

**Part 2A of Form ADV: Firm Brochure**

**Item 1 - Cover Page**

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**The date of this brochure is November 21, 2018.**

**This brochure provides information about the qualifications and business practices of NuWave Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (973) 888-6800 or via e-mail at [Info@NuWaveCorp.com](mailto:Info@NuWaveCorp.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about NuWave Investment Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The firm’s CRD/IARD number is 150556.**

**Any reference to NuWave Investment Management, LLC as a “registered investment adviser” or as being “registered” does not imply a certain level of skill or training.**

**Item 2 - Material Changes**

This brochure for NuWave Investment Management, LLC (“NuWave,” the “Advisor,” the “firm,” “we” or “us”) is being amended to reflect the following material changes since its brochure dated March 29, 2018: the Stock Index Futures Portfolio, an additional investment program of NuWave, commenced trading and is detailed under Item 8; the Stock Index Futures Portfolio may be accessed as a stand-alone portfolio and/or as a sub-portfolio within certain investment programs, as further detailed under Item 8.

Whenever you would like to receive a complete copy of our Firm Brochure and Brochure Supplement, please contact us by phone at (973) 888-6800 or via e-mail at [Info@NuWaveCorp.com](mailto:Info@NuWaveCorp.com).

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**Item 4 - Advisory Business**

NuWave Investment Management, LLC is a Delaware limited liability company that was formed on July 24, 2006. The Advisor is principally owned by Troy W. Buckner. Yury Orlov and Craig Weynand are indirect minority owners of the Advisor.

NuWave is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended. It is also registered as a commodity trading advisor and a commodity pool operator under the U.S. Commodity Exchange Act, as amended, and is a member of the U.S. National Futures Association, a self-regulatory organization authorized by the U.S. Commodity Futures Trading Commission. The address of NuWave is 35 Waterview Boulevard, Parsippany, New Jersey; telephone (973) 888-6800.

We provide discretionary investment advice to private investment funds, registered investment companies (as sub-advisor) and separately managed accounts. We generally invest and trade on behalf of our clients pursuant to a number of different trading strategies primarily relating to futures contracts, forward contracts and other futures-related interests, as well as cash equities, traded on United States and foreign exchanges and markets.

We generally do not permit investors in the private investment funds we manage to impose limitations on the investment activities described in the offering documents for those funds. Under certain circumstances, we will contract with a client to adhere to limited risk and/or operating guidelines imposed by the client. We negotiate such arrangements on a case by case basis. (*See Item 16 "Investment Discretion."*)

We do not participate in wrap fee programs.

As of March 1, 2018, we managed approximately \$119,077,065 on a discretionary basis. We do not manage any assets on a non-discretionary basis.

**Item 5 - Fees and Compensation**

Our fees and compensation are described in the advisory contracts we enter into with our clients. Our fees and compensation may vary, but will typically consist of a percentage of assets under management and/or a percentage of net profits, which percentages may vary depending upon which of our investment portfolios the accounts participate in.

For Separate Accounts

Depending upon the portfolio selected by a client, we typically charge an annual management fee of up to 2% of assets under management and a quarterly incentive fee of between 20% and 30% of net profits, subject to a high-water mark and, in some instances, a performance benchmark. Once paid, such fees are non-refundable.

For Private Investment Funds

Our compensation depends upon the private investment fund and/or the class of shares or interests subscribed for by an investor. We typically charge an annual management fee of between 0% to 2% of assets under management (payable monthly in arrears) and a quarterly performance fee/ allocation of between 20% and 30% of net profits, subject to a high-water

mark and, in some instances, a performance benchmark. Once paid or allocated, such fees and allocations are non-refundable.

For Registered Investment Companies

Our compensation depends upon the registered investment company and is set forth in the relevant sub-advisory agreement. As a sub-adviser to any such registered investment company, we typically receive an annual management fee of up to 2% of assets under management (payable monthly, in arrears, from the fund advisor's management fee). Once paid, such fees are non-refundable.

The account administrator generally deducts management fees from our private investment funds' accounts monthly in arrears. The management fees for the separately managed accounts we manage are generally deducted on a monthly basis in arrears by the custodian of the accounts. Depending on the arrangement with the client and the custodian of the account, either we calculate the management fees due and provide the custodian with our calculation or the custodian calculates the management fees due, which we then confirm. The management fees for the registered investment company accounts we manage are generally paid on a monthly basis in arrears by the fund adviser from its management fee. We generally receive performance-based fees or allocations from client accounts on a quarterly basis in arrears and upon redemptions/withdrawals by investors.

Private investment funds managed by NuWave generally bear our expenses (which may include, without limitation, any direct trading costs incurred on behalf of the private investment fund, as well as certain legal, administrative and accounting fees and expenses, and other expenses described in the private investment fund's operating agreement and/or applicable investment management agreement, but not including our office rent, utilities, furniture, computer hardware and employee compensation), all other expenses related, directly and indirectly, to their respective operations and affairs and their business of investing and trading and other activities, which may include, without limitation: all brokerage commissions and custody charges, interest and commitment fees on loan and debit balances, research fees and materials, back office expense, costs of any outside appraisers, accountants, attorneys or other experts or consultants engaged by us in connection with specific transactions, bank charges, specialized software pertaining to the private investment funds' trading or operations, insurance costs (including director and officer insurance), legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against us in connection with the affairs of the private investment funds, withholding or transfer taxes, government charges and professional fees and expenses incurred in connection with the preparation of the private investment funds' offering materials and operating agreement or memorandum and articles of association, as applicable, as well as their respective organizational documents, filing fees, costs of accounting, including the audit of the private investment funds' annual financial statements and the preparation of their tax returns, the fees and expenses of the private investment funds' legal counsel in connection with advice directly relating to their legal affairs, costs of preparing and mailing reports to investors, and other ordinary and out-of-pocket expenses of the private investment funds. Where any of the foregoing costs are incurred by or on behalf of more than one private investment fund, each private investment fund will bear only its proportionate share of such costs. (See Item 12 "Brokerage Practices" below.)

The expenses that are charged to separately managed accounts are determined on a case by case basis.

We may also allocate a portion of certain clients' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, investors will indirectly incur similar fees and expenses if we invest clients' capital in such money market funds or exchange traded funds, as these funds in turn pay similar fees to their investment managers and other service providers.

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

We typically receive quarterly performance-based fees or allocations from the separately managed accounts and private investment funds we manage, which are based on a percentage of the capital appreciation of client assets, subject to a high-water mark and, in some instances, a performance benchmark.

The terms of the performance-based fees and allocations may differ among the various private investment funds and the separately managed accounts we manage. This may result in a conflict of interest when we allocate opportunities among these accounts because we will have an incentive to favor accounts that have higher performance-based fees and allocations. To avoid such a conflict of interest, we generally follow documented policies and procedures in allocating opportunities among such accounts, which do not take into account the performance-based fees and allocations to which such accounts are subject (*see Item 12 "Brokerage Practices" - "Allocation of Investment Opportunities" below*).

The performance-based fees and allocations that we receive may also create an incentive for us to make investments that are riskier or more speculative than would be the case if we were paid only a fixed fee.

As the management fees and performance-based fees and allocations are based directly on the net asset value of the client accounts, we have a conflict of interest in valuing the assets held in the accounts. We will follow our documented valuation policies and consult with the third-party administrator to the accounts in order to mitigate this conflict of interest.

#### **Item 7 - Types of Clients**

We primarily provide investment advice to clients (either through a fund-vehicle or a separately managed account) who are private investment funds, registered investment companies (as sub-advisor), high net worth individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, and other entities. Investors in such private investment funds are generally high net worth individuals and institutional investors that qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended) and "qualified clients" (as defined under the Investment Advisers Act of 1940, as amended (the "Advisers Act")). The minimum investment in the private investment funds is generally \$250,000, though certain classes of interests/shares have higher minimum investment requirements. There is no minimum dollar requirement for establishing a separately managed account and we consider each prospective client on a case by case basis; however, we suggest that prospective clients refrain from opening a separately managed account unless they can commit a minimum of eighteen months to the investment and a minimum client account size of \$3 million.

**Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss***Methods of Analysis and Investment Strategies Generally*

We pursue a multi-strategy systematic approach to investing, with the goal of generating attractive absolute and risk-adjusted returns regardless of the overall market environment for traditional investments. Our systematic trading methodologies employ various mathematical and statistical formulas and techniques to identify and capture repetitive historical tendencies in price movement that occur across a broad array of markets and time horizons. We believe that the repetitive nature of these directional price movements results from a wide variety of technical and fundamental factors, including, among other things, the prospects for global economic growth, the prevailing environment for interest rates, the effects of dramatic geopolitical shocks and the cyclicity of seasonal or weather-related concerns.

We define a unique matrix of logical and mathematical values associated with a given time series in order to define a “profile” of current price activity for a specific stock or market. Thereafter, statistical algorithms are utilized to interpret the significance of each time series profile within the context of history so as to identify directional trading patterns. Although no two “profiles” are identical, similar profiles can be identified from which one may infer directional price opportunities. These opportunities often differ significantly, varying in terms of duration (ranging from mere hours to many months) and direction (at times running with the prevailing trend, while at other times running counter to the prevailing trend). The result is a unique return profile that we expect to be distinct from, and less correlated with, those offered by both traditional investments and other hedge fund strategies.

Our unique multi-strategy approach to investing is intended to offer investors the potential to achieve compelling risk-adjusted returns in a variety of market environments, while also providing the potential for significant diversification and non-correlation benefits relative to both traditional investments and other hedge fund strategies. We offer investors eight different investment program options, (i) the “Long/Short Portfolio,” (ii) the “Combined Futures Portfolio,” (iii) the “Large Cap Active Alpha Portfolio,” (iv) the “Equity Enhanced Portfolio,” (v) the “Commodity Value Portfolio,” (vi) the “Matrix Portfolio,” (vii) the “Short-Term Futures Portfolio,” and (viii) the “Stock Index Futures Portfolio.”

*The Long/Short Portfolio*

The Long/Short Portfolio pursues a multi-strategy systematic approach to investing, with the goal of generating attractive absolute and risk-adjusted returns regardless of the overall environment for traditional investments, while also providing the potential for significant diversification and non-correlation benefits relative to both traditional investments and other hedge fund strategies.

The Long/Short Portfolio’s systematic trading methodologies define a unique matrix of fundamental and technical values associated with a given company and its stock price in order to define a “profile” of current price activity for a specific stock. Thereafter, each company’s stock profile is compared to all others within a universe of U.S. large-cap equities in order to identify the most compelling values. Subject to rigorous risk and diversification requirements, the portfolio buys (long) those stocks with the most attractive profiles and sells (short) those stocks with the least attractive profiles. The resulting portfolio generates a return stream that is predicated on the identification of undervalued and overvalued stocks with compelling near-term performance characteristics.

Security selection is neither top down nor bottom up; rather, it is based upon a blend of micro and macro factors digested by our proprietary trading models. Company specific balance sheet data (derivative metrics based upon earnings, revenues, free cash, book value, growth, exchange rates, etc.), provide the fundamental backdrop for sector specific stock valuations, whereas proprietary money flow statistics and relative performance metrics provide short-term confirmation of value opportunities. The goal is to model and identify relative opportunity (rather than absolute opportunity).

The Long/Short Portfolio is designed to capture divergent profit opportunities, rather than the mean reverting profit opportunities commonly sought by many market neutral long/short strategies. The portfolio is devoid of any inherent long bias, offering clients a risk/return profile that is truly market neutral (*i.e.*, beta neutral) in nature, while seeking to capture relative directional opportunities from a highly liquid portfolio of approximately 500 large-cap U.S. equities. Holding periods range from mere hours to several days in length (depending upon directional price persistence), while VaR imbalances, sector imbalances, individual security exposures and maximum leverage are each constrained in real-time with the goal of creating a relatively consistent volatility profile over time.

#### The Combined Futures Portfolio

The Combined Futures Portfolio pursues a unique multi-strategy approach to investing in many of the world's most liquid financial and commodities futures markets, offering clients the potential to achieve compelling risk-adjusted returns in a variety of market environments while also providing significant diversification and non-correlation benefits relative to both traditional investments and other hedge fund strategies.

***Prior to September 1, 2015, the Combined Futures Portfolio was comprised of the following sub-programs: the Long-Term Pattern Recognition Program, the Intermediate-Term Pattern Recognition Program, and the Short-Term Pattern Recognition Program. During the period from September 1, 2015 through December 31, 2016, the Combined Futures Portfolio was comprised of the following sub-portfolios: the Matrix Portfolio and the Commodity Value Portfolio. During the period from January 1, 2017 through October 31, 2018, the Combined Futures Portfolio was comprised of the following sub-portfolios: the Matrix Portfolio, the Commodity Value Portfolio and the Short-Term Futures Portfolio. Commencing November 1, 2018, the Combined Futures Portfolio is comprised of the following sub-portfolios:***

- **The Matrix Portfolio.** For a detailed discussion of the Matrix Portfolio, see “**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – Methods of Analysis and Investment Strategies Generally – The Matrix Portfolio**” below.
- **The Commodity Value Portfolio.** For a detailed discussion of the Commodity Value Portfolio, see “**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – Methods of Analysis and Investment Strategies Generally – The Commodity Value Portfolio**” below.
- **The Short-Term Futures Portfolio.** For a detailed discussion of the Short-Term Futures Portfolio, see “**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – Methods of Analysis and Investment Strategies Generally – The Short-Term Futures Portfolio**” below.

- **The Stock Index Futures Portfolio.** For a detailed discussion of the Stock Index Futures Portfolio, see “**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – Methods of Analysis and Investment Strategies Generally – The Stock Index Futures Portfolio**” below.

The aggregate portfolio is therefore expected to be broadly diversified across markets, time horizons and trading styles. Furthermore, we believe, based upon our proprietary research, that the performance of each of the various sub-portfolios exhibits a substantial degree of non-correlation with one another, as well as with other investment strategies.

Combining the various sub-portfolios within a single portfolio also affords clients’ potential cost savings. For example, our performance-based compensation is netted across the various sub-portfolios that comprise the Combined Futures Portfolio; thus, we will receive performance-based fees or allocations only if the net performance across all sub-portfolios warrants.

#### *The Large Cap Active Alpha Portfolio*

The Large Cap Active Alpha Portfolio pursues an actively managed approach to investing across a diversified universe of large cap U.S. equities (maintaining 100% long exposure at all times), with the goal of generating returns comparable to, or in excess of, the S&P 500 Total Return Index (with the potential for less tail risk). The portfolio employs a systematic process to identify repetitive patterns of price behavior that are indicative of large institutional themes and/or money flows into or out of individual names and sectors; these themes and money flows are often indicative of large scale asset allocation shifts, sector rotation opportunities, shifting sentiment indicators, etc. Individual stocks that are expected to outperform the benchmark index are targeted for inclusion in the portfolio, while those that are expected to underperform are either liquidated or excluded. The systematic portfolio selection process is further constrained real-time with respect to individual position size and sector exposure in order to ensure a meaningful degree of diversification. Holding periods range from intraday to several weeks in length (depending upon directional price persistence).

#### *The Equity Enhanced Portfolio*

The Equity Enhanced Portfolio pursues a multi-strategy approach to investing, with the goal of generating attractive absolute and risk-adjusted returns comparable to, or in excess of, that generated by the S&P 500 Total Return Index. The Equity Enhanced Portfolio offers a portfolio that combines long/short diversified futures trading with an additional component of exposure to the U.S. equity markets.

***Prior to September 1, 2015, the Equity Enhanced Portfolio was comprised of four distinct sub-programs: the Large Cap Active Alpha Portfolio, the Long-Term Pattern Recognition Program, the Intermediate-Term Pattern Recognition Program and the Short-Term Pattern Recognition Program. Commencing September 1, 2015, the Equity Enhanced Portfolio is comprised of the following distinct sub-portfolios:***

- **The Matrix Portfolio.** For a detailed discussion of the Matrix Portfolio, see “**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – Methods of Analysis and Investment Strategies Generally – The Matrix Portfolio**” below.
- **The Large Cap Active Alpha Portfolio.** For a detailed discussion of the Large Cap Active Alpha Portfolio, see “**Item 8 – Methods of Analysis, Investment Strategies and**



**Risk of Loss – Methods of Analysis and Investment Strategies Generally – The Large Cap Active Alpha Portfolio” above.**

The aggregate portfolio is expected to be broadly diversified across markets, time horizons and trading styles. Furthermore, we believe, based upon our proprietary research, that the performance of each sub-portfolio exhibits a substantial degree of non-correlation with one another, as well as with other investment strategies.

For similar reasons as stated above, combining the two sub-portfolios within a single portfolio affords clients potential cost savings, and our performance-based compensation is netted across the two sub-portfolios that comprise the Equity Enhanced Portfolio; thus, we will receive performance-based fees or allocations only if the net performance across both sub-portfolios warrants.

*The Commodity Value Portfolio*

The Commodity Value Portfolio pursues a relative value approach to investing across a selection of liquid commodities futures markets. The Commodity Value Portfolio systematically identifies intra-market spread opportunities within the energy, metal, grain and soft commodities markets that exhibit the greatest probability of near- to intermediate-term mispricing in strip values (based upon a proprietary forecasting methodology); thereafter, the portfolio seeks to capture any such intermittent price distortions via trading in calendar spreads. The Commodity Value Portfolio is actually comprised of two trading models: one of which focuses on the identification of repetitive patterns in relative price behaviors, while the other seeks to identify key elements of non-price data generally associated with cash market trading activities. Holding periods generally range from several days to several weeks in duration.

For similar reasons as stated above, combining the various sub-models within a single portfolio also affords clients’ potential cost savings. For example, our performance-based compensation is netted across the various sub-models that comprise the Commodity Value Portfolio; thus, we will receive performance-based fees or allocations only if the net performance across all sub-models warrants.

*The Matrix Portfolio*

The Matrix Portfolio pursues a multi-model trend-based approach to investing across a diverse selection of liquid financial and commodities futures markets. The Matrix Portfolio seeks to provide investors with managed futures “beta” (as well as the potential for enhanced “alpha”) through the systematic application of hundreds of individual trading models, which collectively provide exposure to short-, intermediate- and long-term trending opportunities. The underlying trading models are selected based upon their individual risk/return characteristics, as well as their ability to smooth/diversify overall portfolio returns. While each of the trading models trades the same set of broadly diversified markets (with approximately 65% of market exposure being derived from financial futures (such as stock indices, fixed income and currencies) and approximately 35% of market exposure being derived from commodity futures (such as energies, metals, grains, softs and meats)), each is also differentiated by a unique trading style and time frame. The aggregate portfolio is therefore expected to be broadly diversified across markets, time horizons and trading styles.

Combining multiple models within a single portfolio also affords clients’ potential cost savings. For example, it is common for the various models to hold opposite positions (or seek opposite trades) within a given market. However, because positions (or trades) are netted across all models within a single account, clients are able to save the additional (but unnecessary) transaction costs

that would otherwise be incurred had each model traded independent of the other (or had each model been traded by a different trading advisor). Similarly, our performance-based compensation is netted across all of the models that comprise the Matrix Portfolio; thus, we will receive performance-based fees or allocations only if the net performance across all models warrants.

*The Short-Term Futures Portfolio*

The Short-Term Futures Portfolio is comprised of a model set that is entirely focused on short-term directional trading opportunities, yet shares a common heritage with many of the firm's other trading methodologies. Benefitting from the firm's depth of expertise in machine learning and artificial intelligence concepts, the portfolio employs a variety of fully-automated, intra-day trading models to forecast short-term price dislocations across a broad array of diversified futures markets, including stock indices, fixed income, currencies and commodities. The Short-Term Futures Portfolio targets a relatively consistent volatility profile over time, while seeking to deliver distinct correlation benefits and a unique risk-return profile relative to both traditional investments and any peer group of managed futures offerings.

As alluded to above, our performance-based compensation is netted across all of the models that comprise the Short-Term Futures Portfolio; thus, we will receive performance-based fees or allocations only if the net performance across all models warrants.

*The Stock Index Futures Portfolio*

The Stock Index Futures Portfolio offers investors the potential to hedge downside equity market risk without necessarily compromising bull market equity beta. The portfolio's unique trading methodology incorporates more than 100 systematic trading bots, which collectively tend to react to equity market risks and opportunities more rapidly than the typical diversified managed futures program. The Stock Index Futures Portfolio is predicated on advanced machine learning concepts, providing investors with tactical exposure of a short- to intermediate-term nature via S&P 500 futures contracts.

As alluded to above, our performance-based compensation is netted across all of the models that comprise the Stock Index Futures Portfolio; thus, we will receive performance-based fees or allocations only if the net performance across all models warrants.

\* \* \*

In the future, other models, sub-programs, sub-portfolios and/or markets may be included in any one or multiple portfolio options in our discretion, and the portfolios may be leveraged in a manner that reflects the addition of other models, sub-programs, sub-portfolios and/or markets. Allocation and leverage decisions are made by us, with the aid of certain research studies and other experience, in an effort to minimize risk and maximize profit opportunities.

**Investing in securities and other financial instruments involves risk of loss that clients and investors should be prepared to bear.**

*Certain Material Risks Associated with Methods of Analysis and Investment Strategies*

The following is a list of certain material risks associated with NuWave's significant methods of analysis and investment strategies. Investors in the private investment funds managed by NuWave should refer to the applicable fund's confidential private placement memorandum for a

description of additional risks associated with an investment in such private investment fund. Similarly, investors in the registered investment companies for which NuWave serves as a sub-advisor should refer to the applicable prospectus and statement of additional information for a description of additional risks associated with an investment in such registered investment company. Additionally, investors should consult their own legal, financial, tax and other advisors prior to making any such investment.

Investment and Trading Risks. All investments risk the loss of capital. We believe that our trading programs will moderate this risk through a careful selection of securities and other financial instruments. No guarantee or representation is made that our trading programs will be successful or that investors will not incur losses. The Long/Short Portfolio's trading program may utilize such investment techniques as the use of leverage and short sales, which practices can, in certain circumstances, increase the adverse impact to which the Long/Short Portfolio may be subject. The Combined Futures Portfolio, the Matrix Portfolio, the Commodity Value Portfolio, the Short-Term Futures Portfolio, the Stock Index Futures Portfolio and the Equity Enhanced Portfolio will make use of the leverage that is inherent in the futures and forward contracts in which it invests, which will expose each to similar risks.

Generally, client accounts will not be "hedged" against market fluctuations.

An Investment in Futures May Not Diversify an Overall Portfolio. Because futures investments have historically performed independent of traditional investments, we believe that an investment in the Combined Futures Portfolio, the Matrix Portfolio, the Commodity Value Portfolio, the Short-Term Futures Portfolio, the Stock Index Futures Portfolio and/or the Equity Enhanced Portfolio can help to diversify a portfolio of traditional investments, such as stocks and bonds. However, we cannot assure prospective investors that an investment in managed futures will perform with a significant degree of non-correlation to their other investments in the future.

Short Sales. We may engage in short selling on behalf of accounts that participate in the Long/Short Portfolio. A short sale involves the sale of a security that a client account does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To make delivery to the buyer, such client account must borrow the security and will be obligated to return the security to the lender, which is accomplished by a later purchase of the security by such account. When a client account makes a short sale in the U.S., it must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. government or other securities sufficient under current margin regulations to collateralize its obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security that would result in a theoretically unlimited loss.

Leverage; Futures Trading is Highly Leveraged. We use leverage in the course of our trading on behalf of accounts that participate in the Long/Short Portfolio and/or the Equity Enhanced Portfolio, using as collateral the securities that such accounts own from time to time. Consequently, the level of interest rates, generally, and the rates at which such accounts, in particular, are able to borrow, may strongly affect performance results. As in the case of other leveraged investments, losses may result that exceed the amount of the capital or assets of such accounts. We anticipate that the accounts participating in the Long/Short Portfolio will be leveraged at approximately 4.0 to 1 on average, although actual leverage used varies from time to time in our discretion.

Accounts that participate in the Combined Futures Portfolio, the Matrix Portfolio, the Commodity Value Portfolio, the Short-Term Futures Portfolio, the Stock Index Futures Portfolio and/or the Equity Enhanced Portfolio will also make use of the leverage that is inherent in the futures and forward contracts in which such accounts invest. The low margin deposits normally required in futures trading (typically between 2% and 15% of the value of the contract purchased or sold) permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a contract may result in immediate and substantial losses to an investor.

Futures Trading is Speculative and Volatile. A principal risk in futures trading is the volatility in the market prices of futures contracts. The prices of futures contracts may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions. The price movements of contracts are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary and exchange control programs and policies, domestic and foreign political and economic events and policies, and changes in interest rates. We cannot control any of these factors. No assurance can be given that the trading strategies employed by us will capture profitable moves or that investors will not incur substantial losses. If we incorrectly assess the direction of the price of a futures, option or forward contract, large losses may occur (which may substantially exceed the amount invested).

Markets May Be Illiquid. It is not always possible to execute a buy or sell order at the desired price, or to close out an open position, due to market illiquidity. Illiquidity may be caused by intrinsic market conditions (lack of demand or overabundant supply) or it may be the result of extrinsic factors like the imposition of daily price fluctuation limits (that set a floor and ceiling on the price at which a trade may be executed) and circuit breakers (that halt trading in certain stock indices; for example, whenever the Dow Jones Industrial Average or the S&P 500 Average declines or rises by a certain number of points).

Increasing Assets Managed by a Trading Advisor May Adversely Affect Performance. The rates of return achieved by trading advisors often diminish as assets under management increase. This can occur for many reasons, including the inability of the trading advisor to execute larger position sizes at desired prices and/or the need to adjust the trading advisor's trading program to avoid exceeding speculative position limits. Speculative position limits are limits established by the Commodity Futures Trading Commission (the "CFTC") and the exchanges on the number of speculative futures contracts of a given market that one trader may own or control. While we do not anticipate any capacity issues in the foreseeable future, we have not agreed to limit the amount of additional assets which we may manage.

Existence of Speculative Position Limits May Prevent us from Effectively Applying our Trading Program. The CFTC and U.S. futures exchanges have established speculative position limits (referred to as "position limits") on the maximum position in certain futures contracts that may be held or controlled by any one person or group. All futures accounts managed and controlled by us and our principals will be combined (that is, aggregated) for position limit purposes. We believe that established position limits will not adversely affect our trading for the Combined Futures Portfolio, the Matrix Portfolio, the Commodity Value Portfolio, the Short-Term Futures Portfolio, the Stock Index Futures Portfolio and/or the Equity Enhanced Portfolio. However, it is possible that from time to time the positions held or controlled by us may have to be modified or liquidated to avoid exceeding applicable position limits. If the application of position limits were to affect our trading decisions, we would attempt to modify our recommendations in such a way as not to affect disproportionately the performance of any one client account compared with that of any other account managed or controlled by us or our principals. In addition, the Dodd-Frank

Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) significantly expands the CFTC’s authority to impose broader aggregate position limits.

Trading of Forward Contracts. We may engage in trading forward contracts on behalf of the accounts that participate in the Combined Futures Portfolio, the Matrix Portfolio and/or the Equity Enhanced Portfolio. Deliverable forward contracts are not traded on exchanges and are not standardized; rather, banks and dealers typically act as principals in these markets, negotiating each transaction on an individual basis. Trading in such markets presents certain risks not present in futures trading because, among other things, there is no limitation on the daily price movements of such forward contracts, speculative position limits are not applicable and no margin need be posted, although a broker may require good faith deposits to be made in lieu of margin. Because performance of deliverable forward contracts is not guaranteed by any exchange or clearinghouse, the accounts that participate in the Combined Futures Portfolio, the Matrix Portfolio and/or the Equity Enhanced Portfolio are subject to counterparty risk to the extent any such forward contract trading may occur; *i.e.*, the risk that the principals or agents with, or through which, they trade will be unable, or will refuse, to perform with respect to the contracts. Because trading in the over-the-counter markets is largely unregulated, there generally are no specific standards or regulatory supervision with respect to trade pricing and other trading activities that occur in those markets. Furthermore, principals in the deliverable forward markets have no obligation to continue to make markets in the forward contracts traded and these markets can experience periods of illiquidity, sometimes of significant duration, which could result in substantial losses to the accounts that participate in the Combined Futures Portfolio, the Matrix Portfolio and/or the Equity Enhanced Portfolio. Also, notwithstanding the lack of regulation, the possible imposition of credit controls by governmental authorities might limit forward trading to less than that which we would otherwise recommend, to the possible detriment of the client accounts.

Trading on Non-United States Futures Exchanges May Involve Additional Risks. Trading on U.S. futures exchanges is subject to CFTC regulation and oversight, including, for example, minimum capital requirements for futures clearing brokers, regulation of trading practices on the exchanges, prohibitions against trading ahead of customer orders, prohibitions against filling orders off-exchange, prescribed risk disclosure statements, testing and licensing of industry sales personnel and other industry professionals, and recordkeeping requirements. We may trade futures for the accounts that participate in the Combined Futures Portfolio, the Matrix Portfolio, the Commodity Value Portfolio, the Short-Term Futures Portfolio, the Stock Index Futures Portfolio and/or the Equity Enhanced Portfolio on exchanges located outside the United States. This trading does not fall within the jurisdiction of the CFTC and, in many cases, will take place without the benefit of all the detailed financial, trade practice and customer protection regulations that apply to the activities of United States exchanges and their members.

Positions on non-U.S. exchanges may also be subject to the risk of exchange controls, expropriation, excessive taxation or government disruption.

In the recent past, the absence of a strong clearinghouse to stand behind the trades and to make good when one of the parties refused or was unable to fulfill the terms of the contract has resulted in significant losses for users of certain markets. In addition, in a number of foreign markets, a substantial volume of trades, which in the United States could only be executed on a regulated exchange, are executed wholly off exchanges in privately negotiated and substantially unregulated transactions. Also, certain foreign markets do not require segregation of customer monies. In some cases, the intermediaries through which we may deal on foreign markets may in effect take the opposite side of trades made for the accounts that participate in the Combined

Futures Portfolio, the Matrix Portfolio, the Commodity Value Portfolio, the Short-Term Futures Portfolio, the Stock Index Futures Portfolio and/or the Equity Enhanced Portfolio, although acting as an agent for such accounts--a practice that would be prohibited on United States exchanges. Also, we may not have the same access to certain trades as do various other participants in foreign markets. Furthermore, since we determine our client accounts' net assets in United States dollars, these accounts will be subject to the risk of fluctuations in the exchange rate between the local currency and dollars, as well as the possibility of exchange controls, in connection with any foreign trading.

Trading of Options on Futures Presents the Risk of Lost Premiums. We may engage in the trading of options on futures for the accounts that participate in the Combined Futures Portfolio, the Matrix Portfolio, the Commodity Value Portfolio, the Short-Term Futures Portfolio, the Stock Index Futures Portfolio and/or the Equity Enhanced Portfolio. If we, on behalf of any of these accounts, buy an option (either to sell or buy a futures contract), then the account will be required to pay a "premium" representing the market value of the option. Unless the price of the futures contract underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the account may lose the entire amount of the premium.

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

Our Trading Decisions Are Based Primarily on Technical Analysis. Our trading decisions will be generated systematically based primarily on technical, as distinguished from fundamental, analysis.

The profitability of technical analysis depends upon the ability to interact profitably with price moves or trends of varying duration across multiple markets. No assurance can be given with respect to our proprietary trading methodologies to identify such price moves or trends. The best trading method or strategy, whether based on technical or fundamental analysis, will not be profitable if there are no price moves or trends of the kind the trading method or strategy seeks to identify and pursue. In the past, there have been periods without discernible price moves or trends and, presumably, such periods will continue to occur from time to time in the future. Any factor which would lessen the prospect of such price moves or trends occurring in the future (such as increased government control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy, whether technical or fundamental, will be profitable in the future. Moreover, any factor which would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability.

A limiting factor in the use of technical analysis is that such an approach requires price movement data which can be translated into a meaningful paradigm sufficient to dictate market entry or exit decisions. Any trading method which is based upon such technical concepts may not perform well when the financial markets are erratic or choppy, because a technical method may fail to identify a price move or trend on which action should be taken or the method may react to minor or false price moves or trends (which may result in losses). In addition, a technical trading

method may underperform other trading methods when fundamental factors dominate price moves within a given market.

The calculations that underlie our trading programs involve a number of variables that are determined in part by information generated by computer analysis. The use of a computer in collating information or in developing and operating a trading method does not assure the success of the method because a computer is merely an aid in compiling and organizing price information. Accordingly, no assurance is given that the decisions based on our trading programs will produce profits for our investors.

Increased Use of Trend-Following and Counter-Trend Systems. Trading systems that employ trend-following timing signals and systems that employ counter-trend techniques have increased in use in recent years. With respect to trend-following systems, while the precise effect of such increase cannot be determined, such increase could alter trading patterns or affect execution to the detriment of our proprietary trading methodologies. As for counter-trend systems (or other systems that attempt to profit from the wide use of trend-following systems by running stop points or otherwise), their effect is even harder to determine, but such increase could also alter trading patterns to the detriment of our proprietary trading methodologies.

Changes in Trading Approach and Contracts Traded. We believe that the development of a trading strategy is a continual process. As a result of further analysis and research into the performance of our methods, changes have been, and will continue to be, made from time to time in the specific manner in which these trading methods evaluate price movements in the instruments traded. As a result of such modifications and enhancements, the trading methods that may be used by us in the future may differ from those presently being used. We will notify clients of any material changes in the trading approach which we use for such clients. However, clients will not be notified of changes in the particular instruments traded, or of other modifications and enhancements or additions or deletions to its trading approach which we do not consider to be material. Clients should therefore not rely on the prior performance of any trading portfolio as being an indication of the future performance of such trading portfolio. Furthermore, clients are advised that each of the Commodity Value Portfolio, the Short-Term Futures Portfolio, the Stock Index Futures Portfolio and the Matrix Portfolio has only a limited operating history.

Computerized Trading and Order Routing Systems. We generally execute trades on behalf of client accounts via computerized trading and order routing systems, which may significantly differ from traditional open outcry pit trading and manual order routing methods. Transactions executed via a computerized system are subject to the rules and regulations of the exchanges offering the system or listing the contract. Characteristics of computerized trading and order routing systems vary widely among the different electronic systems with respect to order matching procedures, opening and closing procedures and prices, error trade policies and trading limitations or requirements. There are also differences regarding qualifications for access and grounds for termination, as well as limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading via a particular system. Each system may also present risk factors related to system access, varying response times and security. In the case of internet-based systems, there may be additional risk factors pertaining to service providers and the receipt and monitoring of electronic mail.

Risks Associated with Electronic Trading. The trading systems that we use in association with our trading programs are multi-functional electronic systems designed for order entry through computerized means. Numerous features have been designed into these systems to prevent system failures, including redundant broker communication lines, redundant data feeds and

system/power redundancy. However, as with any electronic system, the potential exists for service to be interrupted due to a confluence of certain events. In such instances, depending upon the type of failure, it may not be possible to access a particular system to enter new orders and/or modify/cancel orders previously entered, and any such entry/modifications/cancellations would have to be effected manually (*i.e.*, by contacting the executing broker's trade desk). Positions may or may not be closed based upon our independent analysis of the severity of the outage, and trading may consequently cease until such time as we determine otherwise.

Brokers May Fail. Under CFTC regulations, “futures commission merchants,” such as the brokers utilized by and for client accounts, are required to maintain customers’ assets in a segregated account. Similarly, any prime brokers utilized by and for client accounts are also required to maintain customers’ assets in a segregated account. If the brokers fail to do so, in the event of a broker’s bankruptcy, investors may be subject to a risk of loss of the funds on deposit. In addition, under certain circumstances, such as the inability of another customer of the broker or the broker itself to satisfy substantial deficiencies in the other customer’s account, investors may be subject to a risk of loss of assets on deposit with such broker. In the case of any bankruptcy or customer loss, investors might recover, even with respect to property specifically traceable to those investors, only a pro rata share of all property available for distribution to all of the broker’s customers. In addition, if a prime broker used for a client account were to become insolvent, such client may not be able to trade the securities that are custodied with such prime broker for an extended period of time (if ever).

Loans of Securities; Pledge of Assets. Pursuant to master securities lending agreements or similar agreements, accounts that participate in the Long/Short Portfolio, the Large Cap Active Alpha Portfolio and/or the Equity Enhanced Portfolio may lend securities from their portfolio to brokers, dealers and financial institutions and receive collateral in the form of cash and securities in an amount equal to or greater than the current market value of the loaned securities, including any accrued interest or dividend receivable. These accounts will retain all rights of beneficial ownership as to the loaned portfolio securities, including voting rights and rights to interest or other distributions, and will have the right to regain record ownership of the loaned securities to exercise such beneficial rights. Such loans will be terminable at any time.

It should be noted that, pursuant to the account agreements between these accounts and their respective brokers, their brokers may lend their securities to third parties without notice to the investors in the accounts and without providing any collateral to the accounts.

The certain risk factors discussed above are not intended to be an exhaustive listing of all potential risks associated with an investment utilizing NuWave’s methods of analysis and/or investment strategies.

#### **Item 9 - Disciplinary Information**

*Not applicable.*

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

##### Management of Affiliated Investment Funds

We are registered with the CFTC as a commodity trading advisor and a commodity pool operator. We are also a member of the National Futures Association.



We and our related persons manage a number of pooled investment vehicles which are deemed to be our related persons. These vehicles include: (i) NuWave Investment Partners LP, a Delaware limited partnership; (ii) NuWave Offshore Fund Ltd., a Cayman Islands exempted company; (iii) NuWave Long/Short Portfolio Fund LP, a Delaware limited partnership; and (iv) NuWave Long/Short Feeder Fund Ltd., a Cayman Islands exempted company (collectively, the “Affiliated Funds”). NuWave Investment Partners LP and NuWave Long/Short Portfolio Fund LP also act as master portfolios for certain of the Affiliated Funds.

The management of multiple pooled investment vehicles may result in conflicts of interests when we and our related persons allocate time and investment opportunities among the Affiliated Funds and other clients. In addition, the compensation earned by us and our related persons from each of the Affiliated Funds may differ from one another and other clients. We and our related persons will generally follow documented policies and procedures in allocating trades among such Affiliated Funds and other clients (*see Item 12 “Brokerage Practices” - “Allocation of Investment Opportunities” below*).

Subject to applicable law, we may effect transactions (generally to correct misallocations of trades) among client accounts (including the Affiliated Funds) in which one client account will purchase securities or other investment interests from or sell securities or other investment interests to another client account (including Affiliated Funds in which we or our related persons may have a significant interest). This may result in a conflict of interest because a potential transaction may result in benefits to one transacting party that may be greater than the benefits to the other transacting party. In order to mitigate such conflicts, such transactions require the prior approval of our Chief Compliance Officer and will be effected only when we believe that such transactions are in the best interests of the applicable clients and the misallocation or trade error cannot be corrected using the intended allocation methodology prior to settlement. Such transactions shall be effected for cash consideration, generally at the closing price of the particular security or other investment interest, and no brokerage commission or transfer fee shall be paid to us or our related persons in connection with any such transaction.

In addition, except for cross trades to correct misallocations of trades among client accounts and for cross trades that are exempt from the prohibited transaction rules under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and the Internal Revenue Code of 1986, as amended (the “Code”), as provided by the Pension Protection Act of 2006, we will not effect any cross trades on behalf of any client account that constitute “plan assets” under ERISA or the Code.

Our principals (and/or other related persons) may have a greater portion of their personal assets invested in certain of the Affiliated Funds than in the others. As a result, we may have a conflict of interest in allocating investment opportunities among the Affiliated Funds and our clients. We will generally follow documented policies and procedures in allocating trades among Affiliated Funds and our clients (*See Item 12 “Brokerage Practices” - “Allocation of Investment Opportunities” below*).

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

### *Code of Ethics Generally*

We have adopted a Code of Ethics (the “Code of Ethics”) which provides that we are committed to conducting our business in accordance with all applicable laws and regulations and in an

ethical and professional manner. In addition, we recognize that we have a fiduciary duty to the investors in the private investment funds, registered investment companies and other accounts we manage, and that all of our employees must conduct their business on our behalf in a manner that enables us to fulfill this fiduciary duty. In this regard, we have developed policies and procedures in our Code of Ethics that are premised on fundamental principles of openness, integrity, professionalism, honesty and trust. In addition, among other things, our Code of Ethics governs all personal investment transactions by our employees, our policies with respect to gifts and entertainment, compliance with applicable federal securities laws, and the manner in which violations of our Code of Ethics are to be reported. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

*Participation or Interest in Client Transactions and Transactions between Client Accounts*

Subject to applicable law, we recommend that certain prospective and existing clients invest in the private investment funds we manage. Our principals and other management persons may have significant personal investments in these funds. In addition, we and our affiliates receive performance-based fees and allocations from these funds.

Subject to applicable law, we may effect transactions between client accounts (generally to correct misallocations of trades) whereby one client account will purchase securities or other investment interests from or sell securities or other investment interests to another client account (*see Item 10 above*).

In the event that we effect a cross trade between an account in which we or our controlling persons own more than twenty five percent (25%) and another client account, such transaction may be deemed to be a principal transaction under the Advisers Act. Such transactions may create a conflict of interest for us because we may put our or our control persons' interests in such accounts before the interests of our clients in the other account. In order to mitigate this conflict of interest, we monitor the interests of our principals, their immediate family members and their affiliates in our client accounts, and our portfolio managers may not cause any client account to (i) purchase portfolio securities or other investment interests from or sell portfolio securities or other investment interests to our account, any of our affiliates' accounts or any other client; or (ii) purchase securities or other investment interests issued by another client, in each case without the prior authorization of our Chief Compliance Officer. Our Chief Compliance Officer will not authorize us to effect any cross trades between accounts if we believe that such trade would result in a principal transaction unless:

- 1) We believe that such transaction is in the best interest of the clients participating in the transaction; and
- 2) We obtain the consent of the applicable clients as required by the Advisers Act.

*Personal Securities Trading by NuWave Personnel*

Our employees (including our directors, officers or members) may not engage in a transaction in a security that is also the subject of a transaction by or on behalf of a client account if such employee's transaction would disadvantage, or appear to disadvantage, the client or if such employee would inappropriately profit from, or appear to inappropriately profit from, the transaction, whether or not at the expense of the client. The following specific restrictions apply to all employees' trading activities:

- 1) Any transaction in a security in anticipation of client orders (front running) or in response to client orders (replication) is prohibited; and
- 2) Any transaction in a security that would result in an employee's purchase and sale, or sale and purchase, of the same (or equivalent) security within sixty (60) calendar days is prohibited.

All other transactions in securities, other than certain "exempt transactions" described in the Code of Ethics, must be pre-cleared by our Chief Compliance Officer or the Managing Principal. A request for pre-clearance for a transaction by an employee may be disapproved if it is determined by the Chief Compliance Officer or the Managing Principal that the employee is unfairly benefitting from, or that the transaction is in conflict with or appears to be in conflict with, any client transaction, any of the above trading restrictions or the Code of Ethics and its policies.

Any and all trading of commodities, futures, forwards and options, whether traded on an organized exchange or otherwise, including, but not limited to, cash foreign exchange instruments, ("Futures Interests") by employees is prohibited, unless the Chief Compliance Officer or the Managing Principal otherwise consent to such trading in writing. It is expected that such consent will be given only in certain circumstances and, in such instances, pre-clearance and reporting procedures will be established on a case-by-case basis; such pre-clearance and reporting procedures may be substantively identical to or materially different from those governing the trading of securities as described in the Code of Ethics.

#### Timing of Transactions for Client Accounts and Affiliated Funds

We may buy or sell securities for one client at the same time that we or our related persons buy or sell the same security for one or more other clients (including the Affiliated Funds which are our related persons). This will typically happen when more than one client is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. This may create a conflict of interest if one account may benefit from making the trade before or after the other account. We will generally aggregate trades, subject to best execution, to avoid any such conflict of interest (see *Item 12 - "Brokerage Practices" - "Aggregation of Orders"*).

Subject to certain restrictions, our principals and employees may also trade securities for their own accounts that are the same securities that we are trading on behalf of our clients (see *"Personal Securities Trading by NuWave Personnel"* above).

### **Item 12 - Brokerage Practices**

#### Selection of Brokers

Brokerage transactions are executed by brokers and dealers generally selected on the basis of obtaining the best overall terms available based on a variety of factors, including: the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality and comprehensiveness of related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying other selection criteria. Subject to seeking the best execution, we may also consider referrals of potential investors as a factor in the selection of brokers. We may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of the brokerage and other services provided by the broker. Accordingly, if we determine in good faith that the

amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and other products or services provided by such broker, clients may pay commissions to such broker in an amount greater than the amount another broker might charge.

We do not have any formal soft dollar arrangements with our brokers. However, our prime broker(s), clearing broker(s) and executing broker(s) may provide us with front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, futures, foreign currency and options, among others. Subject to applicable law, our brokers may also provide us with capital introduction services.

We execute transactions on behalf of client accounts with brokers that provide us with access to proprietary research reports (such as standard investment research and credit reports). To our knowledge, these services are generally made available to all institutional investors doing business with such brokers. These bundled services are made available to us on an unsolicited basis and without regard to the rates of commissions charged or paid by client accounts or the volume of business that we direct to such brokers.

We may have a conflict of interest in selecting brokers for transactions in client accounts because we may have an incentive to select brokers based on the research and other services they provide. This conflict is mitigated by the fact that we generally do not use the research provided by brokers in formulating our investment advice and therefore do not consider the provision of such items when selecting brokers for our clients.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. We will not commit to provide any level of brokerage business to any broker, and actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

Members of the Advisor's Trading Committee review the effectiveness of our "Best Price & Execution Policies and Procedures" and also evaluate the execution performance of the brokers we use to execute client transactions. Members of the Trading Committee also evaluate, and seek to resolve, any conflicts of interest that we may have in selecting brokers to execute client transactions.

#### Brokerage for Client Referrals

Subject to applicable law, we may direct some client brokerage business to brokers who refer prospective investors to the private investment funds we manage, consistent with best execution. Because such referrals, if any, are likely to benefit us but will provide an insignificant (if any) benefit to our clients, we have a conflict of interest with our clients when allocating client brokerage business to a broker who has referred investors to us. To prevent client brokerage commissions from being used to pay investor referral fees, we will not allocate client brokerage business to a referring broker unless we determine in good faith that the commissions payable to such broker are not materially higher than those available from non-referring brokers offering services of substantially equal value to the client account.

#### Directed Brokerage.

Separately managed account clients are free to use the Prime Broker ("PB"), Futures Commission Merchant ("FCM") and Introducing Broker ("IB") of their choice. We reserve the right to

approve any PB, FCM or IB requested by a client. Our approval will take into consideration such facts as execution capability, costs, services provided, financial resources and industry reputation, among others.

We may direct trades to any executing broker we choose for execution with instructions to “give-up” to a client’s prime broker and/or clearing broker. The prime broker and/or clearing broker will then pay the brokerage and additional fees (which generally are approximately \$1.00/half turn or less, unless higher fees are approved by the client) to the executing broker from the client’s account. In addition, clients will be required to sign documentation which specifically authorizes us to execute orders utilizing a give-up procedure and to enter into give-up agreements with the executing and clearing brokers involved, and may authorize us to act on behalf of the client in negotiating and/or executing those agreements.

#### Allocation of Investment Opportunities

It is our policy to objectively allocate trade executions that afford each client account the same likelihood of receiving favorable or unfavorable executions over time.

We will act in a fair and reasonable manner in allocating suitable investment and trading opportunities among our client accounts. We will determine whether a particular opportunity meets the overall investment objectives of a particular client under the circumstances (which may include liquidity, the size/amount of the available opportunity, the risks involved or other factors relating to such investment) and we are not required to make all investment opportunities available to each client. In order to fulfill our fiduciary duties to our clients, we will not arbitrarily distinguish among clients and proprietary accounts and will not internally give promising positions to underperforming client accounts to boost performance or vice versa. The foregoing policy does not require that each client opportunity be introduced to all client accounts, leaving significant discretion to us to make good faith determinations with respect to the allocation of trades.

In allocating investment opportunities on behalf of our clients, we owe our clients the highest duty of loyalty. We will act primarily for the benefit of our clients and will seek to treat all clients fairly and equitably over time. We will endeavor to ensure that:

- Each client account is treated fairly as to the securities and/or futures interests purchased or sold for its account;
- Each client account is treated fairly with respect to priority of execution of orders;
- Each client account is treated fairly in the allocation of investment opportunities;
- Bunched trades are allocated on a timely basis (under normal conditions, orders shall be allocated to clients by no later than the end of each day, in accordance with either exchange average pricing methodologies and/or our proprietary allocation methodology);
- Appropriate execution records are maintained; and
- Accurate records of client trades and positions are maintained.

*Pro rata* allocations among all participating client accounts are not required, but in all cases in which a non-*pro rata* allocation is made, we will demonstrate the general criteria on which such allocation was made. The general criteria may include (but are not limited to):

- Whether a client already has sufficient exposure to the securities, issuer, sector, industry or markets in question;
- The different liquidity positions and requirements of the participating client accounts;
- Tax considerations;
- Regulatory considerations;
- The relative capitalization and cash availability of the participating client accounts;
- The relative risk profiles of the participating client accounts;
- Differing investment strategies and objectives;
- Portfolio concentration considerations;
- Formal diversification requirements imposed by the respective client account's constituent documents;
- The right and ability of a particular client to borrow either with respect to the particular investment opportunity under consideration or its portfolio in general;
- Different historical and anticipated subscription, commitment, contribution and redemption patterns;
- Minimum investment criteria;
- Fund ramp up and ramp down periods;
- Investment time horizons; and/or
- The ability of a particular client account to employ leverage, hedging, derivatives or other similar strategies in connection with acquiring, holding or disposing of the particular investment opportunity.

Notwithstanding the foregoing, we recognize that in certain circumstances strict compliance with these procedures may not be feasible and that unusual or extraordinary conditions may on occasion warrant deviation from the standard practices and procedures set forth in our trade allocation policy. In such circumstances, the Managing Principal, the Chief Compliance Officer, the Managing Director - Administration and the Head of Trading (or at least any two of the four, when all are not available) shall determine the appropriate action which, in their reasonable judgment, will serve the best interests of, and will be fair and equitable to, all client accounts involved.

Trade Error Policy

Subject to applicable law, we will reimburse the applicable client account(s) for net losses that occur as a result of trade errors to the extent that we are liable to the client under the client's investment management agreement.

We may correct misallocations of trades among client accounts by re-allocating the applicable trade using the intended allocation methodology prior to the trade's settlement date. If an erroneous allocation cannot be corrected prior to or after settlement, we may, if appropriate and subject to applicable law and with the prior approval of our Chief Compliance Officer, correct such erroneous allocation by effecting a cross trade between client accounts at the price at which the initial trade was effected.

#### Aggregation of Orders

We will generally aggregate client trades, subject to best execution. Aggregation, or "bunching," describes a procedure whereby an investment adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. Aggregation opportunities generally arise when more than one client is capable of purchasing or selling a particular instrument based on investment objectives, available cash and other factors. In such event, instruments purchased or sold will generally be allocated among client accounts on an average price basis. When an aggregated order is only partially filled, we will allocate the investment opportunity as described in *Item 12 – "Brokerage Practices" - "Allocation of Investment Opportunities"* above.

We may also aggregate subsequent orders for the same instrument entered during the same day with any previously filled orders. This determination may take into consideration changes in the market price of the instrument and differences in allocations among accounts.

#### **Item 13 - Review of Accounts**

Client portfolios are periodically reviewed by members of the Advisor's Risk Committee, which consists of the Managing Principal, the Chief Operating Officer, the Co-Head of Research, and the Head Trader. Members of the Risk Committee review client portfolios within the context of prevailing/historical market conditions, current positioning, new entry/exit signals, timing and method of execution, liquidity constraints, volatility/risk parameters, margin requirements, and counterparty risks, as well as a host of other considerations that may prove to be relevant from time to time.

Client portfolios are also reviewed daily by members of our trading and operations teams to ensure consistency of exposure and to monitor compliance with the applicable trading mandate and any applicable risk and/or operating guidelines. The Chief Compliance Officer is also involved in a periodic review of trading activity and account allocations. Client portfolios are evaluated pursuant to a variety of internal risk reports, which summarize daily and month-to-date performance, position-level exposures, foreign currency exposures, margin to equity, and trading commissions, as well as a host of other custom reports that may prove to be relevant from time to time.

We may, in our discretion, furnish investors in the private investment funds we manage with periodic written unaudited performance reports on a monthly basis. On an annual basis, investors receive a copy of the relevant fund's annual audited financial statements and, where applicable, a statement of taxable income (form K-1).

We may provide certain investors access to more frequent and/or more detailed information regarding the private investment funds' securities positions, performance, finances, and management and/or other information about the private investment funds or us (including, notification of the commencement of certain disciplinary actions, legal proceedings, investigations or similar matters against a fund, us and/or our personnel, or of redemptions from a fund by us and/or our personnel), possibly enabling such investors to better assess the prospects and performance of the funds.

We provide registered investment company accounts and the owners of the separately managed accounts we manage with periodic unaudited reports at such times as the relevant parties may agree. The custodians of such accounts send account statements to the owners of such accounts no less frequently than monthly. In addition, since a managed account investor directly owns the positions in its separately managed account, such investor may have full, real-time transparency as to all transactions and holdings in such account, and may be better able to assess the future prospects of a portfolio that is substantially similar to the portfolios of the private investment funds managed by us. The investors in such separately managed accounts may have the right to withdraw all or a portion of their capital from such managed accounts on shorter notice and/or with more frequency than the terms applicable to an investment in the private investment funds we manage.

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

We may obtain certain research and brokerage products and services in return for directing client securities transactions to the broker (*see Item 12 "Brokerage Practices" - "Selection of Brokers"*).

From time to time, we may enter into agreements with third-party marketers who may be compensated for direct client introductions.

#### **Item 15 - Custody**

As noted above in Item 13, owners of the separately managed accounts we manage will receive account statements no less frequently than monthly from the custodians of such accounts. Clients should carefully review these statements that are received from the custodians of such accounts.

#### **Item 16 - Investment Discretion**

Generally, we have authority to buy and sell securities for our clients without specific ongoing client supervision. However, we may be subject to client-imposed limits on the kind or amount of securities to buy or sell. The investors in the private investment funds managed by us generally may not place any limits on our authority beyond the limitations set forth in the offering and governing documents of such private investment funds. On a case by case basis, registered investment company accounts and/or owners of the separately managed accounts we manage may negotiate certain risk and/or operating guidelines that we will adhere to when exercising our discretionary authority over such accounts.

#### **Item 17 - Voting Client Securities**

We generally have voting discretion over securities held in clients' accounts. Clients are generally not able to direct their votes in a particular situation. We will exercise our discretion in the best interests of our clients. In fulfilling our obligations to our clients, we will act in a prudent



and diligent manner intended to enhance the economic value of the securities. We have adopted a proxy voting policy which is summarized below.

Our proxy voting policy is designed to ensure that we exercise care and diligence to monitor corporate governance and other developments relevant to client securities and to take such factors into account when exercising our authority to vote on behalf of our clients. Moreover, to the extent shareholder proposals raise potential conflicts of interest for us or our advisory affiliates, our policy obligates us to resolve those conflicts in favor of our clients.

In certain situations, a client or its fiduciary may provide us with a statement of proxy voting policy or guidelines. In such situations, we shall seek to comply with such policy or guidelines to the extent that it would not be inconsistent with applicable regulations or our fiduciary responsibilities.

We have contracted with Institutional Shareholder Services Inc. to procure independent proxy voting policies and research services and to act as our voting agent (in accordance with such policies) for all proxy voting decisions with respect to client securities.

A client may obtain information about how we voted securities in the private investment fund or other account in which the client is invested by contacting us at the address set forth on the cover page of this brochure.

#### **Item 18 - Financial Information**

A balance sheet is not required to be provided because NuWave does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.