



**Marshall Wace North America L.P.**  
Form ADV Part 2A Brochure – 16 July 2018

**Item 1 – Cover Page**

This brochure provides information about the qualifications and business practices of Marshall Wace North America L.P. (“MWNA”), an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply that MWNA or its employees possess a certain level of skill or training.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. If you have any questions about the contents of this brochure, please contact us at 350 Park Avenue, 18<sup>th</sup> Floor, New York, NY 10022, or by calling 212-235-2800. Additional information about MWNA is available on the Securities and Exchange Commission’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

This brochure does not constitute an offer to sell or the solicitation of an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

**Item 2 - Material Changes**

No material changes have occurred since the last brochure update on 17 May 2018.



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#### **Item 4 – Advisory Business**

Marshall Wace North America L.P. (“MWNA”, the “Company”, the “Firm”, “we”, or “us”) is a limited partnership established in Delaware in 2004. It is registered with the SEC as an investment adviser. Following a corporate restructuring, MWNA’s indirect principal owner is MW Ltd, a Cayman Island limited company. MWNA is an affiliate of Marshall Wace LLP (“MW LLP”), a limited liability partnership based in London and authorized and regulated by the United Kingdom’s Financial Conduct Authority (“FCA”), and an affiliate of Marshall Wace Asia Limited (“MWAL”), a limited company based in Hong Kong which is licensed by the Hong Kong Securities and Futures Commission (“SFC”). MWNA, MW LLP, and MWAL are under the common control of MW Ltd.

MWNA provides discretionary investment management services in accordance with its clients’ mandates. Clients are the private collective investment vehicles and separately-managed accounts it advises and sub-advises. As of 31 May 2018, MWNA had approximately \$20 billion in regulatory assets under management (approximately \$10 billion in net assets under management), all of which is managed on a discretionary basis.

MWNA generally focuses on trading in common equity securities, but may also trade in other equities, debt instruments, options, futures, swaps, other derivatives, private securities, and other investments and instruments. We tailor our advisory services to the individual needs of our clients by offering bespoke investment strategies that may focus on or exclude certain instruments, differ in use of leverage or benchmarks, and other such factors as mutually agreed between MWNA and the client.

MWNA may permit separately managed account clients to impose restrictions on their accounts with respect to: (1) the specific types of investments or asset classes that we will or will not purchase for their account; (2) the nature of the issuers of investments that we will or will not purchase for their account; or (3) the risk or liquidity profile of instruments we will or will not purchase for their account. Each fund managed or sub-advised by MWNA (each, a “Fund”) is governed by the terms set forth in its respective offering documents.

Interests in MWNA’s Funds are not registered under the Securities Act of 1933, as amended (the “Securities Act”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests and shares in the Funds are offered exclusively to investors satisfying the applicable eligibility and suitability requirements either in private placement transactions within the United States or in non-United States transactions. Interests in the Funds are offered in private transactions only to qualified investors and only by means of an offering memorandum.



## Item 5 – Fees and Compensation

### *Performance Compensation and Management Fees*

With respect to all types of clients, MWNA and/or its affiliates generally receive a management fee based on a percentage of assets under management, and incentive income based on net capital appreciation.

Where MWNA is directly appointed in its role as investment manager, it generally receives a management fee not exceeding 2% per annum and an accrued performance fee or incentive allocation (paid to an affiliate) that is variable, dependent on performance but generally does not exceed 20% above a high water mark or, in one instance, a higher percentage above an equity index benchmark. Where MWNA serves as a sub-adviser or manages the assets of clients of its affiliates, a portion of those fees or allocations received by an affiliate may be paid to MWNA to compensate it for its sub-advisory role.

In limited circumstances, MWNA may negotiate specific terms of investment for certain prospective investors in the Funds that will differ from the terms applicable to other investors. When we enter into these arrangements, a rebate may be paid by MWNA to the relevant investor.

Fees are deducted and performance allocations taken from Fund assets. Management fees are automatically deducted monthly (or on such other frequency as is agreed with the relevant Fund) from each relevant Fund's account, in arrears. Performance fees, if applicable to relevant fund shares, are charged or made as at 30 September in each year. Performance fees are also generally automatically deducted on any withdrawal of capital by, or other distribution of monies to, an investor, generally subject to a loss carry-forward mechanism. In any case, performance fees charged are in compliance with the requirements of Section 205 of the Investment Advisers Act of 1940 (the "Advisers Act") and its applicable rules.

### *Expenses*

Investors in the Funds may also bear other fees and expenses of the Funds. Such expenses may include, but are not limited to: brokerage commissions and charges; all fees and expenses of transactional, risk, market data and trade-related services; all administrative expenses; fees and charges of custodians and clearing agencies; income taxes, withholding taxes, transfer taxes and other charges and duties of governments, agencies or regulatory bodies; fees and expenses of legal advisers, administrators, net asset value calculation agents, accountants and independent auditors; directors' fees and expenses; the costs of printing and distributing any memorandum and subscription materials and any reports and notices to shareholders or prospective investors; research, database and due diligence costs and expenses, technology and other software costs and expenses; blue sky fees; insurance costs; and consulting fees and expenses and fees of other service providers. Each Fund will also bear its organizational fees and expenses. To the extent that MWNA or an affiliate initially bears any of these expenses, the Funds will generally reimburse them.

Please refer to Item 12 for additional information regarding brokerage and other transaction costs, and to the relevant Funds' PPMs or other account offering documents for additional details on fees and compensation.

### *Other*

Neither MWNA nor its officers or employees accept compensation for the sale of securities or other investment products to its clients.



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

MWNA accepts performance-based compensation from every client (other than clients that are not charged performance-based compensation because they are charged through another entity in a master-feeder or similar structure). A general description of this compensation is provided in Item 5. As a result, MWNA does not face certain conflicts of interest that may arise when an investment adviser accepts performance-based compensation from some clients, but not from other clients.

As a result of the loss carryforward mechanism, it is possible that there will be scenarios where, even among clients that are all subject to the assessment of performance compensation, one or more clients will be effectively assessed only on a fixed management fee (until the client's net asset value satisfies any "catch up" or similar requirement). In such a case, the variation in the potential receipt of actual performance compensation among our clients may create an incentive for us disproportionately to direct the best investment ideas to, or to allocate or sequence trades in favour of, clients that are more likely to generate performance compensation from profitable investment or trading activity.

We are committed to allocating investment opportunities on a fair and equitable basis and have established an allocation policy to address the potential conflicts of interest described above. Generally, this will mean giving consideration first to each client's requirements before placing an order (i.e. in the intended basis of allocation) and allocating on this basis after execution of the order.

A performance compensation arrangement may create an incentive for MWNA to make investments that are riskier or more speculative than would be the case in the absence of such an arrangement, particularly when our incentive fee is payable only upon making up a loss carry-forward.

At our absolute discretion, we may allow an investor who meets certain criteria to open a separately-managed account which may have different and, possibly more favorable, terms regarding such aspects as transparency.

MWNA and/or its affiliates may receive performance-based compensation with regard to unrealized and realized gains. Net capital appreciation generally includes unrealized appreciation of client assets, which may result in our receiving more incentive income than if net capital appreciation were based solely on realized gains. For the Marshall Wace Group-managed funds, MWNA's affiliate, MW LLP, has responsibility for valuation of certain illiquid assets in accordance with its duties as alternative investment fund manager for the purposes of the European Union's Alternative Investment Fund Managers Directive ("AIFMD"). Marshall Wace LLP and the funds' independent board of directors have established a valuation committee ("Valuation Committee") which approves the valuation methodology of these assets. The Valuation Committee consists of three independent directors of the Marshall Wace Group-managed funds and one representative of the Marshall Wace Group. All other assets are valued by an independent fund administrator in accordance with the constitutional documentation of the relevant Marshall Wace funds.



## **Item 7 – Types of Clients**

MWNA provides advisory services to private collective investment vehicles. The minimum initial capital contribution required for investment into a Fund varies according to the Fund and the class of interests. For most Marshall Wace funds, the minimum is either US\$5,000,000, US\$250,000 or EUR100,000 (or currency equivalent), depending on the Fund.



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

### *MWNA Funds under Management*

For most clients, the Firm's primary objective is to deliver consistent, absolute returns from a constantly evolving investment landscape. The Firm also advises clients for whom their objective is to deliver long term capital appreciation as opposed to absolute returns. MWNA and its affiliates MW LLP and MWAL have two distinct but complementary approaches to equity long-short fund management. The first is traditional, manager-led fundamental long/short or long-only investing. The second is a process-driven strategy based on Marshall Wace's alpha capture system, Marshall Wace TOPS ("MW TOPS"). MW TOPS is a systematic investment process that measures and extracts the latent alpha residing in the large output of contributors within the global broker community, without replicating its manpower resource or research capability.

MWNA generally focuses on trading in common equity securities, but may also trade in other equities, debt instruments, options, futures, swaps, other derivatives, private securities, and other investments and instruments. Specific investment restrictions may be identified in each Fund's offering documents.

MW LLP is authorised as an alternative investment fund manager (an "AIFM") pursuant to the AIFMD. As AIFM, MW LLP is responsible for oversight of portfolio management activities and risk management of the Marshall Wace funds. The risk management team examines and continuously monitors pre-trade issues, portfolio construction, post-trade analytics, and proprietary and external research related to fund investments. It uses a proprietary monitoring, alerting, and tracking engine with real-time portfolio risk profiles that have been built using multiple fundamental factor and statistical based models to ensure multi-sourced risk and return. In addition, third-party risk management models are incorporated into the platform.

It should be noted that investment in securities, irrespective of strategy and risk management approach, involves risk of loss that investors should be prepared to bear. The risks inherent to the strategies employed by MWNA, including those listed in this section of our brochure, are described in further detail in the respective Fund's offering documents.

- *The MW TOPS Funds*

The MW TOPS strategy developed out of our conviction that the vast resource spend by brokers on investment research creates a substantial pool of alpha. We believe this alpha is poorly delivered to clients, rarely measured, and therefore remains largely unrealized. MW TOPS seeks to capture this alpha through a web-based interface with participating idea contributors. This interface enables Marshall Wace to capture, analyze and optimize ideas submitted by contributors who are mostly generalist and specialist salespeople, strategists, and independent research providers. The MW TOPS strategy trades ideas systematically selected by optimization models developed by the Firm and its affiliates, and effects additional investment opportunities chosen by the Firm and its affiliates.

The MW TOPS strategy uses an optimization and risk management process which is integral to both the portfolio construction and order management applications. In addition to the proprietary algorithms identifying behavioral characteristics, and the persistence and success factors of contributors, a large number of conventional parameters also are monitored. These include directional market exposure, Value-at-Risk (VAR), and liquidity. The resultant MW TOPS portfolios are highly liquid, scalable and diversified.

Notwithstanding the highly liquid and diversified nature of the MW TOPS portfolios, as with all investment approaches, regional, sector, and market volatility can materially impact the profitability of this strategy. Risks are closely measured and controlled using Marshall Wace's proprietary risk management platform.

Certain of the MW TOPS strategies use both long and short positions, and others, long-only positions (and/or swaps to simulate either), and investments may be made on exchanges, in over-the-counter markets, and in



private transactions (as permitted by the respective Fund's offering documents). Given the high volume of idea flow and the corresponding frequency of trading, this strategy can incur higher-than-normal brokerage and other transaction costs and taxes versus other traditional investment strategies. However, trade execution costs are closely measured and controlled, in keeping with the Firm's fiduciary and Best Execution obligations.

- *Manager-Led Strategies*

The Firm and its affiliates MW LLP and MWAL also operate a fundamental investment process that seeks to identify companies which are substantially mispriced on an absolute or relative basis. In conducting fundamental analysis, the Firm's analysts and/or portfolio managers may review company financials and other publicly disclosed documentation, participate in company and analyst conference calls and meetings and utilize external data (e.g., Reuters, Bloomberg and other externally provided services) to supplement or contrast our own findings.

As noted above, the MW TOPS strategy utilizes ideas and opportunities developed or employed by other Firm strategies, which include the Manager-Led strategies. As the universe of Funds participating in MW TOPS strategies does not completely overlap with those participating in a given Manager-Led strategy, at times, research, ideas, and opportunities developed or employed for a given Manager-Led strategy may benefit Funds not directly utilizing a particular strategy. Conversely, fundamental strategies may benefit from additional insight into the levels of conviction and consensus in the market on our investments via the aforementioned MW TOPS system.

Manager-Led strategies use both long and short positions, and investments may be made on exchanges, in over-the-counter markets, and in private transactions (as permitted by the respective Fund's offering documents). In evaluating potential investments as part of this strategy, the Firm may perform quantitative and qualitative analyses. It may also perform risk analyses in order to seek to isolate corporate event exposure from systematic and macro-economic risk.

The highly liquid nature and diversification of the portfolios generally protect the strategy from significant or unusual risks. However, depending on the investment focus of a particular Fund (as defined in its offering documents), Manager-Led strategies can have more concentrated exposures to a particular sector or region, and may from time to time acquire illiquid holdings (as permitted). These exposure concentrations and/or illiquid holdings may pose a material risk to the respective Fund(s). In addition, as with all investment approaches, regional, sector, and market volatility can materially impact the profitability of this strategy. Risks are closely measured and controlled using the Firm's proprietary risk management platform.

#### *Other Risks*

The prospectuses of the Funds include the following detailed risk factors, as appropriate to each Fund:

General Risk. The Funds will be making Investments selected by MWNA in accordance with their respective investment objectives and policies. The value and income from shares relating to each Fund, will therefore be closely linked to the performance of such Investments. Investments made by MWNA will be speculative and an investment in a Fund, therefore, involves a degree of risk. There is no guarantee that the investment objective of a Fund, or its risk monitoring, will be achieved, and results may vary substantially over time. An investment in each Fund involves a high degree of risk and is only suitable for sophisticated investors. The value of Investments and the income from them, and therefore the value of and income from shares relating to each Fund, can go down as well as up and an investor may not get back the amount he invests. Changes in exchange rates between currencies or the conversion from one currency to another may also cause the value of the investments to diminish or increase.

Amortisation of Organisational Costs. A Fund's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS restrict the amortisation of organisational costs.





Notwithstanding this, the directors of the Funds may amortise the organisational costs of a Fund over a period of time and a Fund's financial statements may be qualified in this regard.

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

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

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

Availability of Investment Strategies. The success of the investment activities of a Fund will depend in part on MWNA's ability to identify overvalued and undervalued investment opportunities and to exploit price discrepancies in the financial markets, as well as to assess the import of news and events that may affect the financial markets. Identification and exploitation of the investment strategies to be pursued by a Fund involves a high degree of uncertainty. No assurance can be given that MWNA will be able to locate suitable investment opportunities in which to deploy all of the assets of a Fund or to exploit such price discrepancies. A reduction in market liquidity (including money market liquidity) or the pricing inefficiency of the markets in which a Fund seeks to invest, as well as other market factors, may reduce the scope for that Fund's investment strategies.

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

Business Risk. There can be no assurance that a Fund will achieve its investment objective. The investment results of each Fund are reliant upon the success of MWNA.

CFDs and Swaps, including Total Return Swaps and Credit Default Swaps. The risks inherent in contracts for differences ("CFD") and equity swaps are dependent on the position that a Fund may take in the transaction: by utilising CFDs and equity swaps, a Fund may put itself in a "long" position on the underlying value, in which case the Fund will profit from any increase in the underlying stock, and suffer from any fall. The risks inherent in a



“long” position are identical to the risks inherent in the purchase of the underlying stock. Conversely, a Fund may put itself in a “short” position on the underlying stock, in which case the Fund will profit from any decrease in the underlying stock, and suffer from any increase. The risks inherent in a “short” position are greater than those of a “long” position: while there is a ceiling to a maximum loss in a “long” position if the underlying stock is valued at zero, the maximum loss of a “short” position is that of the increase in the underlying stock, an increase that, in theory, is unlimited. It should be noted that a “long” or “short” CFD or equity swap position is based on MWNA’s opinion of the future direction of the underlying security. The position could have a negative impact on the Fund’s performance. However, there is an additional risk related to the counterparty when CFDs and equity swaps are utilised: the Fund runs the risk that the counterparty will not be in a position to make a payment to which it has committed. MWNA will ensure that the counterparties involved in this type of transaction are carefully selected and that the counterparty risk is limited and strictly controlled.

Whether a Fund’s use of swap agreements and options on swap agreements will be successful will depend on MWNA’s ability to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two-party contracts and because they may have terms of greater than seven days, swap agreements may be considered to be illiquid investments. Moreover, a Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The swaps market is a relatively new market and is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect a Fund’s ability to terminate existing swap agreements or to realise amounts to be received under such agreements. Swaps used by the Funds will be consistent with the investment policy of the relevant Fund as set out in the relevant supplement to the prospectus.

Transactions in over-the-counter derivatives, such as credit derivatives, may involve additional risk as there is no exchange market on which to close out an open position.

#### China-Related Risks

*China’s Economic, Political, and Social Conditions, and Government Policies.* Many of the investments of a Fund may be located in or exposed to markets in the People’s Republic of China (“China”, for the purposes of this risk factor).

The economy of China differs from the economies of most developed countries in many respects, including government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The economy of China has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development. It also exercises significant control over China’s economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. MWNA have no control over potential state policies and decisions and may be unable to anticipate such policies and decisions which could adversely affect the value of a sub-trust, including significant loss of capital.

In addition, there is a possibility of expropriation, confiscatory taxation, imposition of withholding or other taxes on income, limitations on the removal of funds or other assets of a relevant sub-trust, political or social instability or diplomatic developments that could adversely affect investments in China.

Recent growth in industrial production and gross domestic product has made many developing countries, particularly China, disproportionately large users of commodities and has increased the extent to which commodity prices are dependent on the markets of such countries.



The regulatory and legal framework for capital markets and companies in China may not be as well developed as those of developed countries. In addition, China's disclosure and regulatory standards are in many respects less stringent than and/or may deviate significantly from standards in many developed countries. There may be less publicly available information about Chinese companies than is regularly published by or about companies based in developed countries and such information as is available may be less reliable than that published by or about companies in developed countries. Chinese companies are subject to accounting standards and requirements that differ in significant respects from those applicable to companies established or listed in developed countries. As a result, the lower levels of disclosure and transparency of certain material information may impact on the value of investments made by a relevant sub-trust and may lead to such sub-trust or its service providers coming to an inaccurate conclusion about the value of its investments.

Investors should also be aware that changes in China's taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the investments of a sub-trust. Laws governing taxation will continue to change and may contain conflicts and ambiguities and be subject to retroactive review. In addition, a sub-trust's operations and financial results could be adversely affected by adjustments in China's state plans, political, economic and social conditions, changes in the policies of the Chinese government such as changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.

Furthermore, a portion of the economic activity in the China is export-driven and, therefore, is affected by developments in the economies of China's principal trading partners.

*Government Intervention and Suspensions of Trading.* In 2015 the Chinese authorities took a significant series of steps to intervene directly and indirectly in China A shares. Such government intervention had a material impact on market liquidity and in the prices of individual stocks and of China A shares as a whole. There is a perception amongst some market participants that the Chinese government will continue to intervene in the markets, actively. In 2015 government intervention included imposing restrictions on certain shareholders selling China A shares and a crackdown on "malicious" short sellers. Whether as a result of government intervention or otherwise, a large number of China A-listed companies also suspended trading, sometimes for lengthy periods of time. Such government intervention and any restrictions on selling shares could reduce market confidence and liquidity and increase market volatility. Such interventions and restrictions are by nature unpredictable and may have a direct negative impact on a sub-trust to the extent that a sub-trust may be restricted or prevented from valuing or exiting from exposure to shares which have been suspended or from which government intervention prevents shareholders from selling shares.

*Suspension of Trading of Chinese Securities as a Cause for Suspension of Determination of net asset value.* In recent years large numbers of Chinese stocks have been suspended from trading, sometimes for long periods and often without initially providing any explanation as to why the suspension has been effected. In circumstances where a sub-trust holds significant Chinese positions, such suspension events may make it difficult accurately to value the sub-trust's portfolio and in such circumstances the directors of the Fund may consider suspending the determination of the net asset value of a Fund, a sub-trust or a class account. Shares may not be redeemed during any such suspension event, as more fully-described under "Net asset value—Suspension".

*Limited Access to Chinese Equities.* Investors should be aware that investment in China A shares may only be available to a sub-trust via the following means: 1. via OTC derivatives entered into with OTC swap counterparties who have (or whose affiliates have) obtained Qualified Foreign Institutional Investor ("QFII") status in China; and 2. via OTC derivatives entered into with OTC swap counterparties who have (or whose affiliates have) access to China A shares via the Shanghai-Hong Kong Stock Connect program ("Stock Connect"). The sub-trust may not have any other access to China A shares. Access on swap via QFII allocations and via Stock Connect each carries significant risks to a sub-trust, as further detailed below, in addition to all the risks detailed in the Risk Factors relating to OTC swap contracts including CFDs.



**QFII Risks.** Foreign investors can invest in China A shares through institutions that have obtained QFII status in China. The current QFII regulations impose strict restrictions (including rules on investment restrictions, minimum investment holding period as well as remittance and repatriation of principal and profits) on China A share investment. A swap counterparty may not be able to freely repatriate principal and profits from China, there may be potential lock-up periods imposed for repatriation. Under the terms of the relevant OTC swap between the sub-trust and the swap counterparty, the sub-trust may suffer losses as a consequence. The restrictions on, or the delays in, the repatriation of principal and profits may therefore have an unfavourable impact on the sub-trust. In extreme circumstances, the sub-trust may incur losses due to limited investment opportunities, or may not be able to fully implement or pursue its investment objectives or strategy, due to QFII investment restrictions, illiquidity of the China A shares market, and/or delay or disruption in execution of trades or in settlement of trades. The uncertainty and change of the laws, policies and regulations in China may adversely impact the sub-trust. The QFII policy and regulation may also be subject to change with potential retrospective effect. Such sub-trust will be exposed to any fluctuation in the exchange rate between the base currency of the relevant sub-trust and the Renminbi in respect of such investments. Renminbi is not freely convertible and is subject to policies of exchange controls and repatriation restrictions. There is no assurance that Renminbi will not be subject to devaluation or revaluation or that shortages in the availability of foreign currency or liquidity of currency hedging instruments (physical or synthetic) will not develop. The sub-trusts will be dependent on swap counterparties being willing to use portions of their QFII quotas for the purposes of facilitating access to China A shares for the sub-trusts and there can be no guarantee that a swap counterparty will continue to make facilitate such access. As QFII regulations are subject to change, a sub-trust could lose QFII access to China A shares at short or no notice.

**Stock Connect.** A sub-trust may invest and have access to certain eligible China A shares via OTC derivatives referencing securities traded via the Stock Connect. The Stock Connect is a securities trading and clearing linked program developed by Hong Kong Exchanges and Clearing Limited ("HKEx"), Shanghai Stock Exchange ("SSE") and China Securities Depository and Clearing Corporation Limited ("ChinaClear"), with an aim to achieve mutual stock market access between China and Hong Kong. The Stock Connect comprises a Northbound Trading Link (for investment in China A shares) by which swap counterparties or their affiliates, for the purposes of facilitating China A shares access for a sub-trust, may be able to place orders to trade eligible shares listed on SSE. Under the Stock Connect, overseas investors (including the swap counterparties or their affiliates) may be allowed, subject to rules and regulations issued / amended from time to time, to trade China A shares listed on the SSE through the Northbound Trading Link. Further information about the Stock Connect is available online at the website: [http://www.hkex.com.hk/eng/market/sec\\_tradinfra/chinaconnect/chinaconnect.htm](http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm). In addition to the risks associated with the Chinese market and risks related to investments in RMB, investments through the Stock Connect are subject to additional risks, namely, quota limitations, suspension risk, operational risk, restrictions on selling imposed by front-end monitoring, recalling of eligible stocks, clearing and settlement risks, nominee arrangements in holding China A shares and regulatory risk.

**Stock Connect Quota Limitations and Re-call of Eligible Stocks.** The Stock Connect is subject to quota limitations on investments, which may restrict a sub-trust's ability to access China A shares through the Stock Connect on a timely basis. A stock may also be recalled from the scope of eligible stocks, meaning that the stock can be sold but no longer purchased. This could have a negative impact on a sub-trust's portfolio.

**Stock Connect Suspension Risk.** Both the Stock Exchange of Hong Kong Limited ("SEHK") and SSE reserve the right to suspend trading if necessary for ensuring an orderly and fair market and managing risks prudently which could adversely affect the relevant funds' ability to access the China A shares market. Differences in trading day The Stock Connect only operates on days when both China and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. So it is possible that there are occasions when it is a normal trading day for the China market but Hong Kong investors (such as a sub-trust's swap counterparties) cannot carry out any China A shares trading. The sub-trusts may be subject to a risk of price fluctuations in China A shares during the time when the Stock Connect is not trading as a result.



*Stock Connect Restrictions on Selling Imposed by Front-end Monitoring.* China regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A shares sell orders of its participants (i.e., the stock brokers) to ensure there is no over-selling. This may limit a sub-trust's ability to implement its investment decisions on a timely basis.

*Stock Connect Clearing and Settlement Risks.* The Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx ("HKSCC") and ChinaClear establish the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of China's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission ("CSRC"). The chances of ChinaClear default are considered to be remote. Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant sub-trust(s), under its OTC swap terms, may suffer delay in the recovery process or may not be able to recover its losses, in whole or in part.

*Stock Connect Nominee Arrangements in Holding China A shares.* HKSCC is the "nominee holder" of the SSE securities acquired by overseas investors (including the relevant sub-trust(s)) through the Stock Connect. The CSRC Stock Connect rules expressly provide that investors enjoy the rights and benefits of the SSE securities acquired through the Stock Connect in accordance with applicable laws. However, the courts in China may consider that any nominee or custodian as registered holder of SSE securities would have full ownership thereof, and that even if the concept of beneficial owner is recognized under Chinese law those SSE securities would form part of the pool of assets of such entity available for distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently, the relevant swap counterparties cannot ensure that their ownership of these securities or title thereto is assured in all circumstances and under the terms of any OTC swap contract, a sub-trust may suffer losses as a result.

*Stock Connect Regulatory Risk.* The CSRC Stock Connect rules are departmental regulations having legal effect in China. However, the application of such rules is untested, and there is no assurance that Chinese courts will recognise such rules, e.g. in liquidation proceedings of Chinese companies. The Stock Connect is novel in nature, and is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in China and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect. The regulations are untested so far and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The relevant sub-trusts which may invest in the Chinese markets through Stock Connect may be adversely affected as a result of such changes.

*The Chinese Legal System.* The Chinese legal system is based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since 1979, the Chinese government has promulgated laws and regulations dealing with financial and economic matters such as foreign investment, financing and provision of security, corporate organisation and governance, commerce, taxation and trade. As such, many of the laws that govern private and foreign investment, securities transactions, creditors' rights, intellectual property rights and contractual and other relationships in China are relatively new, unclear, unproven and continue to evolve, at times in an uncertain manner. As a result, the relevant sub-trust may be subject to a number of unusual risks related to laws and regulations, particularly those involving taxation, foreign investment, trade, title to property, securities, transfer of title and protection of intellectual property. Such sub-trusts may be subject to inadequate investor protection, contradictory legislation (particularly between local, regional and national laws), incomplete, unclear and changing laws, a lack of established or effective avenues for legal redress, including an underdeveloped judicial system, a lack of standard practices and confidentiality customs characteristic of developed markets and a lack of enforcement of existing regulations. Accordingly, there may be





difficulty and uncertainty in such sub-trust's ability to protect and enforce its rights against Chinese state and private entities in China.

*Renminbi Exchange Risk.* The Renminbi ("RMB") is subject to a managed floating exchange rate based on market supply and demand with reference to a basket of foreign currencies. The daily trading price of the RMB against other major currencies in the inter-bank foreign exchange market is currently allowed to float within a narrow band around the central parity published by the People's Bank of China. As the exchange rates are based primarily on market forces, the exchange rates for RMB against other currencies, including US dollars and Hong Kong dollars, are susceptible to movements based on external factors. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. The RMB has been recently devalued by the Chinese authorities, and there can be no assurance that the RMB will not be subject to significant appreciation and/or devaluation events in the future, for reasons including, but not limited to, market forces and governmental intervention. Any such event for the RMB may adversely affect the value of a sub-trust's investments. Investors whose base currency is not the RMB may be adversely affected by changes in the exchange rates of the RMB. Further, the Chinese government's imposition of restrictions on the repatriation of RMB out of China may limit the depth of the RMB market in Hong Kong and reduce the liquidity of a sub-trust. The Chinese government's policies on exchange control and repatriation restrictions are subject to change, and a relevant sub-trust's position may be adversely affected.

*Currency Conversion Risk.* Currently, the RMB is traded in two markets: one in mainland China, and one outside mainland China (primarily in Hong Kong). The RMB traded in mainland China is not freely convertible and is subject to exchange controls and certain requirements by the government of mainland China. The RMB traded outside mainland China, on the other hand, although freely tradable, is still subject to controls, limits and availability. While the RMB is traded freely outside mainland China, the RMB spot, forward foreign exchange contracts and related instruments reflect the structural complexities of this evolving market. Accordingly, a relevant sub-trust may be exposed to greater foreign exchange risks.

Investments acquired by a sub-trust may be denominated in or have exposure to RMB and investors may be exposed to foreign exchange fluctuations between the RMB and the relevant currency of their shares and may suffer losses arising from such fluctuations. The RMB is the only official currency of China. While both onshore Renminbi (CNY) and offshore Renminbi (CNH) are the same currency, they are traded in different and separated markets. Since the two Renminbi markets operate independently where the flow between them is highly restricted, CNY and CNH are traded at different rates and their movement may not be in the same direction. There may be significant bid and offer spreads. The CNH rate may be at a premium or discount to the exchange rate for CNY rate.

*Chinese Credit Rating Agencies.* A sub-trust may have exposure to securities the credit ratings of which are assigned by the Chinese local credit rating agencies. However, the rating criteria and methodology used by such agencies may be different from those adopted by most of the established international credit rating agencies. Therefore, such rating system may not provide an equivalent standard for comparison with securities rated by international credit rating agencies. A sub-trust may invest in securities which are rated at or above investment grade by local credit rating agencies although the same rating may not be given using the standard rated by international credit rating agencies. As a result, if such debt securities are rated below investment grade based on the standard of international credit rating agencies, such sub-trust may be exposed to higher risks associated with below investment grade securities.

*Severe Acute Respiratory Syndrome and Avian Flu.* In December 2002, China and certain other countries experienced an outbreak of a new and highly contagious form of atypical pneumonia now known as severe acute respiratory syndrome. In January 2004, China announced that it had a confirmed outbreak of a highly pathogenic strain of avian flu. MWNA cannot predict at this time the effect further outbreaks of these or other contagious diseases or illnesses could have on a sub-trust. Such outbreaks may severely restrict the level of economic activity in affected areas, which may also adversely affect a relevant sub-trust's operations and success.



*Natural Disasters.* In recent years, China and other Asian countries have experienced a series of natural disasters including tsunamis, floods and earthquakes. Such natural disasters may affect the value of the assets held by a sub-trust.

*Volatility.* Chinese equities markets are highly volatile. In 2015 the daily volatility over any monthly period of the benchmark exceeded five times the level seen by the MSCI Daily TR Net World Index, a global developed equity markets index. Downside risk from high volatility includes large performance drawdowns, as demonstrated by the benchmark which lost in excess of 30% over 18 trading days between 12th June 2015 and 8th July 2015. Movements in equity prices are influenced by amongst other things: government trade, fiscal, monetary and exchange control programmes and policies; national and international political and economic events; fluctuations in commodity prices; and changes in interest rates. In addition, the Chinese government from time to time intervenes, directly and by regulation, in the equities markets and foreign exchange markets with the specific intention of influencing equity prices and exchange rates. A sub-trust may be exposed to adverse changes in its net asset value as a result of these factors.

Clearing House Protections. On some exchanges, the performance of a transaction by a broker (or third party with whom it is dealing on a Fund's behalf) is "guaranteed" by the exchange or clearing house or its members. However, this guarantee is unlikely in most circumstances to cover a Fund and may not protect a Fund if a broker or another party defaults on its obligations to a Fund. There is normally no clearing house for off-exchange instruments, which are not traded under the rules of a recognised or designated investment exchange, and, even where facilities are available for clearing of such instruments (OTC clearing), a Fund might not use them.

Commodity-Related Instruments. A Fund may make investments linked to commodities. The performance of a commodity, and consequently investments linked to such commodity, is dependent upon various factors, including (without limitation) supply and demand, liquidity, weather conditions and natural disasters, direct investment costs, location, changes in tax rates and changes in laws, regulations and the activities of governmental or regulatory bodies. Commodity prices tend to be more volatile than most other asset categories, making investments in commodities more risky and more complex than other investments.

The production and marketing of commodities may be affected by actions and changes in governments. In addition, commodity-related instruments may be cyclical in nature. During periods of economic or financial instability, commodity-related instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic material prices and possible instability of supply of various commodities. Commodity-related instruments may also experience greater price fluctuations than the relevant commodity. In periods of rising commodity prices, such instruments may rise at a faster rate; and conversely, in times of falling commodity prices, such instruments may suffer a greater price decline.

A Fund may seek to gain exposure indirectly to the commodity markets by investing in swap agreements on a commodities index, and may also invest in other derivatives giving exposure to commodities indices (for instance options on commodity indices). The value of a commodity-linked derivative investment generally is based upon the price movements of a physical commodity (such as energy, mineral or agricultural products), a commodities index futures contract or commodity index, or other economic variable based upon changes in the value of commodities or the commodity markets.

The risk of loss in trading commodities can be substantial. If a Fund purchases a commodities index option, it may sustain a total loss of the premium and of all transaction costs. If a Fund purchases or sells a commodities index futures contract or sells a commodity index option, it may sustain a total loss of the initial margin funds and any additional funds that it deposits with its broker to establish or maintain its position. If the market moves against its position, the Fund may be called upon by its broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain its position. If it does not provide the requested funds within



the prescribed time, its position may be liquidated at a loss, and it will be liable for any resulting deficit in its account.

Concentration of Investments. A Fund may: (i) invest in a few relatively large positions (in relation to its capital); (ii) invest in many different positions that have a high degree of correlation between them; (iii) identify a limited number of investment themes; (iv) invest a large amount in an individual security issuer; and/ or (v) have exposure to a single counterparty. In the event that a Fund makes investments as set out herein or in the relevant supplement of a Fund and there is an adverse market move or a counterparty failure, a Fund may incur a material loss. Accordingly, investors should be aware of the possibility that there may be little or no diversification of risk and that the return on their investment may depend entirely on the performance or creditworthiness of any one position and/ or a single security or issuer or counterparty.

Contracts for Differences. A Fund may invest in contracts for differences ("CFDs"), which are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller may both be required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer's initiative, but the seller may have a right in certain circumstances to terminate the CFD and may also have a right to restrict termination by the buyer and/or delay payment of profits and losses from the CFD. As is the case with owning any financial instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honour its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract, and of the shares of the relevant Fund, may be reduced. The counterparty may also withhold payments in connection with tax, foreign exchange disruption and other issues and may seek to claw-back retrospectively tax and other liabilities incurred by it or its affiliates in hedging the CFD.

Convertible Securities. The convertible securities in which the Funds may invest consist of bonds, notes, debentures and preferred stocks which may be converted or exchanged at a stated or determinable exchange ratio into underlying shares of common stock. Convertible securities may offer higher income than the common stocks into which they are convertible. A Fund may be required to permit the issuer of a convertible security to redeem the security, convert it into the underlying common stock, or sell it to a third party. The convertible securities in which the Funds may invest may embed derivatives and/or leverage.

A Fund with convertible securities may not be able to control whether the issuer of a convertible security chooses to convert that security. If the issuer chooses to do so, this action could have an adverse effect on a Fund's ability to achieve its investment objective because the issuer may force conversion before the Fund would otherwise choose. While some countries or companies may be regarded as favourable investments, pure fixed income opportunities may be unattractive or limited due to insufficient supply, or legal or technical restrictions. In such cases, a Fund may consider convertible securities or equity securities to gain exposure to such investments.

Counterparty Risk. A Fund and each Fund will be subject to the risk of the inability of any counterparty (including, where relevant, the prime brokers and sub-custodians) to perform their financial and other obligations, including with respect to transactions, whether due to such counterparty's own insolvency or that of others, or for other reasons, which may include market illiquidity or disruption or other causes and whether resulting from systemic or other causes.





Some of the markets in which a Fund may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organised exchanges, such as the performance guarantee of an exchange clearing house, might not be available in connection with such "over-the-counter" transactions. This could expose the relevant Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, and such failure may cause the Fund to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where there is greater opportunity for events to intervene to prevent performance of obligations, or where a Fund has concentrated its transactions with a single or small number of counterparties. Subject to the investment restrictions, none of MWNA are restricted from dealing with any particular counterparty or from concentrating any or all of the relevant Fund's transactions with one counterparty. Moreover, none of MWNA have a formal credit function, which evaluates the creditworthiness of the relevant Fund's counterparties. The ability of a Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses to a Fund.

Credit Default Swaps. Each Fund may enter into credit default swaps. A credit default swap is a contract between two parties which references the credit risk of an entity (the "Reference Entity") for a defined period whereby if there is a Credit Event (defined below) then the seller of protection either (i) pays to the buyer of protection an amount equal to the difference between the face amount and the current market value of the relevant debt security of the Reference Entity or (ii) pays to the buyer of protection an amount equal to the face amount of the relevant debt security and receives delivery of any permitted relevant debt security of the Reference Entity. A "Credit Event" is commonly defined as the Reference Entity (i) failing to pay principal or interest when due, (ii) restructuring its debt, (iii) accelerating its debt or (iv) entering bankruptcy. The buyer of credit protection pays a premium to the seller of credit protection until the earlier of a Credit Event or the scheduled termination date of the credit default swap. Credit default swaps can be used to implement MWNA's view that a particular credit, or group of credits, will experience credit improvement or credit deterioration. In the case of expected credit improvement, a Fund may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of a Fund to make payments upon the occurrence of a Credit Event creates leveraged exposure to the credit risk of the Reference Entity. In the case of expected credit deterioration, a Fund may buy credit default protection; in such an instance, such Fund will pay a premium. The parties to a credit default swap may have no or limited rights to terminate the swap early and it may be difficult or impossible to assign a party's interest and obligations under the swap, particularly in times of market disruption.

Cross Liabilities. Although steps have been taken to avoid the assets of a Fund becoming available to creditors of another Fund, the liabilities of which exceed its assets, there is no guarantee that such steps will prove effective. The assets of any Fund may therefore be exposed to the liabilities of other Funds. Although the articles of association require the establishment of separate class accounts for each class and the attribution of assets and liabilities to the relevant class account, if the liabilities of a class exceed its assets, creditors of a Fund may have recourse to the assets attributable to the other classes. As at the date of this document, the directors of the Funds are not aware of any such existing or contingent liability.

Currency Exposure. Noting that foreign exchange hedging techniques may not be completely effective, where the currency exposure of a Fund is not fully hedged or where MWNA operates a policy of not hedging the currency exposure of a Fund to currencies other than its base currency, the value of the assets of the Fund may be affected favourably or unfavourably by fluctuations in currency rates. To the extent that any hedging policy is successful, performance of the class is likely to move in line with the performance of the underlying assets and investors in a hedged class will not benefit if the class currency falls against the base currency of the Fund. Furthermore, prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between the relevant base currency and such other currencies. Performance of a Fund may be strongly influenced by movements in foreign



exchange rates because currency positions held by a Fund may not correspond with the securities positions held.

Currency Options and Futures Trading. The Funds may buy and sell foreign currency options and / or foreign currency futures and may engage in foreign currency transactions either on a spot or forward basis, subject to the limits and restrictions set down by the relevant regulator from time to time, to reduce the risks of adverse market changes in exchange rates or to increase exposure to foreign currencies or to shift exposure to foreign currency fluctuations from one country to another. A Fund may acquire and sell currency options, the value of which depend significantly upon the likelihood of favourable price movements in the underlying currency in relation to the exercise (or strike) price during the life of the option. Many of the risks applicable to trading the underlying currencies are also applicable to over-the-counter options trading. In addition, there are a number of other risks associated with the trading of options, including those arising from the leverage effect of options trading, their asymmetric risk profile and difficulties of pricing. Whereas the purchaser of an option may at worst lose his entire investment (the premium he pays), where the option expires out of the money, the seller of an option may lose many times the premium originally received, where the option expires in the money. Also, such transactions may not be successful and may eliminate any chance for a Fund to benefit from favourable fluctuations in relevant foreign currencies. A Fund may use one currency (or a basket of currencies) to hedge against adverse changes in the value of another currency (or a basket of currencies) when exchange rates between the two currencies are positively correlated.

Debt Securities. A Fund may invest in debt securities, which may be unrated by a recognised credit-rating agency or below investment grade and which are may be subject to greater risk of loss of principal and interest than rated or investment grade debt securities. Even among securities considered investment grade, differences exist in credit quality and other risk characteristics, and a position in some investment grade debt securities may be highly speculative. A security's price may be adversely affected by the market's opinion of the issuer's credit quality, even if the issuer has suffered no actual degradation in ability to honour the obligation. A Fund may invest in debt securities that rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. A Fund may invest in debt securities that do not include financial covenants or limitations on additional issuer indebtedness. Investments in debt securities are generally subject to credit, liquidity and interest rate risks. In addition, evaluating credit risk for debt securities involves uncertainty, partly because credit rating agencies throughout the world have different standards, making comparison across countries difficult. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing debt securities.

Derivatives. A Fund may utilise both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences, as part of its investment policy. These instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits commonly to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss that is high in proportion to the amount of funds actually placed as initial margin and may result in losses exceeding any margin deposited, and such losses may be unlimited. Both exchange-traded and over-the-counter derivatives positions may suffer from market illiquidity. In addition, with regard to exchange-traded derivatives, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. Transactions in over-the-counter contracts may involve additional risk resulting from such matters as mis-matches of contractual terms between apparently off-setting transactions, from the absence of a ready market on which to close out an open position, and from the difficulties of valuation and monitoring of risk exposure due to the fragmented and relatively opaque nature of over-the-counter markets. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. Risk may be increased by contractual asymmetries and inefficiencies including break clauses such as net asset value decline provisions, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value of the Fund. Incorrect collateral calls or delays in collateral recovery also present risk.



A Fund may also sell covered and uncovered options on securities and other assets. To the extent that such options are uncovered, a Fund could incur an unlimited loss.

Derivatives, in particular derivatives which are negotiated "over-the-counter" are subject to legal risks including the uncertainty in the applicability of laws, or the interpretation or enforceability of contracts or an action by a court or regulatory body that could invalidate a derivative contract entered into by a Fund.

The prices of derivatives may be imperfectly correlated to the prices of the underlying securities, for example, because of transaction costs and interest rate movements. The prices of exchange traded derivatives may also be subject to changes in price due to supply and demand factors.

Dependence on MWNA and Key Personnel. The success of each Fund is significantly dependent upon the ability of MWNA to develop and effectively implement a Fund's investment objective and upon the expertise of certain key personnel within MWNA. If a Fund were to lose the services of MWNA, or if MWNA were to lose its key personnel, such Fund would be adversely affected.

MWNA's ability to identify and willingness to provide acceptable compensation to attract, retain and motivate its key personnel is important to the success of a Fund. There can be no assurance that MWNA's key personnel will continue to be associated with MWNA throughout the life of the relevant Fund, and the failure to attract or retain such investment professionals could have a material adverse effect on such Fund and its investors, including, for example, by limiting MWNA's ability to pursue particular investment strategies. Competition in the financial services industry for qualified employees is intense and there is no guarantee that the talents of MWNA's key personnel could be replaced.

Furthermore, some of the contractual arrangements in place with certain counterparties may provide the relevant counterparties with rights of termination if certain key employees and officers of MWNA cease to have responsibility for managing the Fund's investments or similar provisions. The assertion of such rights to terminate contracts could result in the Fund's contractual positions being closed out on unsatisfactory terms and in a lesser number of potential counterparties in the future. The assertion of such rights may have a material adverse impact on the business and/or financial condition of the Fund. There can be no assurance that MWNA would be able to mitigate the effects of the loss of any such key individual.

Developing Markets. A Fund may invest in developing market equities, foreign exchange instruments and debt securities, which may lead to additional risks being encountered when compared with Investments in developed markets.

Investment in developing market securities typically involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, investments in developing market securities may carry additional risks arising from, among other things, inferior publicly available information, more volatile markets, less strict securities market regulation, less favourable or less certain tax or legal regimes, and a greater likelihood of severe inflation, currency instability, possible constraints on convertibility or transferability of currency, war, and the possibility of expropriation of personal property. In addition, the investment opportunities of a Fund in certain developing markets may be restricted by legal limits on foreign investment.

Developing markets may not be as efficient as developed markets. In some cases, a market for the security may not exist locally, and transactions may need to be made on a neighbouring exchange. Volume and liquidity levels in developing markets are generally lower than in developed countries. When seeking to sell developing market securities, little or no market may exist for the securities. In addition, issuers based in developing markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, and this might increase the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in developing markets may not accurately reflect the actual circumstances being reported.



Some developing markets securities may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of investment and which may reduce the realised gain or increase the loss on such securities at the time of sale. The issuers of some of these securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. In addition, settlement of trades in some developing markets is much slower and subject to a greater risk of failure than in markets in developed countries. Further, sub-custodians are not able to offer the level of service and safe-keeping, settlement and administration of securities that is customary in more developed markets and there is a risk that a Fund will not be recognised as the owner of securities held on its behalf by a sub-custodian.

With respect to any developing market country, there is the possibility of nationalisation, expropriation or confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of funds or other assets of a Fund, political changes, government regulation, social instability or diplomatic developments (including war), which could affect adversely the economies of such countries or the value of a Fund's Investments in those countries. Further, the economies of developing countries generally are heavily dependent upon international trade and, accordingly, have been, and may continue to be, adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been, and may continue to be, adversely affected by economic conditions in the countries with which they trade. The economies of certain of these countries may be based, predominantly, on only a few industries and may be vulnerable to changes in trade conditions and may have higher levels of debt or inflation.

Effect of Substantial Redemptions. Substantial redemptions by investors within a short period of time could require a Fund to liquidate Investments more rapidly than would otherwise be desirable, possibly reducing the value of the assets of such Fund and/or disrupting the investment strategy of MWNA. Reduction in the size of a Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in a Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

Equity Price Risk. A Fund may take long and short positions in equity securities of public and private, listed and unlisted companies. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, geographic markets, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by a Fund.

Equity Securities. The Funds may invest in equity securities and equity derivatives. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, a Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from MWNA's expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move. A Fund also may be exposed to risks that issuers will not fulfil contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Exchange Traded Notes ("ETNs"). Although listed on an exchange, a trading market for any series of ETNs may not exist at any time and there are restrictions on the size and date of redemptions. ETNs can be traded on a secondary market but there is no guarantee that liquidity can meet the needs of a Fund.

FATCA. The United States and Ireland have entered into an intergovernmental agreement to implement FATCA (the "IGA"). Under the IGA, an entity classified as a Foreign Financial Institution (an "FFI") that is treated as resident in Ireland is expected to provide the Revenue Commissioners with certain information on shareholders. The IGA provides for the automatic reporting and exchange of information in relation to accounts held in Irish



“financial institutions” by U.S. persons, and the reciprocal exchange of information regarding U.S. financial accounts held by Irish residents. A Fund expects to be treated as an FFI and provided it complies with the requirements of the IGA and the Irish implementing legislation, it should not be subject to FATCA withholding on any payments it receives and may not be subject to withholding on payments which it makes.

Although a Fund will attempt to satisfy any obligations imposed on it to avoid the imposition of the FATCA withholding tax, no assurance can be given that a Fund will be able to satisfy these obligations. If a Fund becomes subject to a withholding tax as a result of the FATCA regime, the value of the shares held by all shareholders may be materially affected.

All prospective investors / shareholders should consult with their own tax advisors regarding the possible implications of FATCA on an investment in a Fund.

Foreign Exchange Exposure. The shares are denominated in Euro, Sterling, Yen and US Dollars which may differ from the base currency of each of the Funds. MWNA will seek to hedge out currency exposure at Fund level by entering into forward foreign exchange transactions (as set out in more detail above under the heading “Management of Foreign Exchange Exposure”).

Certain of the assets managed by MWNA may, however, be invested in securities and other investments which are denominated in currencies other than the base currency of the relevant sub-trust. MWNA will generally seek to hedge the currency exposure of a sub-trust to currencies other than its base currency and it is anticipated that the currency exposure of a sub-trust will be predominantly hedged at all times. Nonetheless, prospective investors should be aware that MWNA may take currency positions for a sub-trust where it considers this appropriate.

Notwithstanding the foregoing, and noting that hedging techniques may not be completely effective, where the currency exposure of the Fund or a sub-trust is not fully hedged, the value of the assets of the Fund or the relevant sub-trust may be affected favourably or unfavourably by fluctuations in currency rates. Furthermore, prospective investors whose assets and liabilities are predominantly in other currencies should take into account the potential risk of loss arising from fluctuations in value between the base currencies of the Funds and sub-trusts and such other currencies.

Currency exchange rates are subject to sudden fluctuations of varying magnitude, and they are influenced by, among other things, government trade, fiscal, monetary and exchange control programmes and policies; national and international political and economic events; and changes in interest rates. The volatility of currency prices may render it difficult or impossible to predict or anticipate fluctuations in the value of currencies. In addition, governments from time to time intervene, directly and by regulation, in the currency markets, with the specific effect, or intention, of influencing prices which may, together with other factors, cause all of such markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

Forward Foreign Exchange Contracts. A forward foreign exchange contract is a binding obligation to purchase or sell a particular currency at a specified date in the future. Forward foreign exchange contracts are not uniform as to size, or as to the time at which a currency is to be delivered, and such contracts are not usually traded on exchanges. Forward foreign exchange contracts are generally effected through the inter-dealer market. It is not a market with a specific location but rather a network of participants electronically linked. Documentation of transactions generally consists of an exchange of telex or facsimile messages, or other electronic communications. There is no limitation as to daily price movements on this market and in exceptional circumstances there have been periods during which certain banks have refused to quote prices for forward foreign exchange contracts or have quoted prices with an unusually wide spread between the price at which the bank is prepared to buy and that at which it is prepared to sell. Transactions in forward foreign exchange contracts are not regulated by any regulatory authority nor are they normally guaranteed by an exchange or clearing house. A Fund is subject to the risk of the inability or refusal of its counterparties to perform with respect





to such contracts. Any such default could eliminate any profit potential and compel a Fund to cover its commitments for resale or repurchase, if any, at the then current market price. These events could result in significant losses. MWNA (acting on behalf of each Fund) may also enter into forward foreign exchange agreements between themselves (rather than with market participants).

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardised; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or other securities they trade or which they indirectly gain exposure to, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in forward markets due to unusually high trading volume, political intervention or other factors.

Futures Trading. Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position in cash. They carry a high degree of risk.

The low margins normally required in futures trading permit a very high degree of leverage. As a result, a relatively small movement in the price of a futures contract may result in a profit or loss that is high in relation to the amount of funds actually placed as margin and may result in further loss, which exceeds any margin deposited, and which may be unlimited.

Futures trading in many contracts on futures exchanges (although generally not in currencies) is subject to daily price fluctuation restrictions, commonly referred to as "daily limits", which prohibit the execution of futures trades on any given day outside a prescribed price range based on the previous day's closing prices. Daily limits do not limit ultimate losses but may make it costly or impossible for MWNA to liquidate a futures position against which the market is moving. A series of "limit moves", in which the market price moves the "daily limit" with little or no trading taking place, could subject a Fund to major losses.

The value of futures depends upon the price of the financial instruments, underlying them, for example equities in the case of futures on an equity index. In addition, investments in futures are also subject to the risk of the failure of any of the exchanges on which a Fund's positions trade or of its clearing houses or counterparties. In extraordinary circumstances, a futures exchange or regulator could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

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

Insolvency of the depositary. In the event of the insolvency, administration, liquidation or other formal protection from creditors ("insolvency") of the depositary or a sub-custodian holding the units of the sub-trusts on behalf of



the Funds, there could be severe disruptions to the operations of the Funds. In addition, if the Funds are unable to redeem units of the sub-trusts due to the depositary's insolvency, the Fund may suspend the determination of net asset value. Accordingly, under such circumstances shareholders may be unable to redeem their shares for an extended period of time and shareholders may suffer significant losses with respect to such shares.

Insolvency of the trustee. In the event of the insolvency of the trustee or other party holding the assets or securities of the sub-trusts, there could be severe disruptions to the operations of the sub-trusts and the Funds. In such circumstances, the sub-trusts (and the Funds) may suspend the determination of net asset value. Accordingly, under such circumstances shareholders may be unable to redeem their shares for an extended period of time and shareholders may suffer significant losses with respect to such shares.

Liability for Loss of Assets. The trustee is liable to a sub-trust for the loss of financial instruments of such sub-trust which are held in custody as part of the trustee's safekeeping function (irrespective of whether or not the trustee has delegated its safekeeping function in respect of such financial instruments) save where this liability has been lawfully discharged to a delegate or where the loss of financial instruments arises as a result of an external event beyond reasonable control as provided for under the AIFM Directive.

The trustee has entered into written agreements delegating the performance of its safekeeping function in respect of certain investments of the sub-trusts to the prime brokers and sub-custodians and has discharged itself contractually of its liability for loss of such investments held in custody by the prime brokers and sub-custodians as set out in this Prospectus.

Accordingly, the insolvency of the relevant prime brokers and sub-custodians (or their relevant sub-custodians) or, as applicable, the trustee, could result in significant losses for the relevant sub-trusts. See "Certain Risk Factors—prime brokers and sub-custodians" below.

Legal and Operational Risks Linked to Management Collateral. OTC derivatives are generally entered into pursuant to contracts based on the standards set by the International Securities Dealers Association for derivatives master agreements which are negotiated by the parties. The use of such contracts may expose a Fund to legal risks such as the contract may not accurately reflect the intention of the parties or the contract may not be enforceable against the counterparty in its jurisdiction of incorporation.

The use of OTC derivatives and the management of collateral received are subject to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Where cash collateral is re-invested, a Fund will be exposed to the risk of a failure or default of the issuer of the relevant security in which the cash collateral has been invested.

The management of operational risk is established through Marshall Wace policies. Such policies are implemented by MWNA. These policies set standards for the high level assessment of risk and, monitoring and reporting of risk within the business and analysis of reported operational risk events.

Legal Risk. A Fund may be subject to a number of unusual or unexpected risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of the developing countries in which assets of a Fund may be invested. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on a Fund and its operations.

Leverage. A Fund may employ leverage, including through the use of borrowings, in and for the purpose of making Investments. The level of interest rates at which a Fund can borrow, or impliedly borrow, will affect the operating results of such Fund. If a Fund leverages its assets to borrow additional funds or otherwise obtain leverage for investment purposes, such Fund will be required to pledge its assets to secure such borrowings,



potentially reducing such Fund's liquidity. A Fund may also, in effect, borrow funds through entering into repurchase agreements and may leverage its investment return with options, short sales, swaps, forwards and other derivative instruments. Investments made by a Fund may also contain a significant amount of leverage. While MWNA will look to any such inherent leverage in assessing the leverage to be applied within the portfolio overall, the use of leverage creates special risks and may significantly increase a Fund's investment risk. Leverage creates an opportunity for greater yield and total return but, at the same time, will increase a Fund's exposure to risk of loss and interest costs. Any investment income and gains earned on Investments made through the use of leverage that are in excess of the financing costs associated therewith may cause the net asset value to increase more rapidly than would otherwise be the case. Conversely, where the associated financing costs are greater than such income and gains, the net asset value may decrease more rapidly than would otherwise be the case. Any limitation on the availability of borrowing facilities may have a detrimental effect on a Fund's ability to maintain its intended level of leverage. As the holders of shares rank for repayment after all other creditors, they may not get back their full investment if there are insufficient funds to discharge creditors (including such shareholders who have redeemed their shares but have not been paid their redemption proceeds in full).

Liquidity and Market Characteristics. In some circumstances, Investments may be relatively illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges or other price sources. At times it may be difficult to obtain price quotes at all. Accordingly, the ability of a Fund to respond to market movements may be impaired and such Fund may experience adverse price movements upon liquidation of its Investments. Settlement of transactions may be subject to delay and administrative uncertainties. Moreover, the sale of restricted and illiquid securities may result in wider spreads, higher brokerage charges or dealer discounts and other selling expenses than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. A Fund may not be able readily to dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time.

General economic and market conditions, such as currency and interest rate fluctuations, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international conflicts or political circumstances, may affect the price level, volatility and liquidity of securities, which could result in significant losses for a Fund.

The prices of investments that may be held by a Fund may be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions that were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to a Fund of borrowed securities and leveraged investments.

Furthermore, to the extent that interest rate assumptions underlie the hedging of a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose a Fund to additional costs and losses.

Market Crisis and Governmental Intervention. During the second half of 2008, losses and write-downs at brokers, banks and other financial sector companies as well as extreme volatility led to extensive and unprecedented governmental intervention in worldwide financial markets. Such intervention was, in certain cases, implemented on an "emergency" basis, subjecting market participants without notice to a set of regulations that were in some cases unclear in scope and in application.

MWNA believe that it is possible that emergency intervention may take place again in the future. MWNA also believe that the regulation of financial markets is likely to be increased in the future. It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed on the markets and/or the effect of such restrictions on MWNA's ability to fulfil the relevant Fund's investment objective.





Market Liquidity and Leverage. A Fund may be adversely affected by a decrease in market liquidity for the instruments in which it invests, which may impair the ability of such Fund to adjust its positions. The size of the positions of a Fund may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall market leverage, de-leveraging required by or agreed with a counterparty, or other counterparties with which such Fund enters into repurchase/reverse repurchase agreements, derivative transactions or other financing arrangements, to reduce leverage, or the liquidation by other market participants of the same or similar positions, may also adversely affect such Fund's portfolio.

Net asset value Considerations. The net asset value per share relating to a Fund is expected to fluctuate over time with the performance of a Fund's Investments. A shareholder may not fully recover his initial investment when he chooses to redeem his shares or upon compulsory redemption if the net asset value per share at the time of such redemption is less than the Issue Price paid by such shareholder or if there remain any unamortised costs and expenses of establishing a Fund. In addition, where there is any conflict between IFRS and the valuation principles set out in the articles of association and this document in relation to the calculation of net asset value, the latter principles shall take precedence.

Off-Exchange Transactions in Derivatives. While some off-exchange holdings are highly liquid, transactions in off-exchange or "non-transferable" derivatives may involve greater risk than investing in on-exchange derivatives because 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 the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

Options. The seller (writer) of an option has the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. The buyer of an option has the right (but not the obligation) to exercise the option, thereby making or taking delivery of the underlying asset of the contract at a future date, or in some cases settling the position with cash. Options carry a high degree of risk. The "gearing" or "leverage" often obtainable in options trading means that the premium paid for a bought option can be wiped out by a relatively small movement in the price of the underlying asset, and the same can, conversely, lead to large, and potentially unlimited losses in the case of a sold option.

OTC Transactions and Global Regulation. Steps are also being taken to regulate OTC derivative contracts in Europe. MWNA may enter into OTC derivative contracts on behalf of a Fund. Regulation (EU) No 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 ("EMIR") establishes certain requirements for OTC derivatives contracts including mandatory clearing obligations, bilateral risk-management requirements and reporting requirements. Although not all the regulatory technical standards specifying the risk-management procedures, including the levels and type of collateral and segregation arrangements, required to give effect to EMIR have been finalised and it is therefore not possible to be definitive, investors should be aware that certain provisions of EMIR impose obligations on the Funds in relation to its transaction of OTC derivative contracts.

The potential implications of EMIR for the Funds include, without limitation, the following:

1. Clearing obligation: certain standardised OTC derivative transactions will be subject to mandatory clearing through a central counterparty (a "CCP"). Clearing derivatives through a CCP may result in additional costs and may be on less favourable terms than would be the case if such derivative was not required to be centrally cleared;
2. Risk mitigation techniques: for those of its OTC derivatives which are not subject to central clearing, the Funds will be required to put in place risk mitigation requirements, which include the collateralisation of all OTC derivatives. These risk mitigation requirements may increase the cost of the Funds pursuing its investment strategy (or hedging risks arising from its investment strategy); and
3. Each of the Funds' OTC derivative transactions must be reported to a trade depository or the European Securities and Markets Authority. This reporting obligation may increase the costs to the Funds of utilising OTC derivatives.



MWNA will monitor the position and react appropriately. However, prospective investors and shareholders should be aware that the regulatory changes arising from EMIR may in due course adversely affect MWNA's ability to implement its investment approach and achieve its investment objective.

Price Fluctuations. It should be remembered that the value of shares and the income (if any) derived from them can go down as well as up.

Prime brokers and sub-custodians. Each Fund is subject to a number of risks relating to the insolvency of a prime broker and sub-custodian providing prime brokerage services to the relevant Fund. These risks include without limitation: the loss of all cash held with the relevant prime broker and sub-custodian which is not being treated as client money subject to the protections conferred by the FCA Rules or segregated or protected by the rules of any other regulatory authority ("client money"); the loss of all cash which the relevant prime broker and sub-custodian has failed to treat as client money in accordance with procedures (if any) agreed in respect of a Fund; the loss of all securities in respect of which the relevant prime broker and sub-custodian has exercised its contractual rights to borrow, lend, take legal and beneficial ownership of or otherwise use for its own purposes ("rights of use") whether exercised in compliance with or in breach of any agreed limits on such rights of use; the loss of some or all of any securities held on trust ("trust assets") or client money held by or with the relevant prime broker and sub-custodian in connection with a reduction to pay for administrative costs of the insolvency and/or the process of identifying and transferring the relevant trust assets and/or client money or for other reasons according to the particular circumstances of the insolvency; losses of some or all assets due to the incorrect operation of the prime brokerage accounts by the relevant prime broker and sub-custodian; losses caused by an inability of the Fund to set off seemingly mutual debts between itself and the prime broker and sub-custodian, where, for example, debts owed by the prime broker and sub-custodian are charged in favour of affiliates of the prime broker and sub-custodian, or set off rights are otherwise inadequate; losses caused by an inability to set off amounts owed between the Fund and more than one member of a group of companies of which the prime broker and sub-custodian is part; losses caused by the enforcement by a sub-custodian (of the prime broker and sub-custodian) of security over assets of customers of the prime broker and sub-custodian to satisfy debts owed by the prime broker and sub-custodian to such sub-custodian; and losses caused by prolonged delays in receiving transfers of balances and regaining control over the relevant assets. In addition, where securities are held with a sub-custodian of a prime broker and sub-custodian or are held in the name of a prime broker and sub-custodian or a sub-custodian, such securities may not be as well protected as they would be if they were held with a prime broker and sub-custodian in the name of the trustee in the insolvency of the prime broker and sub-custodian. An insolvency could cause severe disruption to the trading and other operations of the relevant Fund.

Each Fund is subject to similar risks in the event of insolvency of any sub-custodian with which any relevant securities are held or of any third party bank with which client money is held.

Profit Sharing. MWNA may receive a performance fee based on the appreciation in the net asset value per share, and accordingly the relevant performance fee will increase with regard to unrealised appreciation as well as realised gains. Accordingly, the relevant performance fee may be paid on unrealised gains that may subsequently never be realised. The performance fee may create an incentive for MWNA to make Investments for a Fund which are riskier than would be the case in the absence of a fee based on the performance of a Fund.

Qualifying Investors. Should a potential investor not be (or not continue to be) a Qualifying Investor (as defined in the relevant regulation), that investor may be liable to a Fund for any actions, proceedings, claims, costs, demands, charges, losses, damages or expenses and tax arising as a result of misrepresentation made to a Fund or its delegate or may, under the terms of the articles of association, be called upon to indemnify a Fund for all actions, proceedings, claims, costs, demands, charges, losses, damages or expenses as a result of such misrepresentation.

Quantitative Strategy Risks



*Trading Based on Technical Analysis.* The investment policy of a particular Fund may base trading decisions on mathematical analyses of technical factors relating to market performance rather than fundamental analysis. The buy and sell signals are generated by various statistical models which are derived from a study of actual daily, weekly and monthly price fluctuations, volume variations and changes in open interest in the markets. The profitability of such models depends upon the occurrence in the future of significant, sustained statistical price or correlation behavior in some of the markets traded. A danger for such statistical trading strategies is the breakdown of certain statistical stabilities across markets. In the past, there have been prolonged periods with such statistical breakdown. It is expected that these periods could continue to occur. Periods without such statistical significance across financial markets may produce substantial losses for the Funds.

*Model Risk.* The investment policy of a particular Fund may employ a number of quantitative fundamental or technical models that involve assumptions based upon a limited number of variables abstracted from complex financial markets or instruments which they attempt to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect. The outputs of models may differ substantially from the reality of the markets, resulting in major losses.

*Computer-generated Allocation.* The investment policy of a particular Fund may be based upon a computer-generated systemic trading strategy of MWNA that provides exposure to investments based on complex statistical research. The operation of the Investment Policy is therefore dependent on the effective operation of the technology used by MWNA to employ the models upon which a Fund's investment policy is based. Certain unforeseen events may result in the failure of the effective operation of the technology used by MWNA to operate such investment policy. Any such failure may have an adverse effect on the operation of the relevant Fund's investment strategy and/or its net asset value.

*Model and Data Risk.* MWNA may rely heavily on quantitative models (proprietary models developed by MWNA, collectively "Models") and information and data both developed by MWNA and those supplied by third parties (collectively, "Data") rather than granting trade-by-trade discretion to MWNA's investment professionals. Models and Data are used to construct sets of transactions and investments, to value investments or potential investments (including, without limitation, for trading purposes and for purposes of determining the net asset value of a Fund), to provide risk management insights and to assist in hedging a Fund's investments.

Models and Data are known to have errors, omissions, imperfections and malfunctions (collectively, "System Events"). System Events in third-party Models are generally entirely outside of the control of MWNA. MWNA seeks to reduce the incidence and impact of System Events through a certain degree of internal testing and real-time monitoring, and the use of independent safeguards in the overall portfolio management system and often, with respect to proprietary models, in the software code itself. Despite such testing, monitoring and independent safeguards, System Events will result in, among other things, the execution of unanticipated trades, the failure to execute anticipated trades, delays to the execution of anticipated trades, the failure to properly allocate trades, the failure to properly gather and organize available data, the failure to take certain hedging or risk reducing actions and/or the taking of actions which increase certain risk(s)—all of which may have materially negative effects on a Fund and/or its returns.

The investment strategies of the Funds may be highly reliant on the gathering, cleaning, culling and analysis of large amounts of Data. Accordingly, Models rely heavily on appropriate Data inputs. However, it is not possible or practicable to factor all relevant, available Data into forecasts and/or trading decisions of the Models. MWNA will use its discretion to determine what Data to gather with respect to each investment strategy and what subset of that Data the Models take into account to produce forecasts which may have an impact on ultimate trading decisions. In addition, due to the automated nature of Data gathering, the volume and depth of Data available, the complexity and often manual nature of Data cleaning, and the fact that the substantial majority of Data comes from third-party sources, it is inevitable that not all desired and/or relevant Data will be available to, or processed by, MWNA at all times. If incorrect Data is fed into even a well-founded Model, it may lead to a System Event subjecting the relevant Funds to loss. Further, even if Data is input correctly, "model prices" anticipated by the Data through the Models may differ substantially from market prices, especially for securities



with complex characteristics, such as derivatives. Where incorrect or incomplete Data is available, MWNA may, and often will, continue to generate forecasts and make trading decisions based on the Data available to it. Additionally, MWNA may determine that certain available Data, while potentially useful in generating forecasts and/or making trade decisions, is not cost effective to gather due to the technology costs and, in such cases, MWNA will not utilize such Data. Shareholders should be aware that there is no guarantee that any specific Data or type of Data will be utilized in generating forecasts or making trading decisions with respect to the Models, nor is there any guarantee that the Data actually utilized in generating forecasts or making trading decisions underlying the Models will be (i) the most accurate data available or (ii) free of errors. Shareholders should assume that the Data set used in connection with the Models is limited and should understand that the foregoing risks associated with gathering, cleaning, culling and analysis of large amounts of Data are an inherent part of investing with a process-driven, systematic adviser such as MWNA.

When Models and Data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose the relevant Funds to potential risks. For example, by relying on Models and Data, MWNA may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful and when determining the net asset value of the relevant Funds, any valuations of the relevant Fund's investments that are based on valuation Models may prove to be incorrect. In addition, Models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. Furthermore, in unforeseen or certain low probability scenarios (often involving a market disruption of some kind), Models may produce unexpected results which may or may not be System Events. Errors in Models and Data are often extremely difficult to detect, and, in the case of proprietary models, the difficulty of detecting System Events may be exacerbated by the lack of design documents or specifications. Regardless of how difficult their detection appears in retrospect, some System Events will go undetected for long periods of time and some will never be detected. The degradation or impact caused by these System Events can compound over time. Finally, MWNA will detect certain System Events that it chooses, in its sole discretion, not to address or fix and the third party software will lead to System Events known to MWNA that it chooses, in its sole discretion, not to address or fix.

MWNA believes that the testing and monitoring performed on its models will enable MWNA to identify and address those System Events that a prudent person managing a process-driven, systematic and computerized investment program would identify and address by correcting the underlying issue(s) giving rise to the System Events or limiting the use of proprietary models, generally or in a particular application. Shareholders should assume that System Events and their ensuing risks and impact are an inherent part of investing with a process-driven, systematic investment manager such as MWNA. Accordingly, MWNA does not expect to disclose discovered System Events to a Fund or to shareholders. The Funds will bear the risks associated with the reliance on Models and Data including that the Funds will bear all losses related to System Events unless otherwise determined by MWNA in accordance with its internal policies or as may be required by applicable law (including ERISA).

*Obsolescence Risk.* A Fund is unlikely to be successful in its quantitative trading strategies unless the assumptions underlying the Models (as defined under the risk factor "Model and Data Risk" above) are realistic and either remain realistic and relevant in the future or are adjusted to account for changes in the overall market environment. If such assumptions are inaccurate or become inaccurate and are not promptly adjusted, it is likely that profitable trading signals will not be generated. If and to the extent that the Models do not reflect certain factors, and MWNA does not successfully address such omission through its testing and evaluation and modify the Models accordingly, major losses may result – all of which will be borne by the relevant Fund. MWNA will continue to test, evaluate and add new Models, which may lead to the Models being modified from time to time. Any modification of the Models or strategies will not be subject to any requirement that shareholders receive notice of the change or that they consent to it. There can be no assurance as to the effects (positive or negative) of any modification to the Models or strategies on a Fund's performance.



*Crowding/Convergence Risk.* There is significant competition among quantitatively-focused managers and the ability of MWNA to deliver returns that have a low correlation with global aggregate equity markets and other hedge funds is dependent on their ability to employ Models (as defined under the risk factor “Model and Data Risk” above) that are simultaneously profitable and differentiated from those employed by other managers. To the extent that MWNA is not able to develop sufficiently differentiated Models, the relevant Fund’s investment objective may not be met, irrespective of whether the Models are profitable in an absolute sense. In addition, to the extent that the Models come to resemble those employed by other managers, there is an increased risk that a market disruption may negatively affect predictive Models such as those employed by a Fund, as such a disruption could accelerate reductions in liquidity or rapid re-pricing due to simultaneous trading across a number of funds utilizing Models (or similar quantitatively-focused investment strategies) in the marketplace.

*Involuntary Disclosure Risk.* The ability of MWNA to achieve its investment goals for the relevant Fund is dependent in large part on its ability to develop and protect its models and proprietary research. The models and proprietary research and the Models (as defined under the risk factor “Model and Data Risk” above) and Data (as defined under the risk factor “Model and Data Risk” above) are largely protected by MWNA through the use of policies, procedures, agreements, and similar measures designed to create and enforce robust confidentiality, non-disclosure, and similar safeguards. However, aggressive position-level public disclosure obligations (or disclosure obligations to exchanges or regulators with insufficient privacy safeguards) could lead to opportunities for competitors to reverse-engineer MWNA’s models, and thereby impair the relative or absolute performance of a Fund and its Funds.

Redemption Risks. Payment of redemption proceeds may be delayed if the directors of the Fund declare a suspension of the determination of the net asset value of a Fund and/or redemption rights in any of the exceptional circumstances as described under “net asset value—Suspension”.

Regulatory Risks of Hedge Funds. The regulatory environment for hedge funds is evolving and changes therein may adversely affect the ability of a Fund to obtain the leverage it might otherwise obtain or to pursue its investment strategies. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action, which may adversely affect the value of the Investments held on behalf of a Fund. The effect of any future regulatory or tax change on a Fund is impossible to predict.

In addition, securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. Regulators and self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. The regulation of derivative transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The effect of any future regulatory change on a Fund could be substantial and adverse including, for example, increased compliance costs, the prohibition of certain types of trading and/or the inhibition of the ability of a Fund to pursue its investment approach as described herein.

Repurchase Agreements. A Fund may enter into repurchase agreements with respect to securities. Repurchase agreements involve credit risk to the extent that counterparties may avoid their obligations in bankruptcy or insolvency proceedings, thereby exposing the Fund to unanticipated losses. The amount of credit risk incurred by the Fund with respect to a particular repurchase agreement will depend in part on the extent to which the obligation of the Fund’s counterparty is secured by sufficient collateral.

Short Selling. Short selling can involve greater risk than Investments based on a long position. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no absolute guarantee that securities and/or currencies necessary to cover a short position will be available for purchase.

Purchasing securities to close out a short position can itself cause the price of the relevant securities to rise further, thereby exacerbating the loss.





There is also a risk that the securities borrowed in connection with a short sale must be returned to the lender of such securities on short notice. If a request for the return of borrowed securities occurs at a time when other short sellers of the securities are receiving similar requests, a short squeeze can occur, and it may be necessary to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received from originally selling the securities short.

Due to regulatory or legislative action taken by regulators around the world as a result of recent volatility in the global financial markets, taking short positions on certain securities has been restricted and the position is subject to change in the short to medium term. Accordingly, MWNA may not be in a position to fully express its negative views in relation to certain stocks or sectors and the ability of MWNA to fulfil the investment objective of a Fund may be constrained. This position will be monitored regularly by MWNA.

Short-Term Market Considerations. MWNA's investment decisions may be made on the basis of short-term market considerations. Therefore, the portfolio turnover rate could result in significant trading-related expenses.

Sovereign Default Risk. In developed economies, it is generally anticipated that conventional sovereign debt will be paid as due, barring unexpected developments and there has been a perception that sovereign emerging market debt securities have a much greater risk of default. However, during 2010 and 2011, countries such as Greece, Portugal, Italy, Spain and Ireland have led a surge in the cost of insuring against default on sovereign debt to record levels on concern government funding costs are becoming unsustainable causing credit default swaps for these countries to rise. Economic disruptions in such countries could lead to increased volatility in equity and other markets and a sovereign default could lead to substantial losses in value in these markets, potentially compounded by currency and foreign exchange conversion restrictions. In the event that such disruption leads to the exit of one or more countries from the Euro there may be additional difficulties in analysing and valuing holdings in such economy as a result of the change in reference currency. Such events could lead to a material, if not complete, loss of a Fund's investment in that economy. MWNA will diversify country risk by investing in a number of different countries and will attempt to position a Fund's portfolio so as to reduce the risk of "domino effect" default across related economies. European sovereign debt risk and pressure on bond and currency markets have been a drag on financial markets and are a risk to recovery in those markets. The markets' perception of risk in countries such as Greece, Portugal, Italy, Spain and Ireland has increased, raising the prospect of financial contagion across European countries. A Fund may suffer from substantial losses in the countries mentioned if it is invested there.

Strategy Risk. Strategy risk is associated with the failure or deterioration of an entire strategy such that most or all investment managers employing that strategy suffer losses. Strategy-specific losses may result from excessive concentration by multiple investment managers in the same investment or position, or general economic or other events that adversely affect particular strategies (e.g., the disruption of historical pricing relationships). The strategies employed by a Fund may be speculative and involve substantial risk of loss in the event of such failure or deterioration, in which event the performance of such Fund may be adversely affected.

Tax-Exempt US Investors. Certain prospective investors may be subject to US federal and state laws, rules and regulations which may regulate their participation in a Fund, or their engaging directly or indirectly through an investment in a Fund, in investment strategies of the types that the Funds may utilise from time to time. Each such investor may be subject to different laws, rules and regulations and should consult with their own advisers as to the advisability and tax consequences of an investment in a Fund. Investment in a Fund by tax-exempt entities subject to ERISA and other Tax-Exempt US Investors requires special consideration. Prospective Tax-Exempt US Investors should carefully review the tax matters discussed in this Prospectus and the relevant client information form.

Taxable US Investors – Phantom Income in Respect of shares. Taxable US investors may be required to recognize significant phantom income, especially in connection with any undistributed profits of the Fund in



which such investors are invested. A Fund and/or each Fund is expected to be treated as a "passive foreign investment company" ("PFIC") as defined in Section 1297 of the IRC for US tax purposes. A taxable US investor may, if the relevant information is available, make a "qualified electing fund" ("QEF") election pursuant to Section 1295 of the IRC with respect to its shares. Such investor would be subject to tax on its proportionate share of a Fund's ordinary earnings and net long-term capital gains, whether or not such earnings or gains are distributed. Due to the exclusion of certain losses and deductions under the QEF rules that may otherwise apply in respect of such shares, the net income for this purpose may not correspond to such US taxable investor's share of a Fund's book income.

A Fund or a Fund may also be a "controlled foreign corporation" ("CFC") within the meaning of Section 957(a) of the IRC depending on the percentage ownership by certain US holders of shares attributable to investments in a Fund or such Fund. If a Fund or such Fund were a CFC, certain US holders of shares would have to currently include their pro rata shares of a Fund's or such Fund's "subpart F" income as ordinary income without regard to cash distributions received from a Fund or such Fund, as applicable, and recognize ordinary income in case of gain recognized on the sale or disposition of such shares. Consequently, a taxable US investor could pay taxes on significant "phantom income" as a result of its subpart F inclusions if a Fund or a Fund in which such investor holds shares were a CFC.

Taxable US investors may be subject to potentially adverse US tax consequences if they invest in a Fund; therefore, such investors are strongly urged to consult with their own tax advisers before investing in a Fund and any particular Fund.

Terrorist Action. There is a risk of terrorist attacks globally causing significant loss of life and property damage and disruptions in global markets. Economic and diplomatic sanctions may be in place or imposed on certain states and military action may be commenced. The impact of such events is unclear, but could have a material effect on general economic conditions and market liquidity.

Transaction Costs. The investment approach of a Fund may involve a high level of trading and turnover of the Investments of such Fund, which may generate substantial transaction costs that will be borne by such Fund.

Undervalued/Overvalued Securities. One of the key objectives of a Fund may be to identify and invest in undervalued and overvalued securities ("misvalued securities"). The identification of investment opportunities in misvalued securities is a difficult task, and there can be no assurance that such opportunities will be successfully recognised. While purchases of undervalued securities and short sales of overvalued securities offer opportunities for above-average capital appreciation, these Investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Investments of a Fund may not adequately compensate for the business and financial risks assumed.

A Fund may make certain speculative Investments in securities that MWNA believes to be misvalued; however, there can be no assurance that the securities purchased and sold will in fact be misvalued. In addition, a Fund may be required to maintain positions in such securities for a substantial period of time before realising their anticipated value. During this period, a portion of the capital of a Fund may be committed to the securities, thus possibly preventing such Fund from investing in other opportunities. In addition, a Fund may finance any such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Use of Systems. MWNA may make extensive use of computer systems and software. MWNA may use its own proprietary quantitative models as well as systems which are publicly available or provided by third parties. Accordingly, the applicable Funds are exposed to the risk that computer hardware, software and other services used by MWNA may cease to be available, for example due to the insolvency of the provider. In such circumstances, MWNA would seek to obtain equivalent hardware, software and services from an alternative supplier.



System Failure. As MWNA makes extensive use of computer hardware, systems and software, the Funds are exposed to risks caused by failures of IT infrastructure and data. In addition, outright failure of the underlying hardware, operating system, software or network, may leave a Fund unable to trade either generally or in certain of its strategies, and this may expose it to risk should the outage coincide with turbulent market conditions. To ameliorate this risk, backup and disaster recovery plans have been put in place by MWNA. Nevertheless, MWNA may have to liquidate all the assets of a Fund as the only safe way to proceed should a crippling system outage occur.

Operational Risk. The Funds depend on MWNA to develop appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or potential disruption of a Fund's operations. The Funds' business is dynamic and complex. As a result, certain operational risks are intrinsic to each Fund's operations, especially given the volume, diversity and complexity of transactions that each Fund is expected to enter into. The Funds' business is highly dependent on the ability to process, on a daily basis, transactions across numerous and diverse markets. Consequently, the Funds rely heavily on financial, accounting and other data processing systems as well as electronic execution systems (and may rely on new systems and technology in the future). The ability of such systems to accommodate an increasing volume, diversity and complexity of transactions could also constrain the ability of MWNA to properly manage the Funds. Systemic failures in the systems employed by MWNA, the Funds, prime brokers, the Administrator and/or counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. These and other similar disruptions may cause the Funds to suffer, among other things, financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage.

Valuation of Illiquid Investments. Valuation of a Fund's or a sub-trust's illiquid investments may involve uncertainties and judgmental determinations. If such valuations should prove to be incorrect, holders of shares or units could be adversely affected. Independent pricing information may not at times be available or may be difficult to obtain with respect to certain of the Fund's or sub-trust's illiquid investments. Accordingly, certain illiquid investments may be subject to varying interpretations of value and, in such cases, the value of an illiquid investment may be determined by, among other things, utilising mark to market prices provided by dealers and pricing services and, if necessary, through relative value pricing. There is no guarantee that the value attributed by the directors of the Fund, the Manager and/or the AIFM to an illiquid investment will represent the value that will be realised by the relevant Fund or sub-trust on the eventual disposition of such an investment.

Volatility. Futures prices are highly volatile. Such prices are influenced by, amongst other things: government trade, fiscal, monetary and exchange control programmes and policies; national and international political and economic events; and changes in interest rates. In addition, governments from time to time intervene, directly and by regulation, in the foreign exchange markets with the specific intention of influencing exchange rates. The effect of such intervention is often heightened by a group of governments acting in concert. The other Investments in which a Fund may invest will be subject to their own fluctuations in value as a result of, amongst other things, market, interest rate and currency movements. A Fund may be exposed to adverse changes in its net asset value as a result of these factors.

Withholding Tax Considerations. Interest, dividends, capital gains, other income realised, or gross sale or disposition proceeds received, by a Fund may be subject to withholding and other taxes levied by the jurisdiction in which the income is sourced. It is impossible to predict the rate of such tax a Fund will pay since the amount of the assets to be invested in various countries and the ability of a Fund to reduce such taxes are not known. Where a Fund invests in securities that are not subject to withholding tax at the time of acquisition, there can be no assurance that tax may not be withheld in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. A Fund may not be able to recover such tax withheld and so any change may have an adverse effect on the net asset value of the shares. Where a Fund sells securities short that are subject to withholding tax at the time of sale, the price obtained may reflect the withholding tax





liability of the purchaser. In the event that in the future such securities cease to be subject to withholding tax, the benefit thereof could accrue to the purchaser and not to a Fund.

Alternative Investment Fund Managers Directive ("AIFM Directive"). The AIFM Directive of the European Union ("EU") became effective across the EU on 22 July 2013. The AIFM Directive requires the regulation of alternative investment fund managers based in the EU or the marketing of securities of an alternative investment fund ("AIF") in the EU and generally prohibits non-authorized alternative investment fund manager ("AIFM") from managing AIF or marketing AIF securities in the EU. In order to obtain authorization to manage or market an AIF in the EU, an AIFM is required to comply with numerous obligations in relation to its own operations and any AIF that it manages, which may create significant compliance costs and burdens.

Incentive Allocation. In respect of a Fund which is a limited partnership, the General Partner may receive an incentive allocation from the Fund. The amount of any incentive allocation will increase with regard to unrealized appreciation as well as realized gains. Accordingly, an incentive allocation may be made in respect of unrealized gains which may subsequently never be realized. The incentive allocation may also create an incentive for MWNA, as an affiliated investment manager to cause a Fund to make investments that are riskier or more speculative than would be the case in the absence of a special allocation based on performance. The incentive allocation will be determined separately with respect to each capital account established for a limited partner. Accordingly, it is possible that an incentive allocation may be made with respect to one capital account even though another capital account of the same limited partner in the same or a different Fund did not appreciate, or depreciated, in value during a particular year or period.

Identity and Reporting of Beneficial Ownership; Withholding on Certain Payments. In order to avoid a US withholding tax of 30% on certain payments (including payments of gross proceeds) made with respect to certain actual and deemed US investments, each Fund will generally be required to timely register with the US Internal Revenue Service (the "Service") and agree to identify, and report information with respect to, certain of their direct and indirect US account holders (including debtholders and equityholders). Investors should consult their own tax advisors regarding the possible implications of these rules on their investment in interests.

In-Kind Distributions; Special Purpose Vehicles. The Funds anticipate that all distributions to investors will be made in cash, but there can be no assurance that there will be sufficient cash attributable to the applicable Fund(s) to satisfy withdrawal requests. The Fund may make distributions in kind, including, without limitation, due to the termination of MWNA, the winding up or dissolution of a Fund, or inability to liquidate investments with respect to the applicable Fund(s) at the time of withdrawal requests at favorable prices, as determined in the sole discretion of the Fund and/or general partner, as applicable. The Funds have resolved not to make any distributions in kind to any investors in connection with a withdrawal of funds from the Funds by such investors without the consent of the majority of such investors.

In-kind distributions may be comprised of, among other things, participations and/or derivative instruments referring to certain assets of the Fund, interests in special purpose vehicles or trading vehicles (each, a "Special Purpose Vehicle") holding securities also being held, or that were held by, the Fund, or participations and/or derivative instruments referring to such Special Purpose Vehicles. A distribution in respect of a withdrawal may be made in cash or in kind, or a combination thereof, as determined by the Fund and/or General Partner, as appropriate, in its sole discretion. A prior or contemporaneous in-kind distribution to some investors with respect to a Fund will not affect the Fund's right to distribute cash to other investors with respect to such Fund.

In the event that the Fund utilizes a Special Purpose Vehicle to facilitate in-kind distributions of withdrawal proceeds, it is expected that the Special Purpose Vehicle may hold a participation interest with respect to the pro rata portion of each investment held by the Fund as of the applicable dealing day attributable to the withdrawing investors (the "SPV Assets"). MWNA, subject to the control of the Fund or General Partner, as appropriate, would manage any Special Purpose Vehicle with the intention of distributing the net proceeds attributable to the SPV Assets as they are realized over time. A Special Purpose Vehicle may receive in-kind payments of assets and liabilities from the Fund which it, in turn, would distribute to withdrawing investors.



Any Special Purpose Vehicle would be responsible for paying its operating and overhead costs and expenses, including, but not limited to, documentation of performance and the admission of the members, all operating expenses such as tax preparation fees, governmental fees and entity-level taxes, administrative fees, communications with the members and ongoing legal, accounting, auditing, bookkeeping and other professional fees and expenses, and any trading costs and expenses (e.g., brokerage commissions, margin interest, custodial fees and clearing and settlement charges). Any Special Purpose Vehicle would bear its organizational expenses and investment-related expenses incurred in connection with the SPV Assets. The expenses of the Special Purpose Vehicle would reduce the net proceeds therefrom.

The withdrawing investors would continue to be at risk of the Fund's business until all the SPV Assets are sold. The withdrawing investors would indirectly bear investment-related expenses in connection with the SPV Assets and operating and other expenses borne by the Special Purpose Vehicle. The risk of loss and delay in liquidating the SPV Assets will be borne by the withdrawing investors, with the result that such withdrawing investors may ultimately receive significantly less cash than they would have received on the date of withdrawal if they had been paid in cash. Furthermore, the withdrawing investors will generally have no control over when and at what price the SPV Assets are sold. In addition, payment to the withdrawing investors of that portion of their withdrawal proceeds attributable to the SPV Assets will be delayed until such time as MWNA elects to liquidate the SPV Assets.

"Master-Feeder" Structure. In respect of "master-feeder" fund structures, "master-feeder" fund structure presents certain unique risks to investors. Smaller feeder funds investing in a sub-trust of the master fund may be materially affected by the actions of larger feeder funds investing in the same sub-trust. For example, if a larger feeder fund withdraws from a sub-trust, the remaining feeder fund(s) may experience higher pro rata operating expenses, thereby producing lower returns. A sub-trust may become less diverse due to a withdrawal by a larger feeder fund, resulting in increased portfolio risk. The master fund is a single entity and creditors of (including service providers to) the master fund may enforce claims against all assets of the master fund which may adversely affect a feeder fund that would not otherwise be a party to such claim. In addition, to the extent the assets of a Fund are invested in a sub-trust, certain conflicts of interest may exist due to different tax considerations applicable to such Fund and other feeder funds.

Side Letters; Different Terms of Investors. Side letters with certain investors may contain one or more preferential terms granting:

- (a) Notice where legal proceedings are pending or threatened, or if there is an investigation by a governmental body or regulator in relation to the Fund or MWNA;
- (b) A "key man" notification provision;
- (c) Notice of a change of a material service provider;
- (d) Notice of an amendment to the Fund's constitutional documents or a change to its valuation policy; and
- (e) A right to receive regular and/or detailed information about the Fund and its portfolio;
- (f) Information about the level of holdings in the Fund by Marshall Wace staff; and
- (g) Capacity rights.

MWNA may from time to time and in its sole discretion and out of its own resources decide to rebate to (or waive, reduce or calculate differently with respect to) some or all investors (or their agents) or to intermediaries, part or all of the management fee and/or incentive allocation/performance fee.

Such arrangements may be entered into with investors who, of their own account or together with affiliated investors or investors sharing an intermediary: (A) have, or are expected at a future date to have, significant holdings in a Fund; (B) invest early in the life-cycle of a Fund; or (C) require specific information for tax, operational or regulatory reasons.

MWNA and the Funds only enter into such side letters where they are satisfied such side letters will not have a detrimental impact on other investors.



In addition, in response to questions and requests and in connection with due diligence meetings and other communications, MWNA may provide additional information to certain investors and prospective investors that is not distributed to other investors and prospective investors. MWNA (and/or its directors or members, employees, related entities and connected persons) as an investor may also have knowledge of additional information that other investors do not possess. Such information may affect such a prospective investor's decision to invest in a Fund or such an existing investor's decision to stay invested in a Fund.

Reliance on Service Providers. Service providers to the Funds have been retained as disclosed in the prospectus and additional service providers may be retained at any time and from time to time. As the Funds have no employees and the majority of the members of the board of directors of the Fund/general partner, as appropriate, have all been appointed on a non-executive basis, the Funds are reliant on the performance of third-party service providers.

Each investor's relationship in respect of its interests is with the Fund only. Accordingly, absent a direct contractual relationship between the investor and the relevant service provider, no investor will have any contractual claim against any service provider for any reason related to its services to the Fund. Instead, the proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against the Fund by the relevant service provider is, prima facie, the Fund.

Limitations on Deductions. Each trading Fund ("sub-trust") expects to take the position that it is engaged in the business of trading in stocks; therefore, certain limitations on the deductibility of investment expenses for non-corporate investors who are limited partners are generally not expected to apply. However, these limitations may apply to certain expenses of a sub-trust or a Fund (including the management fee) to the extent allocable to activities, if any, that are not part of a trade or business. Whether or not any sub-trust is a trader for a future year will be determined largely by the sub-trust's transactions in that year, which cannot be predicted. Further, the standards that distinguish a trader from an investor are unclear. Whether or not a sub-trust is a trader, investment interest expense is deductible only to the extent of net investment income for US Federal income tax purposes.

Limited Operating History. Certain Funds may have a limited operating history upon which investors can evaluate its anticipated performance. The past performance of MWNA is not an indication of its future success.

Reliance on Contributors. In respect of Funds operating the MW TOPS system, the performance of the Fund is heavily dependent on the ability of MWNA to select, attract, motivate and retain suitable contributors to TOPS. In the event that MWNA is unable to continue to select, attract, motivate and retain suitable contributors, the performance of the Fund will be adversely affected.

Reliance on Optimization in respect of Funds operating the MW TOPS system, the performance of the Fund is heavily dependent on the ability of MWNA to create a diversified portfolio combining in an optimized manner the large number of trade ideas received by MWNA from contributors. In the event that MWNA is unable to continue to implement a successful optimization strategy the performance of the Fund will be adversely affected.

Business and Regulatory Risks of Private Funds. Legal, tax and regulatory developments that may adversely affect the Funds could occur during the term of the Funds. Securities markets are subject to comprehensive statutes and regulations enforced by regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities may adversely affect the ability of the Funds to pursue their investment strategy and the value of their investments. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. It is impossible to predict what, if any, changes in regulations may occur, but any regulations which restrict the ability of the Funds to trade in securities (as well as other regulatory changes that result) could have a material adverse impact on the Funds' portfolios.



The Funds, MWNA and/or the general partner, as appropriate, may also be subject to regulation in jurisdictions in which they engage in business. Investors should understand that the Funds business is dynamic and is expected to change over time. Therefore, the Funds may be subject to new or additional regulatory constraints in the future. The prospectus cannot address or anticipate every possible current or future regulation that may affect the Fund, MWNA and/or the general partner or their businesses. Such regulations may have a significant impact on the investors or the operations of the Funds, including, without limitation, restricting the types of investments the Funds may make, preventing the Funds from exercising their voting rights with regard to certain financial instruments, requiring the Funds to disclose the identity of their investors or otherwise. MWNA may, in its sole discretion, cause the Funds to be subject to such regulations if it believes that an investment or business activity is in the Funds' interest. Prospective investors are encouraged to consult its own advisors regarding an investment in the Funds.

Concentration of Investments. The Funds may: (i) invest in a few relatively large positions (in relation to their capital); (ii) invest in many different positions that have a high degree of correlation between them; (iii) identify a limited number of investment themes; (iv) invest a large amount in an individual security issuer; and/or (v) have exposure to a single counterparty. In the event that a Fund make investments as set out herein and there is an adverse market move or a counterparty failure, the Fund may incur a material loss. Accordingly, investors should be aware of the possibility that there may be little or no diversification of risk and that the return on their investment may depend entirely on the performance or creditworthiness of any one position and/or a single security or issuer or counterparty.

American Depositary Receipts. American Depositary Receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by foreign issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Holders of unsponsored ADRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depository receipts in respect of the deposited securities. Investments in ADRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs, and non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

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

Illiquidity of Interests. No market for the interests exists or can be expected to develop. Interests cannot be sold unless they are either subsequently registered under the U.S. Securities Act of 1933, as amended, and



registered or qualified under any applicable state securities laws or exemptions from such registration and qualification are available.

Potential Mandatory Redemption/Withdrawal. The Funds/general partner, as appropriate, may, in its sole discretion at any time, require any investor to withdraw all or a portion of its investment in accordance with the terms of the articles of association/partnership agreement, as appropriate. Such mandatory redemption/withdrawal could result in adverse tax and/or economic consequences to such investor.

Investment Company Regulation. The Funds intend to rely on the provisions of Section 3(c)(7) of the Investment Company Act of 1940, as amended (the "1940 Act") which permits unregistered private investment companies (such as the Funds) to sell their interests on a private placement basis to "qualified purchasers" as defined in Section 2(a)(51) of the 1940 Act and "knowledgeable employees" as defined under Rule 3c-5 of the 1940 Act. If the Funds were registered as investment companies, the 1940 Act would require, among other things, that the Funds have a board of directors some of whom were unrelated to the general partner (if appropriate) and MWNA, compel certain custodial arrangements, and regulate the relationship and transactions between the Funds, the general partner (if appropriate) and MWNA. Compliance with some of those provisions could possibly reduce certain risks of loss by the Funds or investors, although such compliance could significantly increase the Funds' operating expenses and limit the Funds' investment and trading activities.

ERISA Plan Assets Status of certain Funds. In relation to certain Funds, MWNA anticipates that the assets of those Funds will, from time to time, be treated as "plan assets" (as defined under Section 3(42) of ERISA and any regulations promulgated thereunder) of those investors of the relevant Fund that are subject to ERISA. In such event, MWNA would be a fiduciary with respect to each such investor. In addition, in the event that the assets of the relevant Fund are treated as "plan assets" pursuant to ERISA, ERISA may impose certain limitations on the operation of that Fund. Such limitations could result in the inability of the Fund to participate in certain investments or conduct business with certain counterparties. Accordingly, ERISA could materially restrict the activities of the relevant Fund and, as a result, the Fund may not be able to take advantage of certain investment opportunities, could have a different portfolio and could have a lower rate of return than if it were not subject to ERISA.

Private Offering Exemption. Certain Funds intend to offer interests on a continuing basis without registration under any securities laws in reliance on an exemption for "transactions by an issuer not involving any public offering." While the Funds/general partner, as appropriate, believes reliance on such exemptions is justified, there can be no assurance that factors such as the manner in which offers and sales are made, concurrent offerings by other partnerships, the scope of disclosure provided, failures to make notices, filings, or changes in applicable laws, regulations or interpretations will not cause the Fund to fail to qualify for such exemptions under U.S. federal or one or more states' securities laws. Failure to so qualify could result in the rescission of sales of Interests at prices higher than the current value of those Interests, potentially materially and adversely affecting the Fund's performance and business. Further, even non-meritorious claims that offers and sales of Interests were not made in compliance with applicable securities laws could materially and adversely affect the Fund/general partner's and MWNA's ability to conduct the Fund's business.

Restriction on Auditors' Liability. The law of certain jurisdictions does not restrict the ability of auditors to limit their liability. Consequently, the engagement letters entered into with Ernst & Young contains such a provision as well as provisions indemnifying Ernst & Young in certain circumstances.

Tax Liability Without Distributions. In relation to Funds which are limited partnerships, limited partners are subject to tax on their allocable shares of such Fund's taxable income. The general partner of the Fund does not intend to make distributions and intends to re-invest substantially all of such Fund's income and gains for the foreseeable future. Accordingly, the limited partners will have to fund their estimated and actual tax liabilities with other funds or with withdrawals from the Fund, to the extent permitted.





Delayed Schedules K-1. In relation to Funds which are limited partnerships, the Fund may be unable to provide final Schedules K-1 to the limited partners for any given fiscal year until significantly after April 15 of the following year. The relevant general partner will endeavor to provide limited partners with estimates of the taxable income or loss allocated to their investment in the Fund on or before such date, but final Schedules K-1 may not be available by that time. In such cases, limited partners would be required to obtain extensions of the filing date for their income tax returns at the U.S. federal, state and local level.

Lending of Portfolio Securities. A Fund may lend securities on a collateralised and an uncollateralised basis, from its portfolio to creditworthy securities firms and financial institutions. While a securities loan is outstanding, the relevant Fund will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

Repurchase or Reverse Repurchase Transactions, Buy-Sell Back or Sell-Buy Back Transactions. A Fund may enter into repurchase and reverse repurchase transactions or buy-sell back or sell-buy back transactions. When a Fund enters into a repurchase agreement or a sell-buy back transaction, it effectively "sells" the securities or commodities to a counterparty (such as a financial institution), and agrees to repurchase such securities or commodities on a mutually agreed date for the price paid by the counterparty, plus interest at a negotiated rate. In a reverse repurchase or a buy-sell back transaction, a Fund "buys" securities from a counterparty, subject to the obligation of the counterparty to repurchase such securities at the price paid by such Fund, plus interest at a negotiated rate. Repurchase, reverse repurchase and sell-buy back or buy-sell back transactions by a Fund involve certain risks. For example, if the seller of securities to the relevant Fund under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, such Fund will seek to dispose of such securities, which action could involve costs or delays. If the seller becomes insolvent and subject to liquidation or reorganisation under applicable bankruptcy or other laws, the relevant Fund's ability to dispose of the underlying securities may be restricted. It is possible, in a bankruptcy or liquidation scenario, that such Fund may not be able to substantiate its interest in the underlying securities. Finally, if a seller defaults on its obligation to repurchase securities under a reverse repurchase agreement, the relevant Fund may suffer a loss to the extent that it is forced to liquidate its position in the market, and proceeds from the sale of the underlying securities are less than the repurchase price agreed to by the defaulting seller. Similar elements of risk arise in the event of the bankruptcy or insolvency of the buyer. The amount of credit risk incurred by a Fund with respect to a particular repurchase agreement will depend in part on the extent to which the obligation of such Fund's counterparty is secured by sufficient collateral.

Swap Agreements and Synthetic Assets. A Fund, subject to its investment programme, may acquire exposure to indices, debt securities, structured finance securities, loans and other types of assets synthetically through derivative products such as credit default swaps (including CDS and CDX contracts), total return swaps, credit linked notes, structured notes, trust certificates and other derivative instruments (each, a "Synthetic Asset").

A Synthetic Asset could take many forms, including a credit derivative transaction that references a structured finance security, debt security or loan, a credit derivative transaction that references a portfolio or index of corporate reference entities or a portfolio or index of reference obligations consisting of structured finance securities, total return swap transaction that references both income and any capital gains of an underlying asset, debt securities, bonds, or other financial instruments (each, a "Reference Obligation").

Exposure to such Reference Obligations through Synthetic Assets presents risks in addition to those resulting from direct purchases of the assets referenced. The relevant Fund will have a contractual relationship only with the Synthetic Asset counterparty, and not with the issuer(s) (the "Reference Entity") of the Reference Obligations unless a credit event occurs with respect to any such Reference Obligation, physical settlement applies and the Synthetic Asset counterparty delivers the Reference Obligation to such Fund. Other than in the event of such delivery, the relevant Fund generally will have no right directly to enforce compliance by the Reference Entity



with the terms of any such Reference Obligation and such Fund will not have any rights of set-off against the Reference Entity. In addition, such Fund generally will not have any voting or other consensual rights of ownership with respect to the Reference Obligation. The relevant Fund also will not directly benefit from any collateral supporting the Reference Obligation and will not have the benefit of the remedies that would normally be available to a holder of such Reference Obligation. Such Fund will be subject to the credit risk of the Synthetic Asset counterparty, as well as that of the Reference Entity, as well as the documentation risk associated with these instruments.

In the event of the insolvency of the Synthetic Asset counterparty, the relevant Fund will be treated as a general creditor of such counterparty, and will not have any claim of title with respect to the Reference Obligation. Consequently, such Fund will be subject to the credit risk of the Synthetic Asset counterparty, as well as that of the Reference Entity. As a result, concentrations of Synthetic Assets entered into with any one Synthetic Asset counterparty will subject such Synthetic Assets to an additional degree of risk with respect to defaults by such Synthetic Asset counterparty as well as by the respective Reference Entities.

While it is expected that returns on a Synthetic Asset may reflect those of each related Reference Obligation, as a result of the terms of the Synthetic Asset and the assumption of the credit risk of the Synthetic Asset counterparty, a Synthetic Asset may have a different expected return, a different (and potentially greater) probability of default and different expected loss and recovery characteristics following a default.

US Partnership Tax Audit Risk. Under current law, each sub-trust of the master fund (each, a "Sub-Trust"), each of which intends to be treated as a partnership for US tax purposes, may be required to file a tax return with the Service. If the tax returns of a Sub-Trust are audited by the Service, the US tax treatment of such Sub-Trust's income and deductions generally is determined at the Sub-Trust level and US tax deficiencies arising from the audit, if any, are paid by the Fund(s) that are invested in such Sub-Trust (to the extent of any income that is, or is treated as, effectively connected with a trade or business in the United States or otherwise subject to withholding or other tax in the United States) and the other Unitholders of such Sub-Trust who were investors for US tax purposes in the year subject to the audit.

Under the general rule imposed under new legislation, an audit adjustment of a Sub-Trust's US tax return filed or required to be filed for any tax year beginning during or after 2018 (a "Prior Year") could result in a tax liability (including interest and penalties) imposed on such Sub-Trust for the year during which the adjustment is determined (the "Current Year"). The tax liability generally is determined by using the highest tax rates under the IRC applicable to US taxpayers, in which case the applicable Fund(s) and any other Current Year Unitholders of such Sub-Trust would bear the audit tax liability at significantly higher rates (including interest and penalties) arising from audit adjustments and in amounts that are unrelated to their Prior Year economic interests in the Sub-Trust partnership items that were adjusted. Under the new legislation, a Sub-Trust may be able to use a lower tax rate to compute the tax liability by taking into account the fact that the applicable Fund(s) are generally not expected to be subject to US tax on most, if not all, of its share of such Sub-Trust's income. However, the details of how this rule will be implemented are not yet known, and there can be no guarantee that a Sub-Trust would be able to use a lower tax rate to calculate the tax liability for any particular Prior Year under audit.

To mitigate the potential adverse consequences of the general rule, a Sub-Trust may be able to elect to pass through such audit adjustments for any year to its Unitholders who participated in such Sub-Trust for the Prior Year, in which case the applicable Fund(s) and each Prior Year participating Unitholder (and not such Sub-Trust) generally would be responsible for the payment of any tax deficiency, determined after including their share of the adjustments on their tax returns for the Current Year and calculated, in the case of the applicable Fund(s), using the tax rates generally applicable to non-US entities such as the Funds. If such an election is made by a Sub-Trust, interest on any deficiency will be at a rate that is two percentage points higher than the otherwise applicable interest rate on tax underpayments. A Fund may also be able to mitigate such adverse consequences by, after the audit adjustments are made, filing an amended US tax return for the Prior Year and paying tax, if any, on its share of the items adjusted on audit. However, the extent to which a Fund and/or a Sub-Trust will be able to mitigate the operation of the general rule under either of these alternatives is highly uncertain and may depend upon future regulatory guidance and amendments to the legislation.



Subscriptions/Redemptions Account. The Funds each operate a Subscriptions/Redemptions Account. Monies in the Subscriptions/Redemptions Accounts are deemed assets of the respective Funds and shall not have the protection of the relevant investor money regulations. There is a risk for investors to the extent that monies are held by the Funds in the Subscriptions/Redemptions Account at a point where such Fund becomes insolvent. In respect of any claim by an investor in relation to monies held in the Subscriptions/Redemptions Account, the investor shall rank as an unsecured creditor of the Fund.





## **Item 9 – Disciplinary Information**

We do not consider that there have been any legal or disciplinary events that are material to our advisory business or the integrity of our management.



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

### *10A*

No entities within the Marshall Wace Group nor any of its management persons are registered, or have applied to register, as a broker-dealer or a broker-dealer representative.

### *10B*

As of the time of our Form ADV filing, no entities within the Marshall Wace Group nor any of its management persons are registered, or have applied to register, as a futures commission merchant, a commodity trading adviser, or an associated person of the foregoing entities. Each of MWNA, MW LLP and MWAL has registered as a commodity pool operator with the US Commodities Futures Trading Commission.

### *10C*

MWNA has material business relations with the following entities:

MWNA is an affiliate of MW LLP, a limited liability partnership based in London and authorised and regulated as an investment manager with the FCA.

MWNA is also an affiliate of MWAL, a limited company based in Hong Kong and licensed as an investment manager by the SFC.

Both MWNA and MWAL also perform services relating to the investment management business of MW LLP and are compensated under the terms of agreements directly or indirectly with MW LLP and the respective funds under its management. The affiliated entities of the Marshall Wace Group share research and other benefits described in Item 12.

### *10D*

We do not believe that the contemporaneous management of the Funds and separately managed accounts causes a conflict. Allocations between the Funds and separate managed accounts are made in accordance with our fiduciary responsibilities, Best Execution principles, and each Fund's investment allowances or restrictions (as set forth by its respective offering documentation).

None of the Marshall Wace Group entities has an affiliated broker-dealer. However, we may have certain relationships with, and receive certain benefits from, non-affiliated broker-dealers that could pose a conflict of interest when selecting and using broker-dealers for trade execution. These relationships and benefits may include referral or recommendation of investors, personal investments by entities or affiliates of a broker-dealer in Funds that we manage, and participation in broker-dealer sponsored research and capital introduction conferences. We believe the potential for these conflicts to occur is appropriately countered by the Firm's adherence to its fiduciary responsibilities and Best Execution principles, all of which are actively monitored.



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

### *Code of Ethics*

MWNA has in place a Code of Ethics (COE) consistent with its regulatory requirements that governs the behavior of its employees, all of whom are defined as Access Persons under SEC regulations. The COE, and related policies, reflect the Firm's commitment to ethical conduct. All employees are trained on the COE at the start of their employment, receive annual updates, and as needed due to changes to the code or related state and/or federal laws.

In general, the COE outlines the policies of the Firm pertaining to topics such as personal trading, handling of inside information, gifts and entertainment, and overall professional conduct, all of which are covered in greater detail in the related, stand-alone policies. These policies, along with the COE, collectively comprise the Firm's Compliance Manual.

An acknowledgement of the COE, accepting the terms and conditions therein, is obtained from each employee and kept on file. A copy of the COE is available for review by any current or prospective investor upon request.

### *Personal Investment Policy*

Employees may generally make personal investments in financial instruments with prior approval. All employees with personal trading accounts must provide the Chief Compliance Officer with statement copies no less than quarterly, irrespective of account activity.

For transactions involving securities within the Firm's investment universe, employees may generally buy or sell securities if the Firm or its affiliates are not actively trading the name. All transactions are subject to prior written authorization. In addition, all transactions in single stocks are subject to a 90-day holding period. Irrespective of these rules, MWNA reserves the right to deny any transaction request deemed to be counter to the best interests of the Firm.

The Personal Investment Policy generally applies to any personal transaction involving equity or debt securities, or derivatives of such. However, the policy does not apply to transactions involving open-end mutual funds or other instruments in which the investor has no discretion over individual securities transactions. Employees may also invest in certain of the Marshall Wace Group funds, subject to share class restrictions and the terms and conditions of the respective fund(s).

A description of the Firm's Personal Investment Policy is included in the COE, a copy of which is available for review by any current or prospective investor upon request.

### *Participation in Client Transactions and Related Conflicts of Interest*

MWNA does not have any proprietary trading activity. The Firm's trading activity is limited to the transactions it effects on behalf of its Funds and separately managed accounts.

MWNA may buy or sell securities for certain funds in a manner that differs from its actions for another Fund. However, at all times, its actions are in keeping with the Firm's fiduciary responsibilities, Best Execution principles, and each Fund's investment allowances or restrictions (as set forth in its respective offering documentation).

MWNA effects transactions on behalf of its clients in securities which its employees may buy or sell for their own accounts. These personal investments are subject to the trading restrictions set forth by the Firm's Personal Investment Policy, irrespective of whether the employee investment preceded the client transaction or not.

Employees and/or partners of MWNA may buy or sell unlisted securities, partnership interests, or other private holdings for their own accounts, which MW Group or certain of its affiliates may also transact in. These personal



investments are subject to preapproval, as well as the trading restrictions and reporting requirements set forth by the Firm's Personal Investment Policy.

The Marshall Wace Group follows a policy of restricting trading activity for all of its related entities when any one entity or employee is exposed to what it knows as or believes to be material non-public information. In the course of conducting its investment business, MWNA or its affiliates may come into possession of material non-public information, either intentionally (via participation in a private transaction or a debt holding) or unintentionally (via industry contact). In the event anyone in the Marshall Wace Group is in possession of material non-public information, neither MWNA nor its affiliates will be able to use such information for the benefit of any client. Thus, MWNA's possession of such information may cause a Fund to be frozen in a security position or unable to engage in a transaction in that position until such time that the information is made public.



## Item 12 – Brokerage Practices

MWNA has full investment and brokerage discretion, in accordance with the terms outlined in the offering documents of each Fund. The securities transactions of the Funds are expected to generate a substantial amount of brokerage commissions and other transaction-based compensation, all of which will be paid by the Funds. The Firm has a fundamental obligation to act in the best interests of its clients and seek best execution of clients' transactions under the circumstances of the particular transaction.

### *Best Execution Considerations*

In selecting brokers and dealers, MWNA will not be required to consider any particular criteria. For the most part, the Firm will seek the best combination of brokerage expenses and execution quality. In evaluating execution quality, historical net prices (after mark-ups, markdowns, or other transaction-related compensation) on other transactions will be a principal factor, but other factors may also be relevant, including: the execution, clearance, and settlement capabilities and overall efficiency of the broker or dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker's or dealer's willingness to commit capital; reliability, responsiveness and financial stability; liquidity; the size of the transaction; availability of securities to borrow for short sales; and the market for the security.

Nonetheless, as other factors are also considered in the selection process, MWNA is not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Specifically, the Firm may allocate commissions based on the quality of research services provided by brokers, including services provided via the MW TOPS process.

### *Soft Dollars*

As noted above, in addition to execution quality, MWNA may consider the value of various services or products, beyond execution, that a broker-dealer provides to the Funds, to the Funds' general partners, directors or to MWNA. To the extent that the Firm enters into, or continues to utilize, any "soft dollar" arrangements with brokers, MWNA intends to structure such arrangements within the "safe harbor" parameters of Section 28(e) of the Securities Exchange Act of 1934, and limit its usage of soft dollars to payment for eligible research. In such circumstances, the Funds may pay brokerage commissions at a rate higher than the lowest available as long as (among certain other requirements) it determines that the commissions are reasonable compensation for the research acquired. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to MWNA in making investment decisions for its clients. The types of "research" MWNA may acquire include: reports on or other information about particular companies or industries; trade ideas collected via the MW TOPS process; economic surveys and analyses; recommendations as to specific securities; and other products or services that may enhance the Firm's investment decision making, provided such products or services reside within the "safe harbor" of Section 28(e) of the Securities Exchange Act of 1934.

Within MWNA's last fiscal year, it acquired research services defined as being within the "safe harbor" of Section 28(e).

MWNA's arrangement for rewarding participating brokers in MW TOPS with commissions based, in part, upon the aggregate performance of their trade ideas is a generally accepted industry practice that is believed to be within the safe harbor provided by Section 28(e). Under this arrangement, the Firm may pay for access to trade ideas via the TOPS process, which meet the definition of "research" under Section 28(e)(3) as interpreted by the SEC.

Were the Firm to receive both eligible and ineligible research services ("mixed-use services"), it would make a good faith determination on the allocation between the eligible and ineligible services, paying for any ineligible services with cash. It could face a potential conflict of interest in making these good faith allocations. At present, the Firm does not receive any mixed-use services.





As the Funds share many investments in common, they also share many of the soft-dollar benefits derived from their collective trading. However, the benefits derived by any Fund may not be in proportion to the costs incurred.

*Payments for Research*

In parallel with any soft dollar arrangements described above, MWNA and its affiliates operate a research payment account ("RPA") funded by direct research charges to the Funds and used for the purposes of acquiring third-party research for the Funds. The RPA is operated in order to facilitate compliance with the regulatory requirements applicable to MW LLP and is administered by an independent administrator who collects the research charges from the Funds and arrange for payments to be made to third party research providers as compensation for research products or services (as defined under Section 28(e)). The research providers paid from the RPA will in some cases provide execution services to MWNA, on behalf of the Funds. The amount of compensation paid to such research providers for their research products or services will reflect the value of the research provided, as determined by MWNA.

When MWNA obtains research products or services through an RPA or soft dollar arrangements, it receives a benefit because it does not have to produce or pay for the research. The Firm may also have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving the most favorable execution.

The research charges are allocated between the Funds in the manner that MWNA considers to be fair and equitable in accordance with its policies on payments for research.



#### *Allocation among Funds under Management*

As a fiduciary, MWNA allocates investment opportunities among the Funds in a fair and equitable manner, taking into account strategy differences and fund-specific restrictions identified in the respective offering documents (or management agreements for separately managed accounts).

In the absence of specific segregation requirements, restrictions, or other limitations, trades are typically aggregated ("bulked") when they are initially sent to the executing broker. The Firm then allocates the trade among the participating funds at pre-set percentages that are proportional to the Funds' net asset values. When an order is bulked, the participating funds are identified, further ensuring accurate allocation percentages are used to divide the resultant securities. Bulk execution can provide a substantial reduction in order clearing costs, which benefits the Funds' investors.

From time to time, MWNA may need to rebalance the Fund holdings as a result of capital flows. In such circumstances, and where permissible, a cross-trade transaction between two or more funds may be deemed to be in the best interests of those funds (due to efficiency and cost), versus multiple buy/sell transactions in the market. Where these cross trades are identified between separate legal entities, MWNA will effect these trades in the market via an unaffiliated broker-dealer at a lower commission rate than a standard buy/sell transaction. All cross trades are subject to the Firm's rules for pricing and reporting. Neither MWNA nor any affiliate receives any compensation in connection with rebalancing transactions. For positions held on swap at the same custodian, there is no market transaction and MWNA will instruct the custodian to book the cross transaction.

Similarly, cross trades between different Funds or between strategies of the same Fund frequently occur following capital markets deal participation. Funds with New Issue eligible investors may purchase shares in an offering. Following participation, each fund manager reviews the position, including the trading behavior of the shares and other market factors, and may determine in the best interests of the Fund to hold the shares or sell some or all of the shares to take profits, avoid losses or otherwise pursue the Fund's trading objectives.

Certain Funds' trading objectives result in those Funds not holding new issue shares beyond the first trading day. Portfolio managers for other Funds or strategies often seek to purchase new issue shares beyond the first trading day. Such shares are considered "seasoned" for purposes of New Issue eligibility. When one Fund is a seller of such shares, and another is a buyer, those shares will be crossed. Where the crosses are between different Funds, the Manager effects such seasoning cross trades through a broker at no commission. Where the crosses are between different strategies of the same Fund, the Manager effects such seasoning cross trades as journaling entries. All seasoning cross trades are priced at the midpoint at close.

If no other portfolio manager of a Fund or strategy seeks to purchase the new issue shares beyond the first trading day, or there are some such shares remaining after such purchases are made, the new issue shares will be liquidated thereafter. Seasoning crosses do not always occur in new issue shares due to trading objectives. For example, a Fund with new issue shares may seek to take profits prior to the close on the first day of trading, or the portfolio managers for other Funds or strategies may be interested during the first trading day in purchasing more shares than those acquired by the selling Fund and therefore may elect to purchase freely trading shares in the market to meet their trading objectives irrespective of the ability to effect seasoning cross trades following the close.

#### *Other Potential Conflicts*

Trading activity of MWNA and its affiliates in certain Funds could conflict with the transactions and strategies employed in managing other Funds. This may result in simultaneous orders in opposite directions for the same or similar securities, which may affect the prices and availability of the securities and other financial instruments in which Funds would invest. Competing trades could cause an affected Fund to buy a security at a higher price or sell at a lower price than it otherwise would have in the absence of the competing trades. To reduce brokerage commissions, when one Fund is a buyer and another Fund is a seller of the same securities, the



securities will be crossed between the Funds. Any potential conflict of interest raised by cross-trading in these circumstances is mitigated by the facts that: (1) MWNA personnel have made personal investments across the funds; (2) the securities are crossed internally between the Funds at the mid-price of the security at the time the security is traded; and (3) the cross-trade process utilized is mechanical across the portfolios and does not involve any selections by MWNA personnel of particular securities to be crossed by MWNA.

Short selling activity by a Marshall Wace Group-managed Fund within five days of a US secondary offering could prevent all other Marshall Wace Group-managed Funds from participating in the offering, subject to the conditions and exemptions of Rule 105, Regulation M of the Securities Exchange Act.



### Item 13 – Review of Accounts

The Marshall Wace Group's portfolio management and risk management teams perform daily, weekly or monthly reviews of all client accounts as they deem appropriate or as otherwise required. In addition to periodic reviews, client account reviews may be triggered by changes in market conditions, changes of security positions, changes in investment objectives or policies, capital inflows/outflows and other reasons.

The requirements for frequency and content of reports to clients or investors will be set forth in the documents for each account.

Although the fund accounting team within the Marshall Wace Group generates estimated NAVs, NAV per Share and other holdings analyses, the funds' appointed independent administrators<sup>1</sup> are responsible for calculating final confirmed NAVs and publishing monthly investor statements, which they distribute directly to fund investors. These administrators also work with independent public accountants to produce and distribute the funds' annual audited financial reports, as well as year-end statements and any other such documentation investors may require in completing their income tax filings.

Each month, the Firm produces and distributes written reports about the Funds<sup>2</sup> to fund investors, and to prospective investors upon request. These reports include various financial data and information, which also may be available on the Firm's password-protected website. Similar data may also be used in written marketing presentations and bespoke research, which are produced and distributed on an ad hoc basis.

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<sup>1</sup> The processes for separately managed accounts may differ, based on their appointed administrator's contractual obligations.

<sup>2</sup> The Firm does not produce monthly reports or presentations for its separately managed accounts, nor does it include this performance data on its client website. These separately managed accounts have different reporting parameters that are determined by each respective management agreement.



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

MWNA does not receive economic benefits from non-clients for providing investment advice and other advisory services.

MWNA, by way of its affiliates, has entered into contractual agreements with individuals and organizations who solicit clients for certain of the Firm's funds under management for a fee. While the specific terms of each arrangement may differ, fees generally comprise a pre-set portion (percentage or basis points) of the Firm's management and/or performance fees earned on the assets invested by the referred client(s). Referral fees are borne by the Firm, not the referred (or any other) fund investor, although separate fees may be paid by a fund investor, with such investor's consent, to a solicitor.





## **Item 15 – Custody**

Other than for its separately managed accounts, MWNA is deemed to have custody of its client funds and securities. As noted in item 13, these funds have appointed independent administrators who work directly with the respective funds' qualified custodians to verify fund assets, cash-flows and transactions and who also calculate the net asset value of the funds. This data is then used to produce, among other things, monthly investor statements, which are distributed directly to fund investors. These administrators also work with independent public accountants to produce and distribute the funds' annual audited financial reports, as well as year-end statements and any other such documentation investors may require in completing their income tax filings.

MWNA satisfies its obligations under the SEC Custody Rule by maintaining client funds and securities with qualified custodians and delivering to the fund investors annual audited financial statements within 120 days of the fiscal year end.



## **Item 16 – Investment Discretion**

MWNA has investment discretion over the Funds. This investment discretion generally pertains to buying and selling securities and other instruments for the Funds in a manner consistent with each Fund's stated investment objectives and policies. The extent of this discretion, and any restrictions, is outlined in the investment management agreement in place for each Fund.



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

In general, MWNA has authority to cast all proxy votes on behalf of the Funds. MWNA employs an independent agent to manage proxy voting on its behalf. This agent analyzes proxy statements to recommend vote decisions, and manages the complete proxy voting process, including the receipt of proxies, reconciliation, vote execution, vote disclosure, and reporting. The service offers MWNA full transparency, with full record reporting and vote monitoring.

When proxy materials arrive at the Funds' brokers or custodians (the securities holder on record), they are forwarded to the proxy agent for review and action. The agent then votes on behalf of MWNA, in accordance with stated voting objectives. MWNA may also cast votes in the event of a conflict where the agent otherwise cannot, or if it were to disagree with the agent's voting recommendation. The agent ensures that all proxies are voted, and maintains our proxy records in accordance with SEC requirements. It also provides the Firm with an online platform that allows the Firm to change its vote recommendations, run vote record reports, and view account information. MWNA reviews the proxy voting agent's voting activity on a quarterly basis to ensure the service meets its needs and best serves the interests of its clients.

A copy of the Firm's Proxy Voting policy, the voting guidelines in use, and/or information on how MWNA voted client securities can be obtained by fund investors upon request.



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

MWNA is not required to include a balance sheet for its most recent fiscal year. It does not require or solicit prepayment of more than \$1200, six months or more in advance.

MWNA is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to the Funds, and has not been the subject of a bankruptcy petition at any time during the past ten years.