of such trading, whether under the current or a new policy, are not made available to the clients for inspection.

Insider Trading.

Our personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of our personnel and extends to their activities both within and outside their duties with us.

Item 12. Brokerage Practices

Investment or Brokerage Discretion.

In selecting the brokers for performing portfolio executions and clearing, we take into account various factors, including, without limitation, the financial stability and reputation of the broker, the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, recordkeeping and other ancillary services, including capital introduction—as well as proven capability. Accounts may pay more than the lowest available commission in consideration for our receipt of any or all of the above services.

Notwithstanding the foregoing selection criteria for clearing brokers and executing brokers, we may refrain from using certain clearing brokers and/or executing brokers to observe regulatory restrictions or to avoid potential conflicts of interest arising from affiliation between one or more clients or private fund investors and such brokers.

Our registered investment company and SMA clients are expected to make their own arrangements for clearance and custody of their Account assets and to negotiate the fees in connection with those services. We assist in the selection of these service providers for our private funds and in the negotiation of related fees. We are not required to allocate either a stated dollar or stated percentage of our brokerage business to any broker for any minimum time period, and we review brokerage relationships from time to time.

We currently do not maintain any soft dollar arrangements for Accounts, although we direct commission business to sell-side brokers that provide standard research coverage and/or direct access communication links for trading. Such research may be used for the benefit of Accounts other than the Accounts that use such brokers.

We reserve the right, depending on the circumstances, to decline to reimburse an Account for any clerical errors or mistakes with respect to our placing or executing trades for such Account (“Trade Errors”), as such errors may be considered by us to be a cost of doing business. However, we will reimburse such Account for any net loss from a material Trade Error resulting from our willful misconduct, bad faith, or gross negligence. As a general matter, Trade Errors that result in a *de minimis* loss are generally not considered to implicate the foregoing standard of conduct, and therefore any such *de minimis* loss will be borne by the client. We have a conflict of interest in determining whether a loss is *de minimis*. CoreCommodity, subject to our fiduciary obligations, will determine whether or not any Trade Error is required to be reimbursed in accordance with such liability and exculpation provisions. Our reimbursement of an Account for any particular Trade Error or Trade Errors will not constitute a waiver of any policy to cause such Account to bear the losses from such Trade Errors. We have an inherent conflict of interest with respect to the discovery and treatment of Trade Errors. Any net gain resulting from Trade Errors will be for the benefit of the client, and will not be retained by us. Though we attempt to correct trading errors committed by a broker as soon as they are discovered, we are not responsible for poor executions or such trading errors.

We aggregate and allocate trades as discussed in Item 6, “Performance-Based Fees and Side-by-Side Management – Side-by-Side Management.”

Item 13. Review of Accounts

Accounts are monitored and reviewed as follows: For each Account, the portfolio manager(s) monitor the performance of their respective Account(s) on an ongoing basis. On a daily basis our operations staff review and reconcile the positions and market value of each Account. In addition, a committee including legal, compliance, operations and finance staff meets periodically to review items related to trading in the Accounts.

CoreCommodity, either directly or through the third-party administrator to the private funds, provides the following reports to investors in our private funds: monthly statements, annual audit report for private funds, and for investors in US private funds, an IRS Schedule K-1. We may provide additional reports to the investors in the private funds as we deem necessary. Upon request, select private funds will provide weekly and monthly estimates to investors in a private fund. Upon request, certain investors in a private fund may receive more frequent and/or more detailed information from us, in our sole discretion. Our investment staff is available for conference calls or meetings for those clients, investors or prospective clients or investors that wish to undertake a due diligence review of our operations.

SMA and registered investment company clients generally have daily access to account information through service providers other than CoreCommodity. We may also provide such other reports to SMA clients and registered investment company clients as agreed to with the client.

Item 14. Client Referrals and Other Compensation

We may, from time to time, have one or more arrangements in place with placement agents. Investors solicited by such placement agents will be informed of any placement fee paid by us to the placement agent, and will be informed of any placement fee to be paid by the investor, each to the extent required by law.

We do not refer brokerage for client referrals.

Item 15. Custody

We are typically deemed to have custody of the assets of certain of our private funds since we serve as managing member of the U.S. feeder funds. Investors will not receive statements from the private funds' custodian with regard to portfolio holdings and transactions. Instead, the private funds are subject to an annual audit and the audited financial statements are distributed to each investor. The audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles and distributed within 120 days of the funds' fiscal year ends.

For SMA clients and registered investment company clients, we do not have custody. The terms of our Disclosure Documents do not permit us to withdraw our fees or transfer funds from our clients' Accounts to ourselves or third parties. We are generally permitted to move client assets from the client's account at one clearing broker or custodian to the same client's account at another

clearing broker or custodian -- this is to facilitate trading activity such as to post margin and recall excess collateral on the client's behalf.

Item 16. Investment Discretion

We have full discretionary authority with respect to investment decisions, and our advice with respect to the Accounts is provided in accordance with the investment objectives and guidelines as set forth in the Disclosure Documents.

Item 17. Voting Client Securities

To the extent we are authorized to trade equity securities for Accounts, we may be responsible for voting on shareholder proxies and may do so only in accordance with the following Proxy Voting Procedures, in the best interest of a client and as agreed to by the advisory client.

General Guidelines

We rely on Institutional Shareholder Services ("ISS"), a privately-held company, whose ultimate owner is Vestar Associates VI, L.P., an affiliate of Vestar Capital Partners ("Vestar"), a private equity firm based in New York, NY, to research, vote and record all proxy ballots for Accounts over which we have proxy voting authority. We have adopted the ISS U.S. Proxy Voting Guidelines, as may be amended from time to time. In voting proxies, we are guided by general fiduciary principles. Our goal is to act prudently, solely in the best interest of the beneficial owners of the Accounts we manage. We do not necessarily have an obligation to vote every proxy; for example we may forego voting proxies if the Account no longer holds the position at the time of the vote, or the cost of voting (such as in the case of a vote regarding a foreign issuer that requires being physically present to vote) outweighs the anticipated benefit to the Account. Similarly, in jurisdictions which permit "share blocking" or require additional documentation to vote proxies (such as a power of attorney), CoreCommodity may choose to refrain from voting. We only vote the proxies delivered to us from custodians and do not vote proxies for shares that are out on loan to third parties, and do not seek to recall such shares in order to vote them.

How We Vote

We generally vote proxies in accordance with the ISS recommendations, and have informed ISS to vote in accordance with these recommendations unless otherwise specified by us. A portfolio manager may request that securities under his management be voted differently from the ISS recommendations if he believes that such a vote would be in the best interest of the applicable client(s). Such vote requests will be subject to the conflict of interest review described below.

Conflicts Of Interest

In furtherance of our goal to vote proxies in the best interests of our clients, we follow procedures designed to identify and address material conflicts that may arise between our interests and those of our clients before voting proxies on behalf of such clients. **Only votes which are not in**

accordance with the ISS recommendations are subject to these conflicts of interest procedures.

Procedures for Identifying Conflicts of Interest

We rely on the following to seek to identify conflicts of interest:

- Personnel are under an obligation (i) to be aware of the potential for conflicts of interest on the part of CoreCommodity with respect to voting proxies on behalf of Accounts both as a result of a personal relationship and due to special circumstances that may arise during the conduct of our business, and (ii) to bring conflicts of interest of which they become aware to the attention of our compliance officer.
- CoreCommodity is deemed to have a material conflict of interest in voting proxies relating to issuers that are our clients and that have historically accounted for or are projected to account for a material percentage of our annual revenues.
- CoreCommodity shall not vote proxies relating to issuers on such list on behalf of Accounts until it has been determined that the conflict of interest is not material or a method for resolving such conflict of interest has been agreed upon and implemented.

Procedures for Assessing Conflicts of Interest and for Addressing Material Conflicts of Interest

All conflicts of interest identified pursuant to the procedures outlined above must be brought to the attention of the compliance officer for resolution. The compliance officer will work with appropriate personnel to determine whether a conflict of interest is material. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence our decision-making in voting the proxy. A conflict of interest shall be deemed material in the event that the issuer that is the subject of the proxy has a client relationship with us of the type described above. All other materiality determinations will be based on an assessment of the particular facts and circumstances. The compliance officer shall maintain a written record of all materiality determinations.

If it is determined that a conflict of interest is not material, we may vote proxies notwithstanding the existence of the conflict.

If it is determined that a conflict of interest is material, the compliance officer will work with appropriate personnel to agree upon a method to resolve such conflict of interest before voting proxies affected by the conflict of interest. Such methods may include:

- disclosing the conflict to clients and obtaining their consent before voting;
- suggesting to clients that they engage another party to vote the proxy on their behalf; or
- such other method as is deemed appropriate under the circumstances given the nature of the conflict.

Record Keeping and Oversight

We maintain the following records relating to proxy voting:

- a copy of these policies and procedures;
- a copy of each proxy form (as voted);
- a copy of each proxy solicitation (including proxy statements) and related materials with regard to each vote;
- documentation relating to the identification and resolution of conflicts of interest;
- any documents created by us that were material to a proxy voting decision or that memorialized the basis for that decision; and
- a copy of each written client request for information on how we voted proxies on behalf of the client, and a copy of any written response by us to any (written or oral) client request for information on how we voted proxies on behalf of the requesting client.

Such records shall be maintained and preserved in an easily accessible place for a period of not less than five years from the end of the fiscal year during which the last entry was made on such record, the first two years in our office.

In lieu of keeping copies of proxy statements, we may rely on proxy statements filed on the EDGAR system as well as on third party records of proxy statements and votes cast if the third party provides an undertaking to provide the documents promptly upon request.

Monitoring

Our Proxy Voting Policies and Procedures are reviewed on a periodic basis. As part of the review, we (i) review the capacity and competency of ISS, including the ability of ISS to make recommendations based upon materially accurate information, and (ii) consider any changes at ISS that may create new conflicts of interest, in each case as deemed necessary by us to ensure that we, acting through ISS, continue to vote proxies in the best interests of clients. Part of such review may include the periodic sampling of proxy votes made by ISS on behalf of us, generally or with respect to particular types of proposals, as deemed necessary by us. We may arrange with ISS that ISS will update us of business changes that we consider relevant (i.e., with respect to ISS' capacity and competency to provide proxy voting advice) and conflicts policies and procedures.

Item 18. Financial Information

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients and we have not been the subject of a bankruptcy proceeding. We do not require payment of more than \$1,200 in fees per client, six months or more in advance.