

**ITEM 1  
COVER PAGE**

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**PART 2A OF FORM ADV: FIRM BROCHURE**

**HUTCHIN HILL CAPITAL, LP**

October 25, 2011

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*This brochure (this "Brochure") provides information about the qualifications and business practices of Hutchin Hill Capital, LP (the "Investment Adviser"). If you have any questions about the contents of this Brochure, please contact us at (212) 757-4490 or [info@hutchinhill.com](mailto:info@hutchinhill.com), or contact James McGovern, Chief Compliance Officer, at 646-616-2067, [james.mcgovern@hutchinhill.com](mailto:james.mcgovern@hutchinhill.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.*

*The Investment Adviser is registered as an investment adviser with the SEC. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.*

*Additional information about the Investment Adviser also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**ITEM 2**  
**MATERIAL CHANGES**

This Brochure is the Investment Adviser's initial Form ADV Part 2A submitted with its application for registration with the SEC; therefore, there are no material changes to report. If the Investment Adviser makes any material changes to this Brochure, the Investment Adviser will revise this section to include a summary of such changes.

# **ITEM 3** **TABLE OF CONTENTS**

ITEM 1 COVER PAGE.....	i
ITEM 2 MATERIAL CHANGES .....	ii
ITEM 3 TABLE OF CONTENTS .....	iii
ITEM 4 ADVISORY BUSINESS .....	1
A. <u>General Description of Advisory Firm</u> .....	1
B. <u>Description of Advisory Services</u> .....	1
1. <b>Advisory Services</b> .....	1
2. <b>Investment Strategies and Types of Investments</b> .....	2
C. <u>Availability of Customized Services for Individual Clients</u> .....	2
D. <u>Wrap Fee Programs</u> .....	2
E. <u>Assets Under Management</u> .....	2
ITEM 5 FEES AND COMPENSATION .....	3
A. <u>Advisory Fees and Compensation</u> .....	3
B. <u>Payment of Fees</u> .....	3
C. <u>Additional Fees and Expenses</u> .....	4
D. <u>Prepayment of Fees</u> .....	5
E. <u>Additional Compensation and Conflicts of Interest</u> .....	5
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	6
ITEM 7 TYPES OF CLIENTS .....	7
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	8
A. <u>Methods of Analysis and Investment Strategies</u> .....	8
B. <u>Material, Significant or Unusual Risks Relating to Investment         Strategies and Risks Associated With Particular Types of Securities</u> .....	10
ITEM 9 DISCIPLINARY INFORMATION .....	24
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	25
A. <u>Broker-Dealer Registration Status</u> .....	25
B. <u>Futures Commission Merchant, Commodity Pool Operator or         Commodity Trading Adviser Registration Status</u> .....	25
C. <u>Material Relationships or Arrangements with Industry Participants</u> .....	25
D. <u>Material Conflicts of Interest Relating to Other Investment Advisers</u> .....	26
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	27
A. <u>Code of Ethics</u> .....	27

B. <u>Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.</u> .....	27
C. <u>Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.</u> .....	27
ITEM 12 BROKERAGE PRACTICES .....	29
A. <u>Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions.</u> .....	29
1. Research and Other Soft Dollar Benefits.....	29
2. Brokerage for Client Referrals.....	30
3. Directed Brokerage. ....	30
B. <u>Order Aggregation.</u> .....	30
ITEM 13 REVIEW OF ACCOUNTS.....	32
A. <u>Frequency and Nature of Review of Client Accounts or Financial Plans.</u> .....	32
B. <u>Factors Prompting Review of Client Accounts Other than a Periodic Review.</u> .....	32
C. <u>Content and Frequency of Account Reports to Clients.</u> .....	32
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	33
A. <u>Economic Benefits for Providing Services to Clients</u> .....	33
B. <u>Compensation to Non-Supervised Persons for Client Referrals.</u> .....	33
ITEM 15 CUSTODY .....	34
ITEM 16 INVESTMENT DISCRETION .....	35
ITEM 17 VOTING CLIENT SECURITIES.....	36
ITEM 18 FINANCIAL INFORMATION .....	37

## **ITEM 4**

### **ADVISORY BUSINESS**

#### **A. General Description of Advisory Firm.**

The Investment Adviser, a Delaware limited partnership, commenced operations in 2008 with an office in New York. Mr. Neil A. Chriss controls the Investment Adviser through Hutchin Hill Capital GP, LLC, its general partner. The other principals of the Investment Adviser are Messrs. Seth Padowitz, Mark Haas and Gregory Racz.

Hutchin Hill Portfolio Management, LLC, a Delaware limited liability company (the "PM Company"), acts as a services company to each of the Funds (as defined below) pursuant to services agreements (each, a "Services Agreement" and collectively, the "Services Agreements"). The PM Company is also controlled by Mr. Chriss. Pursuant to the Services Agreements, the PM Company employs Investment Professionals (as defined below) and their respective staffs and pays, in the first instance, among other things, the salaries, benefits and bonuses of the Portfolio Management Teams (as defined below).

#### **B. Description of Advisory Services.**

##### **1. Advisory Services.**

The Investment Adviser serves as the management company with discretionary trading authority to (1) Hutchin Hill Capital Domestic Fund, LP, a Delaware limited liability partnership (the "Domestic Fund"), (2) Hutchin Hill Capital Offshore Fund, Ltd., a Cayman Islands exempted company (the "Offshore Fund"), and together with the Domestic Fund, the "Feeder Funds"), and (3) Hutchin Hill Capital Master Fund, Ltd., a Cayman Islands exempted company (the "Master Fund"), and collectively with the Feeder Funds, the "Funds"). Hutchin Hill Fund GP, LLC, a Delaware limited liability company affiliated with the Investment Adviser, serves as the general partner of the Domestic Fund.

The Feeder Funds invest substantially all of their assets through a "master feeder" structure in the Master Fund. The Investment Adviser generally manages the core strategies of the Master Fund by allocating capital to a number of investment strategies (as described in Item 8 below), each managed by a head or co-head (each, an "Investment Professional") of a group responsible for managing a particular strategy (each, a "Portfolio Management Team"). The Investment Adviser generally allocates capital by establishing wholly-owned subsidiaries of the Master Fund (each, a "Sub-Fund"), each of which are managed by an Investment Professional with respect to one or more strategies. Messrs. Chriss and Padowitz may at times manage capital with respect to a strategy or manage positions associated with top-down hedge trades or opportunistic trades.

As used herein, the term "client" generally refers to each Fund.

## **2. Investment Strategies and Types of Investments.**

Please see Item 8.

### **C. Availability of Customized Services for Individual Clients.**

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

### **D. Wrap Fee Programs.**

The Investment Adviser does not participate in wrap fee programs.

### **E. Assets Under Management.**

The Investment Adviser manages approximately \$1,379,646,130 as of October 24, 2011 on a discretionary basis. As of October 24, 2011, the Investment Adviser does not manage any assets on a non-discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

#### **A. Advisory Fees and Compensation.**

The fees applicable to each Fund are set forth in detail in each Fund's offering documents. A brief summary of such fees is provided below.

The Master Fund will generally pay to the Investment Adviser a management fee (the "Management Fee") equal to 0.5% (2% annualized) of the net asset value of shares of the Master Fund (other than for investors who elect "institutional" shares), determined as of the beginning of the respective quarter or, if shares were purchased other than at the beginning of a calendar quarter, the date on which such shares were purchased. For institutional shares, the Management Fee paid by the Master Fund to the Investment Adviser ranges from 0.25% - 0.4% (1.0% to 1.6% annualized) (determined based on the aggregate amount invested by a shareholder) of the net asset value of such institutional shares as of the beginning of the respective quarter. The Investment Adviser may, under certain circumstances, in its sole discretion, choose to reduce or waive the Management Fee payable by the Master Fund.

In addition, the Master Fund will allocate to an affiliate of the Investment Adviser generally on a semi-annual basis, an incentive allocation (each an "Incentive Allocation") equal in the aggregate to 15% of the net realized and unrealized appreciation in the net asset value of each series of shares of the Master Fund during such semi-annual period or other period for which the Incentive Allocation is calculated (adjusted for any redemptions of shares in that series made during such period and reduced by expenses) (the "Adjusted NAV"); provided, however, that the Incentive Allocation will be made only if the Adjusted NAV of a series of such corresponding shares as of the date of determination of the amount of the Incentive Allocation is in excess of the prior high net asset value of that series. With respect to certain classes of shares, the Incentive Allocation may be reduced by a clawback. The Adjusted NAV is generally calculated net of the additional fees, expenses and incentive amounts described in C below, subject, in certain instances, to a cap on such amounts.

Finally, investors bear the cost of compensating the Portfolio Management Team employed by the PM Company.

Pursuant to an agreement with a strategic investor (together with an approved designee of such investor), such investor is entitled (in addition to other rights described in the offering documents) to an allocation on a semi-annual basis of certain profits of the Master Fund, which, once allocated, will not increase the amount of the Incentive Allocation and Management Fee otherwise borne by investors. Such allocation will not accrue or be allocable or distributable until the Master Fund has earned a significant amount of cumulative net profit.

#### **B. Payment of Fees.**

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds are generally deducted from the assets of such clients. As discussed above, Management Fees are generally deducted on a quarterly basis and the Incentive Allocation is generally deducted on a semi-annual basis.

C. Additional Fees and Expenses.

The Master Fund bears its own operating and other expenses (including, without limitation, its *pro rata* share of the operating and other expenses of the Master Fund's subsidiaries, including the Sub-Funds). The Master Fund also bears certain of the Feeder Funds' expenses. In consideration for such expenses being borne by the Master Fund, the net asset value of the Feeder Funds' shares in the Master Fund will be reduced. Such expenses include, without limitation:

- (a) investment and trading-related expenses (these are expenses directly related to the Master Fund's investment program and include, *e.g.*, brokerage commissions, ticket charges, expenses related to short sales, clearing, and settlement charges, custodial fees, financing charges, consulting and any other professional fees or compensation relating to particular investments or contemplated investments, appraisal fees and expenses, investment banking expenses, investment-related travel and lodging expenses, and research-related expenses);
- (b) expenses directly associated with the Funds and the Sub-Funds, including legal expenses; accounting, audit and tax preparation expenses; entity-level taxes; organizational expenses; fees and expenses paid to third party managers; fees and expenses borne directly by any vehicle through which assets of the Master Fund may be invested; premiums for the directors' and officers' liability insurance (if any); Management Fees; administrative expenses; expenses of the administrator; fees relating to valuing assets; expenses relating to the maintenance of registered offices; corporate licensing expenses; indemnification expenses; and other similar expenses, or extraordinary expenses, relating to the Funds and the Sub-Funds; and
- (c) PM Company Expenses. "PM Company Expenses" include, without limitation:
  - (i) Organizational and ongoing maintenance expenses associated with the PM Company;
  - (ii) Salaries, bonuses and incentive compensation of Portfolio Management Teams, and benefits and taxes relating thereto;
  - (iii) Certain expenses related to the recruiting, hiring, on-boarding and termination of Portfolio Management Teams (including recruitment fees and retainers paid to recruiters, certain up-front compensation and buy-out payments payable to Portfolio Management Teams, legal expenses involved in the hiring or termination of Portfolio Management Teams, which in certain instances may include legal fees paid to the counsel of the Portfolio Management Teams);
  - (iv) Strategy specific information technology infrastructure;
  - (v) Computer hardware and software and other information technology products;



(vi) Data and data management resources provided to Investment Professionals and their support personnel;

(vii) Interest expense on a promissory note entered into between the PM Company and the Investment Adviser pursuant to which the PM Company promised to re-pay the Investment Adviser the loans made to the PM Company and evidenced in a loan agreement and any other loan agreement entered into by the PM Company for the benefit of the Funds;

(viii) Other operational expenses of entities formed for specific Strategies (as defined in Item 8 of this Brochure) (including Sub-Funds); and

(ix) Other expenses of Portfolio Management Teams, which may include meals and entertainment, office meals, traveling, etc.

Investors in the Funds may bear, in addition to the PM Company Expenses charged to them as incurred by the PM Company (which expenses may be subject to a monthly chargeback cap), a portion of PM Company Expenses that have been carried forward from periods prior to their having become investors in the Funds. If an investor withdraws its investment at a time when not all expenses incurred by the PM Company have been charged to those entities, redeemed or withdrawn shares or interests will be charged subject to a certain cap, as more fully described in the offering document of the Master Fund.

D. Prepayment of Fees.

Generally, the Master Fund pays the Investment Adviser the Management Fee quarterly in advance based on its net asset value. In the event that the Master Fund's net asset value is reduced in connection with a withdrawal or redemption by an investor of such client other than as of the last day of a quarter, the Investment Adviser will pay the Master Fund an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days remaining in such quarter, and such client will distribute such amount to the investor.

E. Additional Compensation and Conflicts of Interest.

Neither the Investment Adviser nor any of its supervised persons accepts compensation (*e.g.*, brokerage commissions) for the sale of securities or other investment products.

**ITEM 6**  
**PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Investment Adviser and its affiliates accept performance-based fees from only the Master Fund, which is effectively the only trading vehicle of the Investment Adviser and its affiliates. As a result, the Investment Adviser and its affiliates do not face the conflicts of interest that may arise when an investment adviser receives performance-based fees from multiple clients or accounts and/or accepts performance-based fees from some clients but not from other clients.

In the future, the Investment Adviser and its affiliates may manage multiple accounts with different fee structures, including accounts that pay fees lower or higher than those paid by the Master Fund or no fees. There is a potential conflict of interest in that the Investment Adviser or any of its affiliates may have an incentive to provide preferential treatment in terms of time, resources, and investment opportunities to accounts paying higher fees. In addition, if the Investment Adviser receives performance-based fees from one client but not another it may have an incentive to make riskier or more speculative investment decisions for the client subject to performance fees. The Investment Adviser will mitigate these potential conflicts through policies and procedures regarding trade allocation and its Code of Ethics, which requires the Investment Adviser to put the interests of clients first.

**ITEM 7**  
**TYPES OF CLIENTS**

The Investment Adviser generally provides investment advice to Funds, as described above.

## ITEM 8

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

#### A. Methods of Analysis and Investment Strategies.

*The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

The Master Fund's objective is to produce consistently high risk-adjusted rates of return. The Investment Adviser intends to pursue the Master Fund's investment program generally by allocating assets to selected investment strategies (each, a "Strategy") that, in aggregate, the Investment Adviser believes will form a well-diversified portfolio and that the Investment Adviser expects in whole to exhibit significantly better and more consistent performance over time than each Strategy would by itself.

The Investment Adviser will generally pursue the Master Fund's investment program by allocating capital across a broad and diverse array of "Strategic Areas": Discretionary Credit, Discretionary Equity, Systematic and Quantitative, Macro, Managed Futures and Opportunistic. The Investment Adviser's principal focus will be to operate strategies that purchase and sell liquidly traded instruments for which there is a generally active market (although the Master Fund may trade in illiquid instruments or markets that are not generally active) and to follow, in the case of each Strategy, a clearly articulated investment process that drives idea generation, investment decisions, implementation and portfolio construction.

The main Strategic Areas are described below:

- **Discretionary Credit Strategies** combine fundamental research and analysis to make global investments in tradable corporate debt. This Strategic Area from time to time employs a variety of investment techniques and trades in cash bonds, credit default swaps, hybrids, loans and credit indices, taking both long and short positions. This area may include relative value trades, re-financings, new issues, special situations and compression trades as well as other opportunities across the capital structure, including capital structure arbitrage. Strategies generally are currently focused on trading liquid bond issues and on-the-run (or close to on-the-run) single-name credit default swaps, and credit indices, hybrids and loans and generally avoid significant long-term bets on the direction of credit markets, bond/CDS basis, or the relative performance of various investment sectors (such as high yield versus investment grade).

- **Discretionary Equities Strategies** apply fundamental research to invest in global listed equities. Strategies generally take long and short positions in individual companies and seek to have low exposure to overall market movements. This area includes Strategies focused on single sectors in which the Investment Adviser believes it possesses expertise. This area also includes event-oriented Strategies where the common thread is an investable trading opportunity created by corporate events, including mergers, spin-offs, tenders, stock buy-back or special dividends, or non-corporate events, including legislation or litigation. Generally, these Strategies focus on trading liquid instruments, including listed common stock, preferred stock, listed options, stock index futures, exchange-traded funds, equity swaps and CFDs.
- **Systematic and Quantitative Strategies** focus on exploitable investment opportunities from mispricings and incorporate a disciplined process for researching new investment signals, exploiting knowledge of financial markets, statistical analysis, trade execution and portfolio construction methodologies. Strategies vary from time to time and may include, among others, statistical arbitrage, fixed income arbitrage, relative value, dispersion and correlation trades. Generally, these Strategies focus on trading listed equities, options, futures, bonds, swaps, currencies, exchange-traded funds, and commodity futures.
- **Macro Strategies** focus on exploitable investment opportunities in major market asset classes globally. Strategies vary from time to time and may include quantitative macro (which may include global asset allocation and trend-following macro Strategies), directional, cross-sectional, global relative value, volatility relative value and capital flow arbitrage. Generally, these Strategies focus on liquid instruments, including government bond futures, currencies, interest rate swaps, equity index futures, commodity futures and exchange-traded funds.
- **Managed Futures Strategies** focus on investing generally in liquid futures and forward contracts globally across varied asset classes (including commodities, currencies, fixed-income and equities) based on quantitative signals (such as trend-following) and portfolio construction techniques. These strategies are generally managed directly by an investment committee (Messrs. Chriss and Padowitz)(the "Investment Committee"), and seek to produce returns uncorrelated with the rest of the Master Fund and provide a mechanism to dynamically adjust the Master Fund's leverage and volatility.
- **Opportunistic Strategies** focus on global investment opportunities and hedges not expressed within any other Strategic Area. These investments are led by the Investment Committee and include investments where the Investment Committee opportunistically seeks to capitalize on investments with strong risk-reward characteristics that do not fit readily into other Strategic Areas. In addition, the Investment

Committee adds overlay hedges to the portfolio as a defense against market dislocation, tail event and other risks. Generally, and consistent with the other Strategies, these investments involve liquid instruments.

The Investment Adviser intends to purchase and sell on behalf of the Master Fund a broad array of instruments within its family of Strategies in a variety of asset classes utilizing cash instruments and over-the counter derivatives, including:

- **Equities:** Common stock and listed options on U.S. and non-U.S. corporations and equity equivalent instruments such as total return swaps, CFDs and equity index and options futures and options;
- **Interest Rates:** U.S. treasuries and other government bonds and bond futures and options, interest rate swaps and synthetics, and deposit rate futures and options;
- **Corporate Credit:** Cash bonds, credit default swaps referencing single issuers, and credit default swaps related to credit indices (such as the CDX and iTraxx) and other fixed income securities;
- **Currencies:** Currency forwards, NDFs, futures and options;
- **Commodities:** Commodity futures, options, and swaps; and
- **Other Instruments:** Including commercial real estate securities, exchange-traded funds and derivatives.

The Investment Committee will establish a set of permitted instruments for each new investment Strategy, based on the requirements of the Strategy and will seek to maintain a level of liquidity consistent with being able to exit the majority of the Master Fund's positions over a limited period of time with little market impact. The Investment Committee will limit what Strategies are pursued on behalf of the Master Fund in light of the Investment Adviser's focus on liquidly traded instruments.

*The descriptions set forth in this Brochure of specific advisory services that the Investment Adviser offers to clients, and investment strategies pursued and investments made by the Investment Adviser on behalf of its clients, should not be understood to limit in any way the Investment Adviser's investment activities. The Investment Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that the Investment Adviser considers appropriate, subject to each client's investment objectives and guidelines. The investment strategies the Investment Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.*

**B. Material, Significant or Unusual Risks Relating to Investment Strategies and Risks Associated With Particular Types of Securities.**

*The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Investment Adviser. These*

*risk factors include only those risks the Investment Adviser believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser.*

Risks Associated With Investments in Securities. Any investment in securities carries market risks. An investment in the Master Fund is highly speculative and involves a high degree of risk due to the nature of the Master Fund's investments and the strategies to be employed. The returns from any such investment, and an investment in the Master Fund, may be highly volatile. An investment in the Master Fund should not in itself be considered a balanced investment program, but rather is intended to provide diversification in a more complete investment portfolio. Investors should be able to withstand the loss of their entire investment. There is no assurance that the Strategies that the Investment Adviser deems to be investment opportunities will result in investment gains or that hedging strategies will not fail to prevent investment losses; there is no assurance that what the Investment Adviser perceives as a significant investment opportunity will not result in substantial loss due to any of a wide variety of factors.

Unlimited Range of Potential Investments. The Master Fund's investment activities are not limited to the strategies or types of strategies described herein. Rather, the Master Fund may pursue any investment strategy that the Investment Adviser determines to be appropriate from time to time without any notice to investors. This unlimited range of potential investments may include substantial investments in strategies not previously pursued by the Investment Adviser or any of the Investment Professionals and with which the Investment Adviser and the Investment Professionals have limited experience. New strategies, assets and markets are likely to involve material and as-yet unanticipated risks. Further, there can be no assurance that the current Investment Professionals will remain employed by the PM Company, which could have a material adverse effect on the Master Fund. In addition, new Investment Professionals may be hired to pursue strategies not previously pursued.

No Limits on Investment Strategies. There are no substantive limits on investment strategies that the Master Fund may pursue. The Investment Adviser intends opportunistically to implement strategies or approaches that the Investment Adviser believes, in its discretion, are well-suited to prevailing market conditions. Such strategies or approaches may change over time. New strategies, assets, and markets are continually developing and may involve material and as yet unanticipated risks. There can be no assurance that the investment strategies that the Investment Adviser expects from time to time to develop and implement for the Master Fund will be successful, or that strategies that have been successful will continue to be profitable.

General Market Risks. The Master Fund's investment strategies are subject to market risk. The Master Fund can be successful only if the Master Fund is able to invest successfully and trade efficiently, and there can be no assurance that this will be the case. There can be no assurance that what is perceived as an investment opportunity will not, in fact, result in substantial losses due to one or more of a wide variety of factors. Certain general market conditions (and a change in such conditions), such as an unanticipated increase or decrease in the volatility or an increase in the pricing inefficiencies of the markets in which the Master Fund is active, could materially reduce the Master Fund's profit potential or lead to substantial losses. Additionally, unanticipated illiquidity in a market could lead to

substantial losses or create a situation in which the Master Fund (or Sub-Funds) are unable to sell certain assets in its (or their) portfolio.

Valuation Risk. The valuation policies of the Master Fund will be promulgated by the Investment Committee. These valuation policies call for assets of the Master Fund to be based on the fair market value of such assets. The fair market value of such assets will be determined using a number of methodologies which may, in some cases, involve the exercise of a significant degree of market judgment by the Investment Adviser, which exercise would, in turn, be based on a number of factors, including the nature of the asset, the expected cash flows from the asset, bid or ask prices provided by third parties that deal in the type of asset being valued, the length of time the asset has been held, the trading price of securities, restrictions on transfer, and other recognized valuation methodologies. Such methodologies are based on a variety of estimates and assumptions specific to the particular asset in question, and the actual results experienced with respect to a particular asset may therefore vary materially as a result of the inaccuracy of such assumptions or estimates. There can be no assurance as to which factors the Valuation Committee of the Investment Adviser may consider in valuing different assets. In addition, because certain of the illiquid assets that may be held by the Master Fund or a Sub-Fund are in industries or sectors that are unstable, in distress, or undergoing some uncertainty, such assets are subject to rapid changes in value. Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid assets, the fair market values of such assets as reflected in the Master Fund's net asset value may not reflect the prices that would actually be obtained by the Investment Adviser on behalf of the Master Fund or a Sub-Fund when such assets are realized. Realizations at values significantly lower or higher than the values at which assets have been reflected in the Master Fund's prior net asset values would result in losses or gains to the Master Fund. Furthermore, a situation where asset values turn out to be materially different from the values reflected in prior Master Fund net asset values could cause investors to lose confidence in the Investment Adviser, which could, in turn, result in withdrawals or redemptions from the Feeder Funds.

Concentration of Investments. Although diversification is intended to be an integral part of the Master Fund's overall portfolio risk management strategy, the Master Fund is not restricted as to the percentage of its assets that may be invested in any particular issuer, industry, assets, market, or investment strategy. The Investment Adviser does not plan to target zero beta or a specific beta. The Master Fund may take directional exposure and the Investment Adviser is not seeking a portfolio that is market neutral. In the normal course of making investments on behalf of the Master Fund, the Investment Adviser may select investments that potentially could be concentrated, for example, in a limited number or type of financial instruments or in any one issuer, industry, sector, strategy, emerging market, or geographic region. Market conditions may create opportunities within certain investment strategies that cause the Investment Adviser to increase the Master Fund's exposure to such investment strategies, and such concentration of risk may expose the Master Fund to losses disproportionate to those incurred by the market in general if the areas in which the Master Fund's direct or indirect investments are concentrated are disproportionately adversely affected by price movements. The Master Fund could be subject to significant losses if it directly or indirectly through the Sub-Funds holds a large position in a particular investment that declines in value or is otherwise adversely affected, including due to default of the issuer of a security or instrument to which the Master Fund or a Sub-Fund has exposure.



Availability of Profitable Investment Strategies. The success of the investment activities of the Master Fund will further depend on the Investment Adviser'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 investment strategies involves a high degree of uncertainty. No assurance can be given that the Investment Adviser will be able to locate suitable investment opportunities in which to deploy all of the Master Fund's assets or to exploit discrepancies in the securities and derivatives markets. A reduction in money market liquidity or the pricing inefficiency of the markets in which the Master Fund seeks to invest, as well as other market factors, will reduce the scope for the Master Fund's investment strategies.

Equity Securities. The Master Fund and/or the Sub-Funds may invest in equity securities and derivatives providing exposure to equity securities. The value of these financial instruments generally will vary with the performance of the issuer of the applicable security and movements in the equity markets. As a result, the Master Fund or a Sub-Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Master Fund or a Sub-Fund has not hedged against such a general move. The Master Fund or a Sub-Fund also may be exposed to risks that issuers will not fulfill 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.

Equity Price Risk. The Master Fund's or a Sub-Fund's investment portfolios may include long and short positions in equity securities of public and private, listed and unlisted companies. Equity securities fluctuate in price 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 the Master Fund or a Sub-Fund.

Short Selling. The Master Fund or a Sub-Fund may engage in short selling of securities. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Master Fund or a Sub-Fund of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Debt Securities. The Master Fund or a Sub-Fund may invest in bonds or other fixed income securities and instruments, including, without limitation, commercial paper and "higher yielding" (and, therefore, higher risk) debt securities or instruments (and derivatives providing exposure to such debt instruments). It is likely that a major economic recession

could disrupt severely the market for such securities or instruments and have an adverse impact on the value of such securities or instruments. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities or instruments to repay principal and pay interest thereon and increase the incidence of default for such securities or instruments.

Interest Rate Risk. The prices of assets held by the Master Fund and/or Sub-Funds may be sensitive to interest rate fluctuations, and unexpected fluctuations in interest rates could cause the corresponding prices of long and short positions to move in directions not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the Master Fund of borrowed assets, as well as the cost of leverage use by the Master Fund and the Sub-Funds. To the extent that interest rate assumptions underlie the thesis of a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the Master Fund to losses.

Derivatives. The Master Fund or a Sub-Fund may utilize 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 strategies and for hedging purposes. Derivative instruments are highly volatile, involve certain special risks and expose investors to a high risk of loss. The low initial margin deposits normally required to establish a position in such instruments result in a position that may be highly leveraged with respect to the underlying security or instrument with which such derivative is correlated. As a result, depending on the type of instrument, a relatively small cash investment in a derivatives contract may generate a profit or a loss (and an obligation to make mark-to-market margin payments in respect thereof) that is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses. The volatility of the derivatives market may prevent the Master Fund or Sub-Fund from adequately hedging its positions in the event that the Master Fund or a Sub-Fund is unable to execute a particular derivative trade necessary for a hedge.

When used for hedging purposes there may be an imperfect correlation between instruments and the investments or market sectors being hedged and therefore hedges reliant on such instruments may not function in the manner anticipated.

Transactions in over-the-counter contracts may involve additional risk as there is no exchange market on which to close out an open position. It may be impossible to liquidate or assign an existing position, to assess the value of a position or to assess the exposure to risk. In addition, the Master Fund or a Sub-Fund will be exposed to the default risk of its trading counterparties to the extent that the Master Fund or Sub-Fund has not hedged such risk.

Contractual asymmetries in derivatives agreements, such as break clauses, whereby a counterparty can terminate a transaction on the basis of a certain reduction in net asset value of the Master Fund or a Sub-Fund, and "unilateral" collateral provisions (in which a counterparty may call for collateral from the Master Fund or a Sub-Fund but the Master Fund or Sub-Fund may not call for collateral from the counterparty), can also increase risk and may result in incorrect collateral calls, or delays in collateral recovery.

The Master Fund or a Sub-Fund may also sell covered and uncovered options on securities. To the extent that such options are uncovered, the Master Fund or a Sub-Fund could incur an unlimited loss.

Credit Derivatives. The Master Fund and/or Sub-Funds may purchase and sell credit derivatives. Credit derivatives trading is subject not only to the credit risk of the issuer and of the underlying obligations to which such derivatives are referenced, but also to the credit risk of the counterparty to the credit derivative transaction. A default by a credit derivative counterparty could result in a substantial loss to the Master Fund. In certain cases, the credit derivatives market is significantly less liquid than the market in the underlying debt obligations, due to the generally customized and individually negotiated terms of such derivatives, and provisions restricting the assignment or transfer of such credit derivatives.

Variance Swaps. The Master Fund or a Sub-Fund may enter into variance swaps. Because the performance of a variance swap is based on the volatility of, as opposed to directional changes in, the price of the underlying security or index, the Master Fund or a Sub-Fund may sustain losses even though the price of the underlying security or index has increased. The performance of variance swaps held by the Master Fund or a Sub-Fund depends upon the ability of the Investment Adviser or an Investment Professional to correctly predict the volatility of the underlying security or index, and unexpected changes in the price of the underlying security or index (including if the underlying security or index appreciates in value) could result in losses to the Master Fund or a Sub-Fund. Variance swaps are also subject to other risks, such as those associated with illiquid investments and the creditworthiness of the swap counterparty.

Futures Contracts. The Master Fund or a Sub-Fund may engage in transactions in the futures markets. The value of futures depends upon, among other factors, the price of the financial instruments, such as currencies or commodities, underlying them. The prices of futures are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, investments in futures are subject to the risk of the failure of any of the exchanges on which the Master Fund's or a Sub-Fund's positions trade or of its clearing houses or counterparties.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits" whereby during a single trading day no trades may be executed at prices beyond the daily limits. This could prevent the Master Fund or a Sub-Fund from promptly liquidating unfavorable positions and subject the Master Fund or Sub-Fund to substantial losses or prevent it from entering into desired trades. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Illiquid Securities. The Master Fund or a Sub-Fund may invest in structured products, derivatives and other types of unregistered securities, which are generally not publicly traded, or other instruments in which the trading market is relatively "thin," effectively rendering such instruments illiquid. The Master Fund or a Sub-Fund may also invest in financial instruments generally perceived as liquid, and changing market conditions or mischaracterization of level of liquidity may render such financial instruments illiquid.

The Master Fund or Sub-Fund may not be able readily to dispose of such financial instruments and, in some cases, may be contractually prohibited from disposing of such financial instruments for a specified period of time. Accordingly, to satisfy a redemption request or to reduce market exposure, the Master Fund or a Sub-Fund may be forced to sell its more liquid positions, resulting in a greater percentage of the portfolio consisting of illiquid securities. In addition, the market prices, if any, for such illiquid financial instruments tend to be volatile, and the Master Fund or a Sub-Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of illiquid securities also often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Furthermore, there may be limited information available about the assets of issuers of illiquid instruments which may make valuation of such financial instruments difficult or uncertain. Under certain circumstances, the Valuation Committee's valuation of illiquid securities may depend on estimates developed by the Valuation Committee in its good faith discretion.

Use of Options. The Master Fund or a Sub-Fund may buy or sell (write) both call options and put options (either exchange-traded, over-the-counter or issued in private transactions), and when it writes options it may do so on a "covered"<sup>1</sup> or an "uncovered" basis. These options transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position) or designed to afford a leveraged position in the security or instrument underlying the option. These activities involve risks that can be large, depending on the circumstances. In general, the principal risks involved in options trading can be described as follows, without taking into account other positions or transactions the Master Fund or a Sub-Fund may enter into:

When the Master Fund or a Sub-Fund buys an option, a decrease (or inadequate increase) in the price of the underlying security in the case of a call, or an increase (or inadequate decrease) in the security in the case of a put, could result in a total loss of the Master Fund's or Sub-Fund's investment in the option (including commissions). The Master Fund or Sub-Fund could mitigate those losses by selling short the securities as to which it holds call options or taking a long position (i.e., by buying the securities or buying options on them) on securities underlying put options.

When the Master Fund or a Sub-Fund sells (writes) an option, the risk can be substantially greater than when it buys an option. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price. The risk is theoretically unlimited unless the option is "covered." If it is covered, an increase in the market price of the security above the exercise price would cause the Master Fund or Sub-Fund to lose the opportunity for gain on the underlying security--assuming it bought the security for less than the exercise price. If the price of the underlying security were to drop below the exercise price, the premium received on the option (after transaction costs) would provide profit that would reduce or offset any loss the Master Fund or a Sub-Fund might suffer as a result of owning the security.

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<sup>1</sup> A call option is "covered" when the writer owns securities of the class and amount of those as to which the call option applies. A put option is covered when the writer has an open short position in securities of the relevant class and amount.

The seller of an uncovered put option theoretically could lose an amount equal to the entire aggregate exercise price of the option, if the underlying security were to become valueless. If the price of the underlying security were to increase above the exercise price, the premium on the option (after transaction costs) would provide profit that would reduce or offset any loss the Fund might suffer in closing out a short position established to cover the option.

Commodity-Related Instruments. The Master Fund or a Sub-Fund may invest in commodities or commodity-linked instruments. Price movements for commodity interests are influenced by, among other things: changing supply and demand relationships; weather; agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments; political and economic events and policies; changes in national and international interest rates and rates of inflation; currency devaluations and re-valuations; and emotions of the marketplace. In addition, commodity-related instruments may be subject to cyclical price movements. Commodity-related instruments may also experience greater price fluctuations than the underlying commodity. In periods of rising commodity prices, the prices of such instruments may rise at a faster rate; and conversely, in times of falling commodity prices, such instruments may suffer a greater price decline.

The risk of loss in trading commodities can be substantial. If the Master Fund or a Sub-Fund purchases a commodity option, it may sustain a total loss of the premium and of all transaction costs. If the Master Fund or a Sub-Fund purchases or sells a commodity futures contract or sells a commodity option, it may sustain a total loss of funds deposited as initial margin and any additional funds that it deposits with its broker to establish or maintain its position. If the market moves against its position, the Master Fund or Sub-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.

A "spread" position may not be less risky than a simple "long" or "short" position.

Loans of Portfolio Securities. The Master Fund or a Sub-Fund may lend its portfolio securities on a secured or unsecured basis in order to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of a securities loan counterparty, the Master Fund or Sub-Fund could experience delays in recovering the loaned securities. To the extent that the value of the securities loaned has increased beyond the amount of collateral posted by the secured loan counterparty, the Master Fund or Sub-Fund could experience a loss if such securities are not recovered.

Non-U.S. Investments and Emerging and Other Markets. The Master Fund or a Sub-Fund may invest in companies located outside the U.S. Investing in the securities of companies located outside the U.S. (including Western countries, "emerging market" countries, developing or under-developed countries) involves certain considerations not usually associated with investing in securities of U.S. companies, including political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political, and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, gross sales or disposition or

other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Master Fund's or a Sub-Fund's investment opportunities.

In addition, accounting and financial reporting standards that prevail in non-U.S. countries generally are not equivalent to U.S. standards and, consequently, less information may be available to shareholders of companies located in such countries than is available to shareholders of companies located in the U.S. Moreover, an issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated, which would expose the Master Fund to the risks of both countries. The values and relative yields of investments in the securities markets of different countries, and their associate risks, are not expected to be highly correlated with each other and may behave in unpredictable ways. There is also less regulation, generally, of the securities markets in non-U.S. countries.

The Master Fund or a Sub-Fund may be subject to additional risks which include possible adverse political and economic developments, possible seizure or nationalization of non-U.S. deposits and possible adoption of governmental restrictions which might adversely affect the payment of principal and interest to investors located outside the country of the issuer, whether from currency blockage or otherwise. Furthermore, some securities of non-U.S. issuers may be subject to brokerage, stamp or other taxes levied by governments, which taxes would increase the cost of an investment in such instruments and reduce the realized gain or increase the realized loss on such securities at the time of sale. Furthermore, a non-U.S. issuer of debt, or the non-U.S. governmental authorities that control the repayment of the debt, may be unable or unwilling to repay principal or interest when due, and the Master Fund or a Sub-Fund may have limited recourse in the event of a default. These risks are more pronounced for investments in issuers in emerging markets or if the Master Fund or a Sub-Fund invests significantly in a particular country.

Investment in emerging market securities and under-developed markets involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions and a greater likelihood of severe inflation, unstable currency, war, and expropriation of personal property than investments in securities of issuers based in developed countries. In addition, the Master Fund's or a Sub-Fund's investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities.

Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets tend to be lower than in developed countries. Little or no market may exist for emerging market securities at the time of desired sale. In addition, issuers based in emerging 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, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or

securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

When investing in emerging market securities, the Master Fund or a Sub-Fund may be required to use a local custodian chosen by a prime broker, and the Master Fund or a Sub-Fund may not have the opportunity to perform due diligence on such custodian. In addition, such custodian may not be subject to stringent regulations. Custodial expenses for a portfolio of emerging markets securities generally are higher than for a portfolio of securities of issuers based in developed countries.

Undervalued/Overvalued Instruments. One of the objectives of the Master Fund and certain of its Sub-Funds may be to identify and invest in instruments that the Investment Adviser perceives to be undervalued or overvalued ("Mis-valued Instruments"). The identification of investment opportunities in Mis-valued Instruments is a difficult task, and there can be no assurance that such opportunities will be successfully recognized. 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 the Master Fund or a Sub-Fund may not adequately compensate for the business and financial risks assumed. For example, the Master Fund or a Sub-Fund may be required to maintain positions in such securities for a substantial period of time before realizing their anticipated value, and during this period, the capital committed to a position in these instruments might prevent the Master Fund or a Sub-Fund from investing in other opportunities. In addition, the Master Fund or a Sub-Fund may finance any such purchases with borrowed funds and thus will have to pay interest on such funds during such holding period, which carrying costs may exceed the gain from the investment position(s) they financed.

Furthermore, there can be no assurance that instruments identified by the Investment Adviser as being Mis-valued Instruments will in fact be mis-valued.

Small and Medium Capitalization Companies. The Master Fund or a Sub-Fund may invest in securities in companies with small and medium capitalizations. The securities of such companies, particularly smaller-capitalization companies, involve higher risks in some respects than do investments in securities of larger companies. For example, prices of small-capitalization and medium-capitalization securities are often more volatile than prices of large-capitalization securities, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in the securities of some small-capitalization companies, an investment in those companies may be illiquid.

Unforeseen Events. The Master Fund or a Sub-Fund may be adversely affected by unforeseen events involving such matters as changes in interest rates or the credit status of an issuer, forced withdrawals 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.

Leverage. Leverage may take the form of, without limitation, any of the financial instruments described herein, including derivative instruments which are inherently leveraged. The instruments and borrowings utilized by a Sub-Fund to gain leverage may be

collateralized by such Sub-Fund's portfolio (or in the case of leverage gained at the Master Fund level, by the Master Fund's portfolio).

The use of leverage will allow the Master Fund or a Sub-Fund to make additional investments such that its total assets may be greater than its capital. Any event that adversely affects the value of an investment will be magnified to the extent the investment is leveraged. Should the securities pledged to brokers to secure the Master Fund's or a Sub-Fund's margin accounts decline in value, the Master Fund or a Sub-Fund could be subject to a "margin call," pursuant to which the Master Fund or relevant Sub-Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Master Fund's or a Sub-Fund's assets, the Master Fund or a Sub-Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

Leverage is a component to the Master Fund's and certain Sub-Funds' investment strategies, and certain such strategies cannot be successful without the use of a substantial amount of leverage. The use of leverage may, in some instances, enable the Master Fund or a Sub-Fund to achieve a higher rate of return than would be otherwise possible. Generally, the Investment Adviser will seek to balance the amount of leverage to be employed by an account within a Sub-Fund and the estimated long-term volatility of the portfolio associated with such account. The Investment Adviser's perception of any strategy's volatility is expected to change from time to time, and the market for leverage is expected to be dynamic. Accordingly, the amount, kinds and pricing of leverage utilized with respect to such strategy will also change. An inability of the Master Fund or a Sub-Fund to obtain a desired amount of leverage may limit the Master Fund's or a Sub-Fund's ability to make investments and/or inhibit the Master Fund's or a Sub-Fund's ability to gain exposure to instruments that are inversely correlated with other investments in the Master Fund's or a Sub-Fund's portfolio, thereby reducing the Master Fund's or a Sub-Fund's performance.

The financing used by the Master Fund or a Sub-Fund to leverage its portfolio is currently expected to be extended by securities brokers and dealers in the marketplace in which the Master Fund or a Sub-Fund will invest. While the Master Fund and the Sub-Funds may attempt to negotiate the terms of these financing arrangements with such brokers and dealers or to arrange term financing facilities with lenders, their ability to do so may be limited. The Master Fund and the Sub-Funds may therefore be subject to immediate changes, without notice, in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to the Master Fund or a Sub-Fund. Because the Master Fund and the Sub-Funds currently have no credit facility to finance their portfolios in the absence of financing from broker-dealers, they could be forced to liquidate their respective portfolios on short notice to meet their financing obligations. The forced liquidation of all or a portion of a Sub-Fund's portfolio at distressed prices could result in significant losses to the Master Fund or a Sub-Fund or could impede the Master Fund's or a Sub-Fund's ability to pursue the investment program.

The Master Fund or a Sub-Fund may also borrow by entering into reverse repurchase agreements. Under a reverse repurchase agreement, the Master Fund or a Sub-Fund sells securities and agrees to repurchase them at a mutually agreed date and price. Reverse repurchase agreements involve the risk that the market value of the securities retained in lieu of sale by the Master Fund or a Sub-Fund may decline below the price of the securities the Master



Fund or a Sub-Fund has sold but is obligated to repurchase. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Master Fund's or Sub-Fund's obligation to repurchase the securities and the Master Fund's or Sub-Fund's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision. To the extent that, in the meantime, the value of the securities that the Master Fund or a Sub-Fund has purchased has decreased, the Master Fund or a Sub-Fund could experience a loss.

In the futures markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 10 percent of the price of a futures contract is deposited as margin, a 10 percent decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission. Thus, like other leveraged investments, any purchase or sale of a commodity contract may result in losses in excess of the amount invested.

Market Liquidity and Leverage. The Master Fund may be adversely affected by a decrease in market liquidity for the instruments in which the Master Fund or a Sub-Fund invests, which may impair the Master Fund's or Sub-Fund's ability to rebalance its positions or exit positions at times and prices favorable to the Master Fund and/or the applicable Sub-Fund. The size of the Master Fund's or a Sub-Fund's positions may magnify the effect of a decrease in market liquidity for such instruments. Changes in overall leverage available to funds in the relevant markets, deleveraging as a consequence of a decision by the prime brokers and custodians, or other counterparties with which a Sub-Fund enters into repurchase/reverse repurchase agreements or derivative transactions, to reduce the level of leverage available, or the liquidation by other market participants of the same or similar positions, may also adversely affect a Sub-Fund's portfolio.

Liquidity and Market Characteristics. In some circumstances, investments (including those that were at the time of purchase liquid) may be relatively illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges or by various dealers. At times it may be difficult to obtain price quotes at all. Accordingly, the Master Fund's or a Sub-Fund's ability to respond to market movements may be impaired and the Master Fund or a Sub-Fund may experience adverse price movements upon liquidation of its investments. Settlement of transactions may be subject to delay and administrative uncertainties.

Hedging Transactions. The Master Fund and/or a Sub-Fund may (but is not required to) 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 Master Fund's or a Sub-Fund's investment portfolios resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Master Fund's or a Sub-Fund's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of investments; (iv) enhance or preserve returns, spreads or gains on any investment in the Master Fund's or a Sub-Fund's portfolios; (v) hedge against a directional trade; (vi) hedge the effect of interest rate, credit, currency exchange rate, or other risk on any of the Master Fund's or a Sub-Fund's financial instruments; (vii) protect against any increase in the price of any financial instruments the Master Fund or a Sub-Fund anticipates purchasing at a later date; or (viii) act

for any other reason that the Investment Adviser deems appropriate. The Master Fund and each Sub-Fund will not be required to hedge any particular risk in connection with a particular transaction or its portfolios generally.

The success of the Master Fund's and a Sub-Fund's hedging strategy will be subject to the Investment Adviser's or Portfolio Management Team's ability correctly to assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Master Fund's or a Sub-Fund's hedging strategy will also be subject to the Investment Adviser's or Portfolio Management Team's ability continually to recalculate, readjust, and execute hedges in an efficient and timely manner. While the Master Fund or a Sub-Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Master Fund than if it had not engaged in any such hedging transactions. For a variety of reasons, the Investment Adviser or a Sub-Fund may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged, and hedges may not function in the manner anticipated. Such imperfect correlation may prevent the Master Fund or a Sub-Fund from achieving the intended hedge or expose the Master Fund or a Sub-Fund to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Master Fund's or a Sub-Fund's portfolio holdings. Moreover, it should be noted that the portfolio will always be exposed to certain risks that cannot be hedged.

Counterparty Risk. The Master Fund and the Sub-Funds are subject to the risk that any counterparty (including, where relevant, the prime brokers) will be unable to perform with respect to transactions, whether due to their own insolvency or that of others, bankruptcy, market illiquidity, disruption or other causes and whether resulting from systemic or other reasons. Any form of default by such parties could result in material losses. A substantial portion of the Master Fund's and Sub-Funds' assets held by its prime brokers and/or counterparties may not be held in segregated accounts. Consequently, the Master Fund and the Sub-Funds may only have the status of any other general creditor of such brokers or counterparties in the event of their bankruptcy.

Model Risk. Certain of the Master Fund's investment strategies are based on proprietary quantitative models. In addition, in certain cases, the Master Fund may employ third party models as complements to its proprietary models. It is a common feature of most asset pricing and investment models that they must be updated regularly in order to remain effective. There can be no assurance that the Master Fund will be able to continue to develop, maintain and update effective quantitative models. In particular changes made to the Master Fund's models, in an attempt to respond to perceived changes in market conditions, may be unsuccessful.

Transaction Costs. The Master Fund's or a Sub-Fund's investment approach may involve a high level of trading and turnover of investments which may generate substantial transaction costs borne by the Master Fund. If such transaction costs exceed the returns from strategies necessitating such transaction costs, such strategies will experience losses.

Investments in Distressed Securities. The Master Fund may invest in "below investment grade" securities and obligations of issuers in weak financial condition,

experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, including companies involved in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for correspondingly high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. In addition, there is no minimum credit standard that is a prerequisite to the Master Fund's investment in any instrument, and a significant portion of the obligations and securities in which the Master Fund invests may be less than investment grade. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the Investment Adviser will correctly evaluate the value of the assets collateralizing the Master Fund's loans or the prospects for a successful reorganization or similar action. In any reorganization or liquidation proceeding relating to a company in which the Master Fund invests, the Master Fund may lose its entire investment, may be required to accept cash or securities with a value less than the Master Fund's original investment and/or may be required to accept payment over an extended period of time. Under such circumstances, the returns generated from the Master Fund's investments may not compensate the investors adequately for the risks assumed.

In liquidation (both in and out of bankruptcy) and other forms of corporate reorganization, there exists the risk that the reorganization either will be unsuccessful (due to, for example, failure to obtain requisite approvals), will be delayed (for example, until various liabilities, actual or contingent, have been satisfied) or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Master Fund of the security in respect to which such distribution was made.

In certain transactions, the Master Fund may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated.

**ITEM 9**  
**DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the Investment Adviser's advisory business or the integrity of the Investment Adviser's management.

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

A. Broker-Dealer Registration Status.

The Investment Adviser and its management persons are not registered as broker-dealers and do not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

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

The Investment Adviser and its management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

C. Material Relationships or Arrangements with Industry Participants.

The Investment Adviser acts as an investment adviser to various client entities as previously noted. In addition, as noted in Item 4 hereof, the Investment Adviser is affiliated with Hutchin Hill Fund GP, LLC, which serves as general partner of the Domestic Fund, and Hutchin Hill Portfolio Management, LLC, which employs the Investment Professionals and their respective staffs and pays, in the first instance, among other things, certain expenses of the Portfolio Management Teams. The Investment Adviser has also entered into a sub-advisory agreement with Hutchin Hill Capital Texas, LP (the "Sub-Adviser"). The Sub-Adviser provides investment advisory services to the Investment Adviser with respect to the certain strategies currently pursued by the Master Fund. Hutchin Hill Capital GP, LLC is the general partner of the Sub-Adviser.

The Investment Adviser and its affiliates (collectively, the "Hutchin Hill Group") may provide investment management services to the Funds, and may carry on investment activities for other funds or clients, including other investment funds sponsored by the Hutchin Hill Group, in which the Funds will have no interest (such other clients and funds, "Other Accounts"). The respective investment programs of the Funds and Other Accounts may or may not be substantially similar. The Investment Adviser may serve as an investment adviser to Other Accounts and may provide advice or recommendations which differ from advice given to, or securities or other instruments recommended for the Funds, even though their investment objectives may be the same or similar.

It is the policy of the Investment Adviser to allocate investment opportunities fairly and equitably over time. This means that such opportunities will be allocated among those accounts for which participation in the respective opportunity is considered appropriate, taking into consideration, among other things (a) whether the risk-return profile of the proposed investment is consistent with the respective account's investment objectives and program, both in light of the specific investment under consideration or in the context of such account's overall portfolio holdings; (b) the potential for the proposed investment to create an imbalance in such account's portfolio (taking into account expected inflows and outflows of capital); (c) liquidity requirements of such account; (d) potentially adverse tax consequences; (e) regulatory and other restrictions that could limit such account's ability to participate in a proposed investment; and (f) the need to re-size risk in such account's

portfolio. Such considerations may result in allocations of investment opportunities among the Funds and one or more Other Accounts on other than a *pari passu* basis.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

The Investment Adviser does not recommend or select other investment advisers for its clients.

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

A. Code of Ethics.

The Investment Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Investment Adviser has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided;
- employees must not take any inappropriate advantage of their positions;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

Investors may request a copy of the Code by contacting the Investment Adviser at the address or telephone number listed on the first page of this document.

B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.

The Investment Adviser may buy or sell for client accounts securities in which an employee has a personal investment. Please refer to Item 11.C for further details.

C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients.

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. Generally, and subject to certain exceptions, the Investment Adviser's employees may not engage in personal securities trading and may only dispose of securities held in their respective personal trading accounts. Any such disposition of securities must be pre-cleared. However, related persons may purchase and sell mutual funds and broad-based exchange-traded funds ("ETFs"). Some clients may invest in the same or similar mutual funds and ETFs.

The Investment Adviser, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients. Potential conflicts also may arise due to the fact that the Investment Adviser and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

The Investment Adviser has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.



## **ITEM 12**

### **BROKERAGE PRACTICES**

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

Portfolio transactions for the Master Fund and each Sub-Fund will be allocated to brokers and dealers on the basis of best execution and in consideration of various relevant factors, including, without limitation: price quotes; the size of the transaction; the nature of the market for the financial instrument involved; the timing of the transaction; the anticipated difficulty of execution; the broker-dealer's expertise in the specific financial instrument or sector in which the Master Fund or Sub-Fund seeks to trade; the extent to which the broker-dealer makes a market in the financial instrument involved or has access to such markets; the broker-dealer's skill in positioning the financial instrument involved; the broker-dealer's promptness of execution; the broker-dealer's financial stability and reputation for diligence, fairness, and integrity; the quality of service rendered by the broker-dealer in past transactions for the Investment Adviser or Portfolio Management Team; confidentiality considerations; the quality and usefulness of research services and investment ideas presented by the broker-dealer; the broker-dealer's willingness to correct errors; the broker-dealer's ability to accommodate any special execution or order-handling requirements that may surround the particular transaction; and other factors deemed appropriate by the Investment Adviser or an Investment Professional. The Investment Adviser and Investment Professionals need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost or spread.

Accordingly, if the Investment Adviser or an Investment Professional concludes that the commissions charged by a broker, or the spreads applied by a dealer, are reasonable in relation to the quality of services rendered by such broker or dealer (including, without limitation, the value of the brokerage and research products or services provided by such broker or dealer), the Master Fund or Sub-Fund may pay commissions to, or be subject to spreads applied by, such broker-dealer that are greater than those another broker-dealer might charge or apply.

The Investment Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its Investment Professionals.

#### **1. Research and Other Soft Dollar Benefits.**

From time to time, the Investment Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. Any use of commissions or "soft dollars" generated by the Master Fund or Sub-Fund, through agency and certain riskless principal transactions, to pay for research products or services will fall within the safe harbor created by Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended. Where a product or service obtained with commission dollars provides both research and non-research assistance to the Master Fund or Sub-Fund, the Investment Adviser or an Investment Professional will make a reasonable allocation of the cost that may be paid for with commission dollars.

When the Investment Adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the Investment Adviser receives a benefit because it does not have to produce or pay for such products or services. The Investment Adviser may have an incentive to select or recommend a broker-dealer based on the Investment Adviser's interest in receiving research or other products or services, rather than on its clients' interest in receiving most favorable execution.

At least annually, the Investment Adviser considers the amount and nature of research and research services, if any, provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Funds on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Investment Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

## 2. Brokerage for Client Referrals.

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party. However, as discussed above, subject to best execution, the Investment Adviser may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds. This presents a potential conflict of interest because the Investment Adviser is compensated based upon assets under management and performance and therefore has an incentive to select or recommend broker-dealers based upon investor referrals, which could lead to higher compensation.

## 3. Directed Brokerage.

The Investment Adviser does not recommend, request or require that a client direct the Investment Adviser to execute transactions through a specified broker-dealer.

### B. Order Aggregation.

Because of the master feeder structure described above, the Investment Adviser does not currently aggregate orders for the purchase or sale of securities on behalf of multiple clients. If, in the future, the Investment Adviser or its affiliates advise additional clients, it may become appropriate for the Investment Adviser to aggregate orders for the purchase or sale of securities on behalf of multiple clients. In such a case, the Investment Adviser will generally follow the guidelines set forth below in aggregating client orders for securities, including any orders placed for private investment vehicles: (i) no client will be favored over any other client; (ii) each client that participates in an aggregated order will participate at the average share price for all transactions in that security on a given business day and transaction costs will be shared *pro rata* based on each client's participation in the transaction; (iii) if the aggregated order is filled in its entirety, it will be allocated among

clients in accordance with the Investment Adviser's general policy; and (iv) if the aggregated order is partially filled, it will be allocated among clients *pro rata*.

### **ITEM 13**

#### **REVIEW OF ACCOUNTS**

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

The Investment Adviser performs various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio. Such reviews are conducted by the members of the Investment Adviser's Investment Committee, portfolio managers and research and operations personnel.

B. Factors Prompting Review of Client Accounts Other than a Periodic Review.

A review of a client account may be triggered by any unusual activity or special circumstances.

C. Content and Frequency of Account Reports to Clients.

The Investment Adviser generally provides annual audited financial statements to investors in the Funds within 90 days of the applicable Fund's fiscal year end or as soon as practicable thereafter upon completion of such statements.

Investors in the Funds generally receive monthly reports and/or letters from the Investment Adviser documenting the performance of their Fund, along with a commentary by the Investment Adviser, although the Investment Adviser may provide certain investors with information on a more frequent and detailed basis if agreed to by the Investment Adviser. In addition, the Investment Adviser generally issues U.S. investors tax reports on an annual basis.

**ITEM 14**  
**CLIENT REFERRALS AND OTHER COMPENSATION**

A. Economic Benefits for Providing Services to Clients.

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

B. Compensation to Non-Supervised Persons for Client Referrals.

Neither the Investment Adviser nor any related person directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals.

## **ITEM 15 CUSTODY**

The Investment Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to the clients are sent by qualified custodians to the Investment Adviser.

The Investment Adviser is subject to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). However, it is not required to comply (or is deemed to have complied) with certain requirements of the Custody Rule with respect to each Fund because it complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception," which, among other things, requires that each Fund be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requires that each Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

**ITEM 16**  
**INVESTMENT DISCRETION**

The Investment Adviser serves as the management company with discretionary trading authority to each Fund.

The Investment Adviser's investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents.

The Investment Adviser or an affiliate of the Investment Adviser entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which the Investment Adviser or an affiliate of the Investment Adviser was granted discretionary trading authority.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The Investment Adviser has appointed Institutional Shareholder Services ("ISS") to, among other things, place votes based on ISS's recommendations absent specific instructions to the contrary by the Investment Adviser. It is expected that ISS will generally vote client proxies where clients have delegated voting authority to the Investment Adviser. The Investment Adviser may revoke from ISS authority to vote any particular proxy and vote the proxy itself.

#### **Policies and Procedures for Situations in Which the Investment Adviser Directly Votes Proxies**

In the event that the Investment Adviser decides to directly exercise discretion to vote a proxy, it will vote in the best interests of clients and in accordance with its policies and procedures for voting proxies. In such situations, the general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies") in a prudent and diligent manner that will serve the applicable client's best interests and is in line with each client's investment objectives.

The Investment Adviser may take into account all relevant factors, as determined by the Investment Adviser in its discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, clients may not direct the Investment Adviser's vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on the one hand and the Investment Adviser or its affiliates on the other hand. If the Investment Adviser determines that it may have, or is perceived to have, a conflict of interest when voting Proxies, the Investment Adviser will vote in accordance with its proxy voting policies and procedures. Clients may obtain a copy of the Investment Adviser's proxy voting policies and its proxy voting record upon request.



**ITEM 18**  
**FINANCIAL INFORMATION**

The Investment Adviser is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.