

A.R.T. ADVISORS, LLC

PART 2A FORM ADV

FIRM BROCHURE

**500 PARK AVENUE
NEW YORK, NEW YORK 10022**

Revised: March 29, 2018

This brochure provides information about the qualifications and business practices of A.R.T. Advisors, LLC. If you have any questions about the contents of this brochure, please contact Erica Laudano at (212) 303-0502 or elaudano@art-llc.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

A.R.T. Advisors, LLC is registered with the SEC under the Investment Advisers Act of 1940 as an investment adviser. Registration with the SEC as an investment adviser does not imply a certain level of skill or training. Additional information about A.R.T. Advisors, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

This document serves as A.R.T. Advisors, LLC's ("A.R.T.") brochure dated March 29, 2018. It amends the A.R.T. brochure dated September 7, 2017.

No specific material changes have been made since the date of the previous A.R.T. brochure.

Please note that the foregoing addresses only changes that A.R.T. has determined to be material, and therefore does not describe all of the changes that have been made since the last update.

Table of Contents

	Page
Item 1 Cover Page.....	1
Item 2 Material Changes.....	2
Item 3 Table of Contents.....	3
Item 4 Advisory Business.....	4
Item 5 Fees and Compensation.....	8
Item 6 Performance Based Fees and Side-By-Side Management.....	9
Item 7 Types of Clients.....	9
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9 Disciplinary Information.....	24
Item 10 Other Financial Industry Activities and Affiliations.....	24
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	25
Item 12 Brokerage Practices.....	26
Item 13 Review of Accounts.....	29
Item 14 Client Referrals and Other Compensation.....	29
Item 15 Custody.....	30
Item 16 Investment Discretion.....	30
Item 17 Voting Client Securities.....	30
Item 18 Financial Information.....	30

ITEM 4 – ADVISORY BUSINESS

A.R.T. Advisors, LLC (“*A.R.T.*” or the “*firm*”), is a privately held, New York-based trading and investment firm formed in 2001 as a limited liability company under the laws of the State of Delaware. A.R.T. has operated as an independent trading advisor to private investment funds since 2002.

A.R.T. is controlled by Mr. Aaron Sosnick, who is a founder and its majority owner. Caxton Alternative Management LP (“*CAM*”) holds a 25% equity interest in A.R.T. and a less than 25% equity interest in an affiliate of A.R.T. that receives a performance-based allocation (as discussed in Item 5). The activities of A.R.T. are supervised by Mr. Sosnick, who has over twenty five years of investment-related experience, including in his current positions as Chairman and Manager of A.R.T.

A.R.T.’s primary business is to manage client and proprietary (if applicable) capital through hedge fund strategies. Assets are managed via a broad mandate to invest and trade in a diversified portfolio of publicly-traded securities and other financial instruments (including futures contracts), in the U.S. and abroad, using as a primary tool a proprietary statistical arbitrage trading system (the “*Trading System*”), which electronically generates specific trading recommendations as adapted to the securities, instruments and markets in which A.R.T.’s clients trade. A.R.T. also may invest its clients’ assets in U.S.-traded derivative instruments that represent interests in one or more securities traded globally (such as American Depositary Receipts and Exchange Traded Funds), and/or foreign currency forward contracts and other instruments. A.R.T. may also expand the focus of its clients’ portfolios to include the foregoing securities and additional securities and instruments traded in other markets.

Investment and trading activities of A.R.T. generally are conducted pursuant to its trading advisory arrangements with a private fund organized under the laws of the British Virgin Islands (the “*Master Fund*”). Separate feeder funds (each a “*feeder fund*”) are organized to permit investors the opportunity to participate in the investment and trading activities engaged in by the Master Fund. Pursuant to such trading advisory arrangements, A.R.T. exercises discretionary authority over all investment decisions of the Master Fund and supervises the Master Fund’s daily investment and trading activities. Currently, the Master Fund and its two feeder funds are A.R.T.’s only clients (“*clients*”). A.R.T. Equity Holdings, LLC, an affiliate of A.R.T., serves as the managing member to the U.S.-based feeder fund.

Investment Objective and Approach

A.R.T.’s primary investment objective is to achieve superior long-term investment returns for its clients over various market cycles. A.R.T., for the most part, invests the assets of the Master Fund in a diversified portfolio of publicly-traded securities and other financial instruments (including futures contracts), in the U.S. and abroad, using as a primary tool the Trading System as adapted to the securities, instruments and markets in which the Master Fund trades.

To date, the Master Fund's portfolio has consisted primarily of equity securities publicly-traded in the U.S., the Pacific Rim and Europe, as well as equity swap and/or similar derivative instruments based on the returns of such equity securities. The Master Fund's portfolio also includes futures contracts traded globally. From time to time, the Master Fund's portfolio may also include U.S.-traded derivative instruments that represent interests in one or more securities traded globally (such as American Depositary Receipts and Exchange Traded Funds), and/or foreign currency forward contracts and other instruments. A.R.T. may expand the focus of the portfolio to include the foregoing securities and additional securities and instruments traded in other markets.

A.R.T. has absolute discretion to determine any given security's and/or market's relative weighting in the Master Fund's portfolio, and it may, from time to time or at any time, employ strategies other than the Trading System as it deems appropriate to achieve the Master Fund's investment objectives. Such strategies may include, but are not limited to, additional trading models (including those independent of or only partially integrated with the Trading System), and discretionary trading strategies.

The Trading System

The Trading System is largely automated and quantitative in nature. It is based on years of statistical and financial research and analysis and the use of advanced mathematical modeling and pattern recognition techniques. It consists of proprietary software and databases and live data feeds designed to track and analyze a multitude of factors, including return and risk fluctuations. The software attempts to identify securities and other financial instruments whose returns can be statistically predicted, either separately or as components of a larger set. The software combines predesignated risk/return parameters with predictions of return and risk based on market data and complex algorithms to generate suggested trades.

The Trading System is currently programmed to be generally "market neutral." Based on its evaluation of the recommendations generated by the Trading System, A.R.T. generally takes both long and short positions in a variety of market sectors. A.R.T. frequently invests long in instruments it has identified as likely to be subject to near term appreciation while simultaneously taking correlated short positions in instruments identified as likely to have near-term depreciation. In other cases, long and short positions are established where the Trading System is predicting a change in the spread between positions. Because the Trading System is designed to exploit short-term volatility patterns and pricing anomalies, the Master Fund typically generates a relatively high volume of trading activity and portfolio turnover.

A.R.T. expects to continue to modify and enhance the Trading System, and possible modifications and enhancements may include those deemed appropriate to expand the geographic focus of the portfolio. In addition, the Trading System may be modified and new trading models or discretionary trading strategies developed to add additional markets and other categories of investments to the Master Fund's portfolio (e.g., debt securities, options,

warrants, and/or other instruments).

Although A.R.T. generally trades the Master Fund's assets based upon recommendations generated by the Trading System, it has discretion to diverge. For example, A.R.T. may depart from Trading System recommendations because of transaction execution issues, for liquidity or timing purposes, to accommodate legal, regulatory or tax considerations, or for other factors that A.R.T. may consider appropriate under the circumstances.

Leverage and Borrowing

A.R.T. utilizes leverage on behalf of the Master Fund extensively on a continuing basis to enhance potential returns from its trading activities, and also causes the Master Fund to borrow on margin where available to purchase and hold securities, to the extent A.R.T. deems prudent, subject only to any borrowing limits imposed by regulatory authorities or lenders in the markets in which the Master Fund trades. Additionally, A.R.T. may cause the Master Fund to employ leverage through its use of derivative instruments and futures. For example, in the case of certain derivative instruments, such as equity swaps and other over-the-counter products, the Master Fund's ability to employ leverage may be subject only to the collateral requirements imposed by its counterparties in such markets. There are no fixed limits on the extent of margin borrowings or other forms of leverage which A.R.T. may cause the Master Fund to employ.

Portfolio Liquidity

The Master Fund's portfolio generally consists primarily of liquid equity securities and derivative instruments based on such equity securities (including, without limitation, those derivative instruments with a commodity interest component). The Master Fund's portfolio also includes futures contracts.

General

The investment strategies and approaches discussed herein may evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, the investment strategies and approaches described above may not reflect the investment strategies and approaches actually employed by the client or A.R.T. Nevertheless, the investments made on behalf of the client will be consistent with the client's investment objective.

THE COMPANY'S INVESTMENT PROGRAM ENTAILS SUBSTANTIAL RISKS AND THERE CAN BE NO ASSURANCE THAT THE INVESTMENT OBJECTIVE OF THE COMPANY WILL BE ACHIEVED.

Management Outlook

The A.R.T. name is an acronym reflecting A.R.T.'s dedication to Analytics, Research, and Trading. The firm believes that superior investment returns in all market conditions are achievable via systematic trading driven by continually researched analytics.

By analytics, A.R.T. refers to mathematical and statistical models for portfolio composition, and for the drivers of market prices, models embodied in software and systems using timely market data and up-to-date technology.

Continual research into new and improved methods and technology for using data to predict risk and return and to trade is crucial to the firm's success given dynamic markets and fierce competition.

A.R.T.'s research and analytics are focused on its real world trading. A.R.T. works on practical models, pays attention to how its trading could impact the market, and works to have the best trading and execution capability practicable. A.R.T.'s trading desk maintains relationships with numerous trading counterparties and is skilled in seeking optimum trading executions.

A.R.T.'s trading, especially in its day-to-day aspect, is systematic and process driven to the maximum extent possible. However, A.R.T.'s management is aware of the inadequacy of any model to completely explain reality. They reserve a role for human judgment in adjusting or turning off the firm's models when they become aware that the models miss important market dynamics or otherwise malfunction.

The firm's principal focus to date has been in liquid, listed equities traded on exchanges in developed markets and derivatives of such equities. Nonetheless, A.R.T. has a broad mandate to select the financial instruments and markets in which the Master Fund may invest, as well as the investment techniques it will use. Generally, each client's investment mandate is described in its applicable private placement or confidential offering memorandum (the "*Memorandum*") or client agreement. A.R.T.'s clients do not have the ability to impose restrictions on the types of investments that A.R.T. may select for investment.

A.R.T. does not currently participate in wrap fee programs.

A.R.T. manages assets only on a discretionary basis. As of December 31, 2017, A.R.T. had approximately \$4,340,853,000 in regulatory assets under management. See Item 10 for further information about A.R.T.'s affiliates.

ITEM 5 – FEES AND COMPENSATION

Management fees may vary with each client. The base annual fee is equal to 2% of the client's assets under management. Management fees are payable monthly in arrears according to the terms of the relevant agreement with each client.

A.R.T. or an affiliate may receive a performance-based allocation in addition to management fees. Such performance-based allocation is in amounts of up to 20% of the net profits, as defined and calculated in each client's Memorandum or agreement. With respect to the 20% performance allocation, such amounts are calculated and allocable as of the end of each fiscal year (or any applicable shorter period), to the extent such net profits represent "new appreciation." "New appreciation" is measured from a "high water mark" in the net asset value allocable to each of such client's underlying investors and therefore excludes any portion of appreciation in such net asset value that merely represents a recovery of prior reductions in the net asset value (with appropriate adjustments for intervening distributions and withdrawals).

A.R.T. will only receive performance-based allocation where the receipt of such allocation will comply with Rule 205-3 under the Investment Advisers Act of 1940 (the "*Advisers Act*"), if applicable. Management fees are prorated for partial periods, while the performance-based allocation generally is charged to investors at year-end or upon redemption at the full annual rate.

A.R.T.'s clients do not have the ability to negotiate or select the fee methodology. A.R.T. reserves the right to enter into different terms, including the full or partial waiver or modification of the base annual management fee and any performance allocation, and the modification of investment and/or withdrawal terms on an investor-by-investor basis. However, A.R.T. generally only modifies fees and allocations for certain A.R.T. principals, employees, affiliates, and members of their families and trusts established for their benefit.

Management fees are deducted from each client's assets and payable monthly in arrears according to the terms of the client's Memorandum or agreement. A.R.T. or an affiliate may receive annual performance allocations, deducted from a client's assets, in accordance with the client's Memorandum or agreement.

Clients also are responsible for ongoing expenses related to their investment program, including but not limited to, brokerage commissions and fees, execution, give-up, exchange, clearing and settlement charges, delivery, escrow expenses, bank, broker and dealer fees, margin interest and other financing costs, other consulting and service fees (including investment-related fees and taxes), fees and expenses directly related to potential investments of the client (whether or not such investments are consummated), and any litigation and indemnification costs and expenses. Please see Item 12 for more information.

Expenses: A.R.T.'s clients may be responsible for their own operating expenses, including but not limited to legal, auditing and tax preparation, accounting, printing and mailing expenses, expenses of the clients' continuous offering of interests or shares in the client ("Shares") (including, without limitation, legal expenses, costs of registering or making the entities available for sale in certain jurisdictions, costs related to the preparation and printing of constituent documentation, offering memoranda, promotional material, and contracts and mailing costs), directors' fees and reimbursable expenses (including travel expenses) (if applicable), expenses in connection with the conduct of meetings of the board of directors (if applicable) and holders of Shares, any taxes, insurance premiums, custodial or transfer agency expenses, fees that may be payable to the client's administrator or any other registrar and transfer agent that may be retained to provide services to the client, recordkeeping expenses, compliance and regulatory expenses (including, without limitation, third party expenses incurred by the client or A.R.T. and compliance reporting expenses), transparency and similar investor reporting, a pro rata share of the expenses of any master fund in which the client is invested (if applicable), and early redemption fees, as described in the client's Memorandum or agreement.

A.R.T. does not require its clients to pay fees in advance.

Neither A.R.T. nor its supervised persons accept compensation for the sale of securities or other investment products.

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

A.R.T.'s clients are subject to both management fees, based on a percentage of assets under management, and performance-based allocations, based upon net profits, as each is described more fully in the Memorandum or client agreement. A.R.T. does not manage any assets other than the assets of its clients with the same fee structure, which include investments by affiliates or related persons of A.R.T. and a U.S.-based feeder fund, for which an affiliate of A.R.T. serves as managing member.

ITEM 7 – TYPES OF CLIENTS

A.R.T. currently serves as the trading advisor to the Master Fund and two feeder funds that invest in the Master Fund. Also, as noted earlier, an affiliate of A.R.T. serves as the managing member to the U.S.-based feeder fund. As described in Item 4, trading activities occur through a master-feeder structure.

In order to invest in A.R.T.'s clients, an investor must be (i) an accredited investor as defined by Regulation D under the Securities Act of 1933 (for all funds), (ii) a "Professional Investor" as defined in the BVI Mutual Funds Act (for foreign funds only), (iii) a qualified purchaser or knowledgeable employee as defined in Section 2(a)(51) of the Investment Company Act of 1940 and the rules thereunder (for all funds), and (iv) a qualified client as defined by Section 205 of the Advisers Act and Rule 205-3 thereunder (if applicable). Additionally, unless otherwise agreed, A.R.T. imposes an initial investment minimum of

\$5,000,000 to establish an investment in a client.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A.R.T.'s primary investment strategy is a statistical arbitrage strategy utilizing, as a primary tool, the proprietary Trading System, which encompasses a broad investment mandate and trading in a variety of global markets and instruments as described in Item 4. The Trading System electronically generates trading recommendations. Although A.R.T. generally trades client assets based upon the recommendations generated by the Trading System, it has discretion to diverge from such recommendations. For example, A.R.T. may depart from Trading System recommendations because of transaction execution issues, for liquidity or timing purposes, to accommodate legal, regulatory or tax considerations, or for other factors that A.R.T. may consider appropriate under the circumstances.

Investing in securities and other financial instruments involves risk of loss, including a complete loss of principal, which investors and clients should be prepared to bear.

Set out below is a description of the material risks of A.R.T.'s significant strategies. For a more complete description of risks applicable to a client that is a private fund or for a strategy that is implemented through a private fund, please see the Memorandum for that fund.

Trading Risks.

Risk of Loss. All investments involve a risk of loss of capital. An investment with an A.R.T. client is speculative and involves significant risks, including the risk that the entire amount invested may be lost. The profitability of the client ultimately depends upon A.R.T. correctly assessing the future price movements of the securities and other financial instruments in which the client invests as well as the movement of interest rates. Such price movements may be volatile and are subject to numerous factors, which are neither within the control of nor predictable by A.R.T. Such factors include, without limitation, a wide range of economic, political, competitive, market, legal, operational and other conditions or events (including, without limitation, natural disasters, acts of terrorism or war), which may affect investments in general or a specific security or other financial instrument in which the client invests. There can be no assurance that A.R.T. will be successful in accurately predicting price movements. Accordingly, investors may incur substantial losses on their investments and it is possible that the client's performance will fluctuate substantially from period to period.

Equity Securities. A.R.T.'s clients invest in equities and equity derivatives. The value of these instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, a client may suffer losses if the client invests in equity instruments of issuers whose performance diverges from A.R.T.'s expectations or if equity markets generally move in a single direction and the client has not hedged against such a general move. In its equity derivatives, a client is exposed to risks that issuers will not fulfill their contractual

obligations to the client, such as, for example, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Dependence on the Trading System and/or Other Trading Strategies. The success of A.R.T.'s trading activities for clients depends in large measure on the effectiveness of the Trading System and/or other trading strategies (as applicable) as utilized in the various markets in which the clients invest. The Trading System has been used to assess and predict price movements of instruments in financial markets outside the United States only in certain specific markets. Prior performance of A.R.T. using the Trading System or any other trading strategy should not be relied upon as an assurance or prediction of future results of use of the Trading System or such other strategy in trading securities or other instruments in those or any other markets. There is no assurance that the Trading System's or any other trading strategy's assessments and predictions of price movements of securities or other instruments will be accurate or will be consistent over periods of time or that trading in reliance on recommendations generated by the Trading System or such other trading strategy will achieve a client's investment objectives or avoid material losses. PAST PERFORMANCE BY A.R.T. BASED ON THE TRADING SYSTEM OR OTHERWISE MAY NOT BE RELIED UPON AS AN INDICATION OF FUTURE PERFORMANCE BY A CLIENT. NO REPRESENTATION IS MADE, AND NO INFERENCE MAY BE DRAWN, THAT FUTURE PERFORMANCE OF A CLIENT WILL BE COMPARABLE TO ANY SUCH PERFORMANCE.

Reliability of Computer-Generated Recommendations. A.R.T. directs the purchase or sale of investments for clients primarily based on computer-generated trading recommendations derived from statistical analysis of data selected and supplied by A.R.T. based on publicly and/or commercially available sources of information. The use of electronic data processing technology in collating information or in developing and operating a trading method does not assure the success of the method, since the processing serves primarily only to compile and organize the data supplied to it, which may be inaccurate or incomplete or fail timely to reflect fundamental market-moving events. The reliability of the trading recommendations generated by the Trading System or any other trading strategy is materially dependent on the accuracy of information supplied to the computers and the reliability in processing that information of A.R.T.'s proprietary software, which is constantly being revised and updated. Errors in the input of data or in the programming of the software may occur and can materially distort the resulting recommendations and incorrectly influence trading decisions based on those recommendations. Detection of such data and programming errors may be difficult and such errors may remain unidentified for extended periods. No assurance can be given that trading decisions based on the use of the Trading System or other trading strategy will produce profits or avoid losses for clients.

Statistical Arbitrage. Quantitative trading strategies, including statistical arbitrage, are highly complex, and, for their successful application, require relatively sophisticated mathematical calculations and relatively complex computer programs. Such trading strategies are dependent upon various computer and telecommunications technologies and upon adequate liquidity in the markets traded. The successful execution of these strategies could be severely compromised by, among other things, a diminution in the liquidity of the markets traded,

telecommunications failures, power loss and software-related “system crashes.” Due to the high trading volume of quantitative trading strategies, the resulting transaction costs may be significant. In addition, the “slippage” from entering and exiting positions may be significant and may result in losses.

Non-U.S. Investments. At present, A.R.T.’s client portfolios consist primarily of equity securities that are publicly-traded in the U.S., the Pacific Rim or Europe, as well as equity swap and/or similar derivative instruments based on the returns of such equity securities. Although it is anticipated that client trading activity will continue to focus on relatively large, stable markets, investing in non-U.S. markets and non-U.S. issuers may involve considerations not usually associated with investing in U.S. markets and U.S. issuers. These considerations include, but are not limited to greater risks of: (i) change in monetary policy and confiscatory taxation; (ii) repatriation taxes on interest, capital gain, or other income; (iii) difficulties stemming from general social, political or economic instability; (iv) lack of liquidity, price volatility, market manipulation and limited regulation associated with small securities markets and low trading volume; and (v) fluctuations in the rates for currency exchange, currency conversion costs and restrictions on currency conversions. In addition, accounting and financial reporting standards outside the U.S. may be less rigorous than those in the U.S. As a result, there may be less information available to A.R.T. concerning issuers whose securities trade only in non-U.S. markets as compared to issuers whose securities trade in U.S. markets. Transaction costs of investing outside the U.S. may be higher than in the U.S. Non-U.S. markets have different clearance and settlement procedures that in some markets have failed at times to keep pace with the volume of transactions, resulting in delays and settlement failures that could affect adversely a client’s performance.

To the extent that any A.R.T. client may trade and invest in emerging markets, such trading will require increased consideration of all of the risks described in the preceding paragraph as well as consideration of risks not typically associated with investing in more developed countries and markets. Such additional risks include: (i) political and economic uncertainty, including the risk of nationalization, expropriation and war; (ii) higher rates of inflation and greater governmental intervention or instability; (iii) limitations on foreign investment and on repatriation of invested capital; and (iv) acute price, market and currency volatility. 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 are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. 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 government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

Leverage and Borrowing. A.R.T.'s clients are permitted to finance or leverage their operations through margin and other secured and unsecured borrowing to the maximum extent allowable under applicable credit regulations and legal restrictions. Clients also may employ leverage through the use of swap agreements, futures contracts, forward contracts and other forms of derivative transactions in which the value of the asset or other commodity that is the subject of the transaction may far exceed the value of the transaction-specific credit support that the client is required to furnish to its broker or counterparty. The use of these and other methods of employing leverage can enhance the risk of capital loss in the event of adverse changes in the market prices of the assets being financed. Generally, the overall level of interest rates and the rates at which a client can borrow will affect the client's operating results.

In general, a client's use of short-term margin borrowings will result in certain additional risks to the client. For example, should the securities pledged to brokers to secure the client's margin accounts decline in value, the client could be subject to "margin calls," pursuant to which the client must either deposit additional funds with such brokers or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of a client's assets, the client might not be able to liquidate assets quickly enough to pay off its margin debt. Additionally, the banks and brokers that provide financing to clients can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by lending banks and brokers in any of these policies may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Similar requirements and risks apply to derivative transactions in which a client may engage.

Short Selling. Short selling is an integral part of A.R.T.'s investment strategy. Short-selling involves selling borrowed securities (which may be identical to securities owned by the seller) and undertaking an obligation to the lender to replace the borrowed securities at a later date. A.R.T. has no policy that limits the amount of a client's capital that it may deposit with a lender as collateral to secure the client's obligation to replace the borrowed securities. Short-selling allows the investor to profit from declines in market prices or hedge long portfolio positions. When a client engages in short selling, it will realize gains to the extent the security declines in price between the date of the short sale and the date on which the client covers its short position by replacing the borrowed security. The gain in the case of such a decline will be an amount in excess of the costs incurred in effecting the short sale (as described below). Conversely, a client will incur a loss as a result of a short sale if the price of the security rises during the period of the short position or the costs of effecting the short sale exceed the amount of any decline in the price of the security during that period. Potential loss from a short sale can exceed the amount of the initial investment and is theoretically unlimited. Attempting to purchase securities to close a short position can itself cause the price of the securities to rise, thereby exacerbating the loss. There is also a risk that securities borrowed by a client to affect a short sale would have to be returned to the securities lender on short notice. If a request for return of securities occurs at a time when other short sellers of the same securities are receiving similar requests, a "short squeeze" may develop, forcing a client to replace securities sold short by open market purchase at a disadvantageous time.

Transaction costs related to short sales generally include brokerage commissions on sales and on replacement purchases, and may include premiums and interest paid to the lender of the securities. Until the borrowed security is replaced, a short seller is generally required to pay the lender amounts equal to any dividends or interest that accrue on the borrowed securities during the period of the loan.

Swap Transactions. A.R.T.'s clients also engage in swap transactions involving securities and potentially other financial instruments. Swaps are individually negotiated transactions in which each party agrees to make one-time or periodic payments to the other party. The parties to a swap typically do not obligate themselves to make "principal" payments, but rather pay agreed-upon rates as applied to an agreed-upon "notional" amount. Because swaps generally are privately negotiated principal-to-principal contracts that are not traded on exchanges, they typically are not subject to the same type or degree of government regulation and oversight as are transactions in exchange-traded instruments. As a result, many of the protections afforded to participants in transactions executed on organized exchanges and in a regulated environment are not available in connection with these transactions, including but not limited to protections against losses that may be incurred upon the default of the client's swap counterparties.

Futures Trading. A.R.T. employs client assets to engage in futures trading in U.S. and various non-U.S. markets. Futures contracts are typically non-negotiated, standardized exchange-traded contracts providing for the delivery or receipt of a specified type and amount of a commodity at a specified price and delivery point on a specified date. Futures trading in non-U.S. jurisdictions present risks similar to the risks associated with trading securities on a global basis, as described above. In addition, the low margin deposits normally required in futures trading (typically between 2% and 15% of the value of the futures contract purchased) permit an extremely high degree of leverage. Accordingly, a relatively small change in the market price of a futures contract can produce a disproportionately large profit or loss, and it is therefore possible to gain or lose substantially more than the initial margin on a trade. The eventual price of such instrument may be influenced by a broad variety of market, economic and issuer-specific events and risks, many of which may be difficult to predict or assess. It may not always be possible to execute a buy or sell at a desired price or to close out an open position, either due to market conditions, daily price fluctuation limits or speculative position limits. It is also possible for an exchange or other regulator to suspend trading in a particular contract, order immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. Futures trading in non-U.S. markets may entail further risk insofar as certain futures exchanges operate as "principals markets," wherein the obligation to assure performance rests solely with the individual member effecting the trade, and not with any exchange or clearinghouse.

Forward Contracts. A.R.T.'s clients may enter into forward contracts in respect of foreign currencies or otherwise. Forward contracts entail the purchase and sale of a specific quantity of a commodity (such as foreign currency), security or other instrument, with a specific counterparty at a particular time in the future. Each contract is specifically negotiated rather than uniform, and generally involves the extension of credit by a financial institution to those with

whom it trades, thereby allowing trading to be conducted on a leveraged basis. Since forward contracting is conducted on a principal-to-principal basis, the contracts are not guaranteed by an exchange or clearinghouse. Consequently, forward contracting may involve less protection against defaults than trading on futures exchanges with organized clearinghouses, and may entail risks relating to delivery failures.

Because forward contracts are not generally regulated by any governmental agencies, such contracts are not subject to regulations and limitations such as limitations on the number and size of open positions, restrictions on concentration in the markets and leverage or other financial responsibility requirements. In particular, no regulatory scheme currently exists in relation to the foreign currency forward market, except for regulation of general banking activities and exchange controls in the various jurisdictions where trading occurs or in which the currency originates. The imposition or relaxation of credit, exchange or currency controls or fixing of currency exchange rates by governmental authorities could significantly affect or eliminate such forward trading. Moreover, financial institutions are not required to continue to make markets in foreign currencies, and in the event a client's counterparties and others should cease to make markets for foreign currencies in which the client holds a forward contract position, A.R.T. may have little or no ability to close-out all or any portion of the client's position by way of entering into an offsetting forward contract position.

Derivative Instruments. A.R.T.'s clients invest capital with or through third parties through swaps, total return swaps and other derivative instruments. A.R.T.'s clients may take advantage of opportunities with respect to certain other derivative instruments that are not currently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with their investment objectives and legally permissible. Special risks may apply to instruments that are invested in by an A.R.T. client in the future that cannot be determined at this time or until such instruments are developed or invested in by such A.R.T. client. Certain swaps, total return swaps and other derivative instruments may be subject to various types of risks, including, without limitation, market risk, liquidity risk, the risk of non-performance by the counterparty, including, without limitation, risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Temporary Investments in Liquid Assets. A.R.T.'s clients may at times keep a portion of their assets in cash, cash equivalents or other liquid assets, including, without limitation, currencies, bank deposits, certificates of deposit, bankers acceptances, one or more short duration funds (including, without limitation, money market instruments or investments in shares or units of money market funds) and/or government securities (both short-term and long-term). Such investments may be financed by entering into repurchase agreements and/or reverse repurchase agreements with such client's brokers or by other means. Investors should be aware that such investments may produce a lower return than other investments contemplated by such client and, therefore, may impact the overall performance of the client. The fact that a portion of an A.R.T. client's assets are held in cash or cash equivalents should not be taken as an indication that such client has not fully invested all of its assets. Further, investors should not assume that an investment in such client is less risky due to the fact that the client may, from time to time, hold a significant portion of its assets in cash and cash equivalents.

Small Market Capitalization Companies. A.R.T. may invest in securities of issuers with small market capitalizations. The risks relating to a client's investment in securities of issuers having relatively small market capitalization, as compared to risks of investment in securities of issuers with relatively large market capitalization, include without limitation: (i) the tendency of the securities of such issuers to be less liquid and more subject to abrupt or erratic market movements, because securities of such smaller issuers typically are traded in lower volume and with less frequency; (ii) the relatively greater likelihood that such issuers may be subject to changes in earnings and prospects; (iii) the relatively greater likelihood that such issuers may have limited financial resources, limited product lines and markets, and fewer management resources; (iv) the relatively greater likelihood that such issuers may be involved in reorganizations or restructurings which may, among other risks, present difficulty in obtaining information as to their financial condition; (v) the greater susceptibility of such issuers to poor economic or market conditions and to changes in interest rates and borrowing costs; and (vi) the relative uncertainty of dividend performance of such issuers. In addition, securities with smaller market capitalization may be followed by relatively few securities analysts with the result that there tends to be less publicly available information concerning these securities compared to what is available for larger companies.

Clearing, Settlement, and Custody. A.R.T.'s clients currently execute transactions in various markets, which may be cleared and settled through various clearinghouses, custodians, depositories, brokers and dealers throughout the world. Although A.R.T. attempts to execute, clear, and settle client transactions through, and otherwise place its assets in the custody of, responsible parties that A.R.T. believes are reliable, there can be no assurance that a failure by any such party will not lead to a loss to the client. For example, if a clearing broker acting for the client fails to maintain assets in a segregated account (which is not required in many jurisdictions), such assets may be subject to a risk of loss in the event of such clearing broker's bankruptcy. In the case of such bankruptcy or loss, a client may be able to recover only a pro rata share of any property available for distribution to the clearing broker's customers, and could incur various consequential losses if, by virtue of the clearing broker's failure, the client were unable to fulfill its obligations to one or more of its own creditors or counterparties. In addition, regulatory organizations and exchanges in the jurisdictions in which a client trades may be authorized to take extraordinary actions in the event of market emergencies. Such action could lead to a client loss as a result of a delay or failure in performance of settlement obligations or in other circumstances.

Currency Risk. A.R.T. generally may or may not cause a client to enter into arrangements in an attempt to hedge the client's exposure to significant currency fluctuations between the U.S. dollar and other currencies. Therefore, a client may be exposed to fluctuations in currency and interest rates to the extent the movement in such rates affect the client's portfolio. Price movements of currencies and interest rates are difficult to predict accurately because they are influenced by, among other things, changing supply and demand relationships; governmental, trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. Governments from time to time intervene in certain markets in order to influence prices directly. A.R.T. cannot

guarantee that a client's portfolio will not be affected substantially by currency price and interest rate movements and the client may suffer significant losses as a result thereof.

Possible Conflicting Positions. In the event that the a client utilizes both the Trading System and other trading strategies, it is possible that the A.R.T. could receive conflicting computer-generated recommendations with regard to an individual security or instrument. For example, the Trading System might recommend that a client short a particular security, while another trading strategy used by such client simultaneously recommends that that the client buy such security long. In such circumstances, A.R.T. anticipates that the client will engage in conflicting trades in the same security. Taking such contrary positions will limit the client's gains, and may result in loss, even if one of these positions is successful.

Increased Cost of Frequent Trading. Frequent purchases and sales will be required to implement A.R.T.'s investment program. More frequent purchases and sales will increase the commission costs and certain other expenses involved in the operations. These costs are borne by the client regardless of the profitability of the client's investment and trading activities.

Geopolitical and Natural Events. A volatile geopolitical climate coupled with ongoing threats of terrorism could materially affect general economic and market conditions, as well as market liquidity. Moreover, pandemics, natural disasters or oil supply shocks could cause a severe disruption to global and local economies. Any resulting deterioration in economic fundamentals and consumer confidence may negatively affect market value, increase volatility and reduce liquidity, thereby adversely affecting client's performance.

Systemic Risk. World events and/or the advantages of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in an A.R.T. client losing substantial value caused predominantly by liquidity and counterparty issues, which could result in such client incurring substantial losses.

Competition. The securities industry, the various markets in which the clients participate and the varied strategies and techniques engaged in by A.R.T. are extremely competitive and each involves a high degree of risk. A.R.T. competes with firms, including, without limitation, many of the larger securities and investment banking firms, which have substantially greater financial resources, larger research staffs and more traders than A.R.T. has or expects to have in the future, which may place a client at a competitive disadvantage.

Liquidity. Investments that are made by the client may become illiquid or thinly traded. This could present a problem in realizing the price quoted and in effectively trading the position(s). A client may make investments that become less liquid than A.R.T. had anticipated, which could result in significant loss in value should the client be forced to sell the less liquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors. In certain circumstances, the client may also be contractually prohibited from disposing of investments for a specified period of time. Accordingly, a client may be forced to

sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of less liquid investments.

The disposition of such illiquid or thinly traded investments may require more time and result in higher transaction costs than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Trading Errors. Any negative or positive results of trading errors generally will be borne by the client, rather than A.R.T., so long as A.R.T., its principals, officers, members, employees or controlling persons (i) acted in good faith or in a manner which such person believed to be in, or not opposed to, the interests of the client, and (ii) such person's conduct did not constitute gross negligence, willful misconduct or actual fraud.

Counterparty Creditworthiness and Risk. A.R.T. will employ client assets to engage in transactions in securities and/or other financial instruments that involve counterparties, and no counterparty exposure limits have been imposed on these transactions. Under certain conditions, a counterparty to a transaction could default or the market for certain securities and/or other financial instruments may become illiquid. In addition, a client could suffer losses if there were a default or bankruptcy by third parties, including, without limitation, brokerage firms and banks with which a client does business, or to which securities have been entrusted for custodial purposes.

The counterparties with which a client may effect transactions may not be subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with client's lending activities. This exposes a client to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus subjecting the client to suffer a possible loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a client has concentrated its transactions with a single or small group of counterparties. A.R.T. is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions for clients with one counterparty. The ability of A.R.T. to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by clients. A.R.T. intends to diversify and mitigate counterparty risk as appropriate.

Trading Limitations. For all securities, including, without limitation, options and regulated futures contracts listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances, including, without limitation, the right to impose position limits and price limits on persons or groups of persons. Such suspensions or

limits could render certain strategies difficult to complete or continue and subject the client to a loss.

Electronic Trading Facilities. An A.R.T. client, in its trading activities, may, in the sole and absolute discretion of A.R.T., make use of electronic trading and/or communication networks. Most electronic trading facilities are supported by computer- (including, without limitation, internet-) based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Trading on an electronic trading system may differ not only from trading in an open-outcry market or telephonic market but also from trading on other electronic trading systems. Clients, in undertaking transactions on an electronic trading system, will be exposed to risk associated with the system, including, without limitation, the failure of hardware and software. The result of any system failure may be that a trade order is either not executed according to its instructions or is not executed at all. A client's ability to limit or recover certain losses may be subject to limits on liability imposed contractually or by, without limitation, foreign or domestic law or regulation, such client's own or its brokers' internet service provider, other systems providers, market factors, foreign or domestic banking or other market regulations, and/or telephonic or other communications providers.

Material, Nonpublic Information. From time to time, certain A.R.T. personnel and/or A.R.T. affiliates may come into possession of material, nonpublic information that would limit the ability of the clients to buy and sell investments. A client's investment flexibility may be constrained as a consequence of A.R.T.'s inability to take certain actions because of such information. A client may experience losses if it is unable to sell an investment that it holds because certain A.R.T. personnel have obtained material, nonpublic information about such investment.

Private Investment Fund Risks.

Reliance on A.R.T. All trading activities on behalf of A.R.T. clients are conducted exclusively by A.R.T., and a client's success depends upon the expertise of A.R.T.'s investment team, including among others the availability of Mr. Aaron Sosnick, and its ability to develop and implement investment strategies that achieve a client's investment objectives. An investment in a client should be evaluated with the understanding that there can be no assurance that a client's assessment of the short-term or long-term prospects of investments, or the Trading System's predictions of price movements, will prove accurate or that a client will achieve its investment objectives. PAST PERFORMANCE BY A.R.T. IS NOT INDICATIVE OF FUTURE PERFORMANCE BY A CLIENT.

Management Fees, Performance Allocation and Expenses. The operating expenses of a client, including, without limitation, the management fee, the client's pro rata share of expenses and fees paid to attorneys, accountants and other service providers may constitute a high percentage relative to other investment entities. In addition, such client will pay management fees whether or not such client makes any trading profits. The client must therefore make substantial profits from its investments to avoid depletion or exhaustion of its assets from these

expenses. In addition, the amount of any performance allocation payable by the client will be based on realized and unrealized gains and losses as of the end of each period for which performance allocation is calculated. As a result, a performance allocation could be payable with respect to unrealized gains which may never be realized. Further, since the performance allocation is based on trading profits, this may create an incentive for A.R.T. to select riskier or more speculative investments than would be the case in the absence of the incentive provided by the performance allocation.

Conflicts of Interest. A.R.T. and/or its affiliates may trade proprietary capital in the financial markets and/or act as a trading advisor to various funds and accounts (including, without limitation, proprietary funds and accounts) other than the clients, some of which may employ investment strategies that rely on the Trading System in whole or in part and/or overlap in whole or in part with those of the clients. Such funds and accounts with such overlapping investment strategies may employ investment guidelines or objectives that are the same as or substantially similar to those of the clients or that differ materially from those of the clients. The Trading Advisor will allocate assets between or among the clients and such other funds or accounts (including, without limitation, proprietary funds and accounts) in accordance with its trade allocation policy and procedures. The Trading Advisor intends to act in a manner that it considers fair and reasonable in allocating investment opportunities. The decisions made by the Trading Advisor with respect to the other funds or accounts that it advises (including, without limitation, proprietary funds and accounts), may vary materially from the decisions made by the Trading Advisor on behalf of the clients. In addition, the clients and such other funds or accounts may engage in conflicting trades in the same security and/or financial instrument.

The Trading Advisor may trade proprietary or other funds or accounts using trading approaches, investments and strategies that are the same as, comparable to or different from, or more or less aggressive than, those employed on behalf of the clients. Each proprietary or other fund or account may have the same, comparable or different investment objectives, strategies, parameters, guidelines, levels of leverage, risk thresholds and/or funding requirements. Accordingly, such proprietary or other fund or account may produce trading results that are substantially different from trading results experienced by the clients. In addition, trading results experienced by the clients may be substantially different because certain investment strategies may be allocated solely to one or more proprietary and/or other funds or accounts. Shareholders will not be permitted to inspect trading records pertaining to proprietary or other funds or accounts.

No A.R.T. client imposes any specific obligations or requirements concerning the allocation of investment opportunities, time, or effort to such client or any restrictions on the nature or timing of investments for the account of such client or for other accounts which A.R.T. or its affiliates may manage (including, without limitation, proprietary funds and accounts). Neither A.R.T. nor Mr. Sosnick is obligated to devote any specific amount of time to the affairs of a client or to accord exclusivity or priority to any client in the event of limited investment opportunities.

In investing a client's assets, A.R.T. employs the Trading System as a primary tool. A.R.T. expects to continue to modify and enhance the Trading System. However, the Trading Advisor also expects to continue to research a variety of other trading strategies, models and/or techniques which may or may not be consistent with the investment objectives of a client. The availability of any trading strategies, models and/or techniques developed by A.R.T. to the Trading System is solely within A.R.T.'s discretion. A.R.T. has complete discretion regarding which of its proprietary trading strategies, models and/or techniques it chooses not to utilize in the Trading System (and to which, therefore, clients will not have access). A.R.T. may allocate certain trading strategies, models and/or techniques solely to one or more of its proprietary or other funds or accounts, and not to the Trading System. A.R.T. is not free from conflict in making these determinations, and may elect to withhold all or any portion of its proprietary trading strategies, models and/or techniques from the Trading System at any time for any reason. Such reasons may include, without limitation, maximization of its own pecuniary interests or those of its related persons (including, without limitation, proprietary funds and accounts).

In investing a client's assets, A.R.T. has discretion to alter and/or diverge from the trading signals generated by the Trading System or any other trading strategy. For example, if the Trading System calls for the purchase of a certain stock and the purchase of such stock would require A.R.T. to report the aggregate position for all of its client accounts (e.g., under non-U.S. reporting regimes analogous to Section 13 of the U.S. Securities Exchange Act of 1934 (the "*Exchange Act*")), which requires a holder of 5% or more of a class of publicly-traded securities to report the holding to the U.S. Securities and Exchange Commission (the "*SEC*")), A.R.T. may decline to purchase the stock for a client. Other circumstances may arise by reason of the holdings of other accounts also managed by A.R.T. that would prevent a client from acquiring instruments that A.R.T. would otherwise purchase for such client (e.g., liquidity, tax or transaction timing issues). In such instances, a client may be prevented from acquiring an instrument A.R.T. believes has significant potential for capital appreciation.

From time to time, the principals of A.R.T. may serve on the boards of directors or other governing bodies of companies whose securities are, or may be, traded by a client or, if applicable, by the proprietary accounts of A.R.T., its principals or affiliates or other accounts that they control. In addition, a client or such proprietary accounts may trade the securities of affiliates, investors, customers, suppliers, service providers, or lenders of, or joint venturers with, such portfolio companies. In serving as directors or other governing members of such portfolio companies, such individuals will have a fiduciary duty to such companies and will be required to act in the best interests of such companies, and such individuals and accounts that they control will be restricted at certain times from trading the securities of such companies. None of the foregoing activities is expected to interfere materially with the commitment of time necessary for A.R.T. or its principals to perform their responsibilities to A.R.T.'s clients.

Non-Transferability of Shares and Restrictions on Redemptions. There is no independent market for the purchase or sale of Shares, and none is expected to develop. An investment in a client provides limited liquidity. Shares may be redeemed only on a quarterly basis, subject to restrictions described in the relevant Memorandum or client agreement. In addition, all payments of redemption proceeds are subject to the liquidity of a client's assets.

A.R.T. is under no obligation to liquidate a client's assets to provide cash to meet a redemption request if A.R.T. determines that such liquidation might be detrimental to the interests of the client and/or its investors, or that such liquidation is not reasonably practicable. Consequently, investors may not be able to liquidate their investment readily in the event of emergency or for any other reason. Accordingly, an investment in a client is suitable only for sophisticated investors that have and anticipate no need for immediate liquidity of such investment.

Effects of Substantial Redemptions. Substantial requests for redemptions by investors could induce a client to liquidate positions sooner than would otherwise be desirable, which could adversely affect the performance of such client. In addition, regardless of the period of time in which withdrawals or redemptions occur, the resulting reduction in such client's net assets, and thus in its equity base, could make it more difficult for the client to diversify its holdings and achieve its investment objective and could result in higher pro rata operating expenses, thereby producing lower returns. Under certain circumstances, redemptions may be delayed, suspended or limited (in whole or in part). In addition, the Shares of the remaining investors could become increasingly illiquid upon the redemption of a large investor.

In-Kind Distributions. Although clients expect that distributions to investors upon redemption or otherwise will be made only in cash, an investor may receive securities or other financial instruments in lieu of cash. The risk of loss and delay in liquidating such securities will be borne by the investor, with the result that the investor may ultimately receive less cash than the distributable amount determined as of the applicable redemption date or other date of distribution.

In the event that certain securities and/or other financial instruments held by a client become illiquid, a client may distribute such securities and other financial instruments directly to the investors, or may create a special purpose vehicle or a liquidating trust to hold such securities or instruments until they can be sold. Such securities and other financial instruments may not be readily marketable or saleable at favorable prices and may have to be held by such investors (or the special purpose vehicle or liquidating trust created to hold such assets) for an indefinite period of time. The risk of loss and delay in liquidating these securities or instruments (including, without limitation, any expenses involved in the organization and maintenance of a special purpose vehicle or liquidating trust) will be borne by the investors, *pro rata* in relationship to their interest in a special purpose vehicle or liquidating trust if such assets are held in a special purpose vehicle or liquidating trust, with the result that the investors may receive less cash than it would have received on the redemption date.

No Current Income. Since none of A.R.T.'s clients expect to make regular dividend distributions, an investment in a client is not suitable for investors seeking current investment income.

Regulatory Focus on Algorithmic Trading. Algorithmic trading is the subject of ongoing regulatory attention. The SEC, the U.S. Commodity Futures Trading Commission, the European Securities and Markets Authority and the InterContinentalExchange, among other regulators and exchanges, have undertaken efforts to review the impact of algorithmic trading on the functioning of markets and to suggest systems and controls for trading participants to

ameliorate any adverse impact. While the impact of such regulatory focus on A.R.T. is not yet clear, it is possible that new regulations may require additional transparency with respect to the trading strategies used by firms deploying quantitative or algorithmic strategies, such as A.R.T. Such transparency requirements would make it more likely that A.R.T.'s proprietary trading strategy could become known by its competitors, which would have a material adverse effect on clients.

High frequency trading, in particular, is subject to intense regulatory focus. Any U.S. regulations applicable to firms employing high frequency trading strategies could have a significant impact on the liquidity of instruments traded by clients, regardless of whether a client is engaged in high frequency trading. Moreover, it is possible that A.R.T. may be subject to inquiries and/or examinations by regulators in connection with any investigation of the practices of trading firms that employ algorithmic or high frequency trading strategies. Any such inquiry or examination may be distracting for A.R.T. and could result in additional expenses that would impact client performance. Increased financial transaction taxes and exchange fees also could have a substantial negative impact on the returns of investment funds (such as A.R.T.'s clients) that trade frequently.

Change in Investment Strategies. The investment strategies and approaches discussed may evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice and/or technological innovation. As a result, the investment strategies and approaches described may not precisely reflect the investment strategies and approaches actually employed by A.R.T. on behalf of a client. Nevertheless, the investments made on behalf of a client will be consistent with the client's investment objective.

Risk of Litigation. From time to time, A.R.T. or an A.R.T. client may be named as a defendant in a lawsuit or regulatory action. As a result of such action, the assets of A.R.T. or such A.R.T. client may be frozen, and A.R.T. or such A.R.T. client may not be able to liquidate its investments. In certain cases, A.R.T. or its client may be called on to testify and/or provide information (including, without limitation, a list of investors) in connection with such lawsuit or regulatory action. A.R.T. or its client may also be named as a defendant in the lawsuit or regulatory action. Litigation and regulatory actions can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

Lack of Separate Representation. None of the advisory agreements or any of the agreements, contracts and arrangements between an A.R.T. client, on the one hand, and A.R.T. and/or its affiliates, on the other hand, was or will be the result of arm's-length negotiations. The attorneys, accountants and others who have performed services for A.R.T. and clients in connection with the offering of Shares, and who will perform services for the clients in the future, have been and will be selected by A.R.T.

Master-Feeder Risks. A client may invest all, or substantially all, of its assets through a "master-feeder" fund structure. A "master-feeder" fund structure, in particular the existence of multiple investment vehicles investing in the same portfolio, presents certain unique risks to investors. Smaller investment vehicles investing in the master fund may be materially affected

by the actions of larger investment vehicles investing in the master fund. For example, if a larger investment vehicle withdraws from the master fund, the remaining funds may experience higher pro rata operating expenses, thereby producing lower returns. Substantial withdrawals of capital by investors in the master fund over a short time period could necessitate the liquidation of master fund investments at a time and in a manner which does not provide the most economic advantage to the master fund and which therefore could adversely affect the value of the master fund's assets. In addition to its own expenses, a feeder fund will be responsible for its pro rata share of the organizational, operating and other expenses of the master fund. Creditors of the master fund may enforce claims against all the assets of the master fund, including, without limitation, those invested by a feeder fund. A potential conflict may arise if the interests of the investors in a feeder fund and the interests of the investors in other investment vehicles investing in the master fund differ regarding tax efficiency (i.e., holding investments longer for preferential capital gains treatment). In addition, the master-feeder structure may result in certain tax risks given the master fund's intended investment strategy.

Changes in Applicable Law. A.R.T. and its clients must comply with various legal requirements, including, without limitation, requirements imposed by the securities, commodities, tax, pension and other applicable laws in various jurisdictions. Should any of those laws change, the legal requirements to which A.R.T. and its clients and/or holders of Shares may be subject could differ materially from current requirements.

ITEM 9 – DISCIPLINARY INFORMATION

Neither A.R.T. nor a management person (as defined) of either has been subject to legal or disciplinary events as described in this Item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A.R.T. as a firm is not registered, nor does it have an application pending to register as a broker-dealer or a registered representative of a broker-dealer. No management person has an application pending to register as a broker-dealer or is a registered representative of a broker-dealer.

Neither A.R.T. nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any entity.

Caxton Corporation ("*Caxton Corp.*") is the general partner of CAM. Mr. Bruce Kovner, the sole shareholder of Caxton Corp., is individually registered pursuant to the Commodity Exchange Act ("*CE Act*") as a Commodity Trading Adviser ("*CTA*"). Mr. Peter D'Angelo, the President of Caxton Corp., is individually registered pursuant to the CE Act as a CTA.

Currently, A.R.T. does not allocate any portion of its client's assets for management in other funds advised by A.R.T. affiliates or other unaffiliated private investment funds (whether

limited partnerships, limited liability companies, corporations or other types of entities), although it may invest in exchange-traded funds or notes.

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

A.R.T.’s Code of Ethics and Personal Trading Policy (“*Code of Ethics*”) has been adopted by A.R.T. in accordance with Rule 204A-1 and Rule 204-2 under the Advisers Act. All employees, officers, and partners of A.R.T. (or other persons occupying a similar status or performing similar functions) (“*Supervised Persons*”) are subject to the Code of Ethics.

A.R.T. forbids any Supervised Person from trading on material nonpublic information or communicating material nonpublic information to others in violation of the law. This conduct is frequently referred to as “insider trading.” This policy applies to all trading by the individual, whether for (i) any proprietary account of A.R.T. (if applicable), (ii) any A.R.T. client, (iii) his or her personal brokerage accounts and accounts of spouses, dependent children and family household members, or (iv) any other account that the individual controls or in which he or she has an interest.

Supervised Persons also recognize that information concerning A.R.T.’s trading and trading-related activities constitutes A.R.T.’s confidential and proprietary information, which cannot be released to persons outside of A.R.T. unless appropriately authorized by the Chief Compliance Officer and the General Counsel.

A.R.T.’s Supervised Persons are also prohibited from:

- Employing any device, scheme or artifice to defraud in connection with the offer, purchase, or sale of a security.
- Making any untrue statement of a material fact, or omitting to state a material fact necessary in order to make the statements made not misleading, in connection with the offer, purchase, or sale of a security.
- Engaging in any action, transaction, practice or course of business that would operate as a fraud or deceit upon any person in connection with the offer, purchase, or sale of a security.

Supervised Persons may buy or sell securities and other instruments that A.R.T. recommends or trades for its clients. A.R.T. monitors and limits or restricts such transactions pursuant to internal policies and guidelines. Personal trading may not in any way compromise the interests of A.R.T. or A.R.T. clients or otherwise violate A.R.T.’s prohibition against divulging confidential information or its policy against insider trading. Supervised Persons are:

- Required to report their personal holdings and transactions in personal brokerage accounts, including those of spouses, dependent children and family household

members and those where the Supervised Person has direct or indirect "Beneficial Ownership," as well as any other personal brokerage account over which an employee or other Supervised Person exercises direct or indirect control.

- Required to certify compliance with the Code of Ethics.
- Prohibited from executing personal securities transactions in any security on (i) A.R.T.'s blackout list, subject to certain de minimis transactions, or (ii) on A.R.T.'s restricted list.
- With the exception of certain exempt securities, required to pre-clear personal securities transactions in all reportable accounts and pre-clear investments in privately-placed securities.
- Subject to a prohibition from trading in initial public offerings.
- Generally subject to a 30 day holding period for a purchase of a security.

A.R.T.'s compliance policies and procedures also include other provisions to address conflicts of interests including:

- Restrictions on the receipt and giving of gifts and entertainment.
- Approval of outside business interests.
- Restrictions on and approval of political contributions.

A.R.T. monitors personal trading on a periodic basis. The Chief Compliance Officer conducts such reviews and monitors for violations to A.R.T.'s Code of Ethics.

Copies of the Code of Ethics will be made available to all clients upon request.

ITEM 12 – BROKERAGE PRACTICES

A.R.T. places orders for the purchase and sale of instruments by the Master Fund, and is authorized to select brokers or dealers to effect such transactions. A.R.T.'s primary objective is to seek and obtain best execution on an aggregate basis and must execute securities transactions for clients in such a manner that the client's total cost or proceeds are the most favorable under the circumstances.

A.R.T.'s best execution process not only involves an assessment of transaction costs, but also an evaluation of broker-dealer ancillary services adaptable to A.R.T.'s trading strategies and systematic trading. A.R.T. considers the full range of a broker-dealer's services, in the context of A.R.T.'s investment strategies and the nature of its trading, in assessing best execution.

A.R.T.'s trading system is largely automated and quantitative in nature. It is based on years of economic and market research and analysis and the use of advanced mathematical modeling and pattern recognition techniques. When assessing best execution of trades, A.R.T. considers, as a primary factor, the broker-dealer's ability to maintain the confidentiality of proprietary information, including trade information, trading patterns and order flow as well as the ability of the broker-dealer to promptly and effectively execute high speed electronic trades on behalf of A.R.T. A.R.T. also considers past history with broker-dealer relationships. Other factors that A.R.T. considers when assessing best execution include:

- the competitiveness of a broker-dealer's commission rates;
- liquidity opportunities relative to average daily volume of a security;
- creditworthiness;
- a broker-dealer's access to markets and distribution networks; and
- clearance and settlement capabilities.

Soft Dollar Practices

In its selection of a broker, A.R.T. may consider the ability of the broker to provide, or through credits to pay for, research. A.R.T. is authorized to pay higher commissions to a broker that provides or pays for research if A.R.T. determines that overall commissions are reasonable in relation to the overall services provided by such broker. The use of commission dollars to obtain such research is sometimes referred to as the use of "soft dollars." Research products and services obtained through use of "soft dollars" will be limited solely to services that provide lawful and appropriate assistance to A.R.T. in the performance of investment decision-making responsibilities and the purchase of which is protected from liability by the "safe harbor" created by Section 28(e) of the Exchange Act.

These research products and services may include (but are not limited to): (i) advice as to an investment's value; (ii) the advisability of investing in or selling instruments; (iii) financial publications; (iv) data feeds; (v) performance measurement devices, including research-oriented computer software and computer databases; (vi) provision of information as to the availability of instruments and potential buyers and sellers of instruments; and (vii) provision of data, analyses and reports concerning issuers, industries, instruments, economic factors and trends and portfolio strategy.

A.R.T. is authorized to use research products and services obtained with soft dollars for the benefit of some or all of its clients (including the Master Fund). At present, the Master Fund is the sole trading client of A.R.T. A.R.T., however, is authorized to provide advisory services to other entities and persons. If A.R.T. has one or more trading clients in addition to the Master Fund, the Master Fund may not be the direct beneficiary of research services or products generated from the Master Fund's trading, or conversely may be the beneficiary of research products or services provided to A.R.T. in connection with soft dollars generated from the trading of other clients. If A.R.T. receives a research product or service that also may have non-research uses (i.e., a "mixed use"), a potential conflict of interest may arise because such non-research product or service may directly benefit A.R.T. even though it arises from the soft dollars of A.R.T.'s clients. A.R.T. will seek to make a good faith allocation of the cost of any mixed use product or services that may be paid for with soft dollar credits.

Brokerage for Client Referrals

A.R.T. does not select or recommend broker-dealers based upon client referrals from a broker-dealer or third party.

From time to time, A.R.T.'s clients may accept investments from full-service financial firms and/or their employees who are investing on their own behalf or on behalf of third-parties. The financial service firms may have related entities that include broker-dealers and A.R.T. may utilize these broker-dealers from time-to-time to effect client transactions. A.R.T. does not take these investments into consideration when determining which broker-dealers to use to execute client transactions.

Directed Brokerage

A.R.T.'s clients do not direct brokerage.

Conflicts of Interest

As noted earlier, A.R.T. advises only the Master Fund and the two feeder funds that hold beneficial interests in the Master Fund. If, in the future, A.R.T. has clients that do not invest through the Master Fund, A.R.T., in its discretion, may bunch or aggregate orders for its clients to the extent it determines that such treatment of orders is consistent with its advisory duties. If it does so, it may in its discretion allocate aggregated orders on an average price basis and when transactions are appropriate for more than one client, it will generally allocate transactions among clients based upon clients' relative assets under A.R.T.'s management or other appropriate basis.

ITEM 13 – REVIEW OF ACCOUNTS

A.R.T.'s clients generally are reviewed daily by or under the supervision of A.R.T.'s Chairman, Head of Trading, Head of Systems, Chief Financial Officer and/or Senior Quantitative Analysts in conjunction with their designated responsibilities.

A.R.T. investment personnel are responsible for evaluating investments (and other products) for investment, reviewing the portfolio, and making asset allocation and security selection on a daily basis. Investment products are continuously analyzed for investment, and A.R.T.'s professionals review the portfolio on a daily basis according to the client's investment objectives and pursuant to A.R.T.'s stated investment strategies and styles. Accounts are reviewed for performance, valuation, tax considerations, diversification, sector exposure and risk.

A.R.T. considers the careful management of risk to be an important element of a successful trading program, and has, over the years, developed a range of monitoring and analytical techniques intended to make risk management more rational and effective. A.R.T. monitors markets on a regular basis. When volatility and trading losses reach predetermined levels, positions are reviewed to determine whether to scale back or eliminate such positions. The client's portfolio of positions and investments is monitored to maintain appropriate levels of risk and volatility.

Generally, the investors in A.R.T.'s clients receive monthly statements detailing their account information, including, but not limited to, the account's beginning and ending equity, and the account's performance for that period. Additionally, each investor is provided with the appropriate client's audited financial statements as soon as practicable after such client's fiscal year end.

A.R.T.'s clients have retained the services of a third party administrator to act as administrator and registrar and transfer agent. The administrator generally is responsible for producing and distributing monthly account statements and other fund reporting information as specified above to investors in A.R.T.'s clients.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

A.R.T. does not receive an economic benefit from a person who is not a client for providing advice or other advisory services to A.R.T.'s clients.

A.R.T. may, but currently does not, engage a placement agent to assist in selling interests in funds to which it serves as trading advisor. A.R.T., and not such fund, generally will pay any applicable fees to such placement agent.

ITEM 15 – CUSTODY

A.R.T. may be deemed to have custody of the assets of certain clients under Rule 206(4)-2 under the Advisers Act. Client assets generally will be cleared and kept in custody with major global broker-dealers. See also Item 13.

Investors in A.R.T.'s clients should carefully review any statements or reports provided by the client's administrator as well as the client's audited financial statements.

ITEM 16 – INVESTMENT DISCRETION

A.R.T. is granted discretionary authority over its client's assets based on contractual authority contained in the applicable agreement or trading advisory agreement. In general, A.R.T.'s clients do not place limitations on the discretionary authority granted to A.R.T. Generally, each client's investment mandate and any limitations on A.R.T.'s discretionary authority are described in the client's Memorandum or agreement.

ITEM 17 – VOTING CLIENT SECURITIES

Since the voting of proxies is irrelevant to the investment decision to purchase, hold or sell an investment in connection with quantitative-driven strategies, A.R.T. does not vote proxies on behalf of its clients.

A.R.T. has retained the services of a third-party provider to assert class action claims and file them with claims administrators. To the extent that a class action results in a recovery, that recovery will be included in the current income of the relevant client.

ITEM 18 – FINANCIAL INFORMATION

A.R.T. does not require or solicit prepayment of fees from its clients, is not subject to any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients and was not the subject of a bankruptcy petition at any time during the past ten years.