



## Part 2A of Form ADV Brochure Document

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This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Stillwater Investment Management, L.P. If you have any questions about the contents of this brochure, please contact us at (650) 437-0630. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Stillwater Investment Management, L.P. is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

Stillwater Investment Management, L.P. (“Stillwater” or the “Adviser”) has updated the last Brochure, dated March 25, 2016, to reflect the departure of its Chief Financial Officer, Eric Moore. Stillwater hired a new Chief Financial Officer, Martin Hsui, who started on June 20, 2016.

There have been no other material changes made to our Brochure since the last update.

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## **Item 4. Advisory Business**

Stillwater was formed in December 2014 and began operations as an investment adviser in June 2015. Stillwater, a Delaware limited partnership, is primarily owned and controlled by Adam Weiss and Kimberly Summe. The Adviser's principal place of business is located in Palo Alto, California.

Stillwater provides administrative services and discretionary investment management services to private investment funds, the securities of which are offered to investors on a private placement basis. The Adviser is a sponsor to a Cayman Islands exempted company, Stillwater Offshore Fund, Ltd. (the "Offshore Fund"), and a Delaware limited partnership, Stillwater Onshore Fund, L.P. (the "Onshore Fund") (collectively the "Feeders" or "Feeder Funds") which invest all their assets in a Cayman Islands exempted limited partnership, Stillwater Master Fund, L.P. (the "Master Fund"). Stillwater is the Master Fund's investment manager and Stillwater Fund GP, LLC (the "General Partner") is the Master Fund's and the Onshore Fund's general partner. The General Partner, a Delaware limited liability company, is owned and controlled by Adam Weiss, and is considered an affiliate of the Adviser.

Shares in the Offshore Fund are offered on a private placement basis to qualified institutional and high net-worth investors who are not United States Persons, and to a limited number of United States Persons who are (i) "qualified purchasers" within the meaning of Section 2(a)(51) of the United States Investment Company Act of 1940, as amended (the "40 Act"), (ii) "accredited investors" within the meaning of certain regulations under the United States Securities Act of 1933, as amended (the "Securities Act"), and (iii) exempt from United States federal income taxation. Limited partnership interests in the Onshore Fund are also offered on a private placement basis, pursuant to Section 3(c)(7) and Section 3(c)(1) of the 40 Act, generally to accredited investors and qualified purchasers. Note that for purposes of this document, the term of "Investments" covers "Interests" for investors subscribing to the Onshore Fund and "Shares" for investors subscribing to the Offshore Fund.

As of December 31, 2015, Stillwater had \$294,862,143 in discretionary assets under management.

## **Item 5. Fees and Compensation**

The fees and expenses associated with an investment in the Feeder Funds are described in detail in the Master Fund's limited partnership agreement and the investment management agreement between Stillwater and the Master Fund, as well as in each of the Feeders' Offering Memorandum.

Because the Feeder Funds invest only through the Master Fund, payments of the Feeder Funds' expenses will generally be made through the Master Fund. These expenses are generally allocated between the Onshore Fund and the Offshore Fund based on the respective Fund's ownership of the Master Fund. To allocate these expenses between the Feeder Funds, an "Aggregate Account" for each Fund is maintained. When an investor initially subscribes, a sub-

account is established within the Aggregate Account to track profits, losses and other economic activity related to the investor's investment in the respective Feeder Fund. The Feeder Funds are currently offering two series of Investments, Series A and Series B, and a sub-account for each of these Series is established and maintained separately.

Series A and Series B Investments entitle their investors to the same terms, except that Series B Investments will be subject to lower incentive allocations and more restrictive liquidity terms than Series A Investments. The Feeder Funds may in the future issue other types of Investments, with rights and restrictions to which each of the Feeder Funds and respective purchasers of those Investments agree.

For the valuation of the publicly traded securities held in the Master Fund, Stillwater has delegated this responsibility to a third party fund administrator, subject to pricing and valuation conventions and procedures.

### Management Fees

Stillwater generally receives from the Master Fund a management fee equal to 0.375% (1.5% annual rate) of the Master Fund's net asset value of each series of Investments. The management fee is typically calculated at the beginning of each calendar quarter. If an investor purchases Feeder Fund Investments on a date other than the first day of a calendar quarter, Stillwater will generally prorate the management fee for those Investments. Management fees paid through the Master Fund are ultimately allocated to the Onshore Fund's or the Offshore Fund's investors based on their Investments in the Feeder Funds (or the balances in those sub-accounts). It should be noted that management fees will be subject to specific decreases once assets exceed \$1 billion. Further details are provided in the Feeder Funds' Offering Memoranda dated March 2016.

In its discretion, the Adviser may waive or reduce management fees for certain investors, including employees and affiliates of Stillwater. The Adviser intends to waive the management fee for its own capital, as well as its affiliates, employees or owners and their family members. Stillwater does not currently expect to waive or reduce the management fee for any other investors.

### Incentive Allocations

Each Investment in a Feeder Fund is typically subject to an incentive allocation (allocated to the General Partner) equal up to 20% of any net profits, which include both realized and unrealized gains and losses. The Master Fund generally will make incentive allocations annually at the end of the year and upon redemption by an investor. The allocation is subject to a "high water mark" provision. An incentive allocation can only be made if and to the extent the increase in the account balance for the applicable period exceeds the "loss carry forward" amount associated with the account at the beginning of the period. These incentive allocations are ultimately determined by the Offshore Fund's or the Onshore Fund's net increases in the value of those sub-accounts.

Investors in Series B Investments pay a reduced incentive allocation rate at 15% of any net profits. In exchange for this reduced rate, Series B Investments are generally subject to a "hard

lock” for two years before the first redemption, which is limited to 25% of an investor’s Series B ownership. At the end of the hard lock, the investor can redeem up to 25% of its Series B ownership in one quarter during the third year of the investment. At the end of first three years, the investor may (a) re-lock its Series B holdings; (b) convert all of its remaining Series B holding to Series A; or (c) liquidate all of its Series B holding.

In its discretion, the Adviser may waive or reduce incentive allocations for certain investors, including employees and affiliates of Stillwater. The Adviser intends to waive the incentive allocations for its own capital, as well as its affiliates, employees or owners and their family members and entities and estate planning vehicles established for the benefit of the foregoing. Stillwater does not currently expect to waive or reduce the incentive allocations for any other investors.

### Administrative Fees and Expenses

Stillwater has engaged HedgeServ Cayman Ltd. (the “Fund Administrator”) to perform certain administrative, accounting, registrar and transfer agency services for the Feeder Funds and the Master Fund. The fees payable to the Fund Administrator are based on its standard schedule of fees for similar services, as detailed in the administrative agreement between the Feeder Funds, the Master Fund and HedgeServ (without double counting for the master-feeder structure).

In addition to the Fund Administrator, the Adviser has engaged The Northern Trust Company, Goldman, Sachs & Co. and Morgan Stanley & Co., LLC to provide custodial services for the Feeder Funds and the Master Fund. Custodial services typically include not only taking custody and safekeeping the Master Fund’s assets, but also clearing and settling the Master Fund transactions. Some of these custodial services may be provided through “prime brokerage” arrangements with the aforementioned brokerage firms or banks. The Master Fund pays its non-prime broker custodial fees. While it may pay custodial fees to prime brokers under some circumstances, it generally expects to compensate prime brokers for all their services through interest on credit balances, margin borrowings and stock loans and through brokerage commissions. Custodians (including prime brokers) or their affiliates may also be counterparties to swap and other derivative transactions and may receive compensation for those activities.

Each Feeder Fund bears all expenses incidental to its organizational and ongoing operation, including, but not limited to, legal, auditing and accounting expenses, tax preparation expenses, custodial fees, brokerage fees and commissions or any other similar fees, research services, proxy voting expenses, consulting expenses and other third-party research related expenses, government registration fees, administrator fees and other expenses related to the operation of the Funds.

The Feeder Funds and the Master Fund may pay their costs directly or Stillwater may advance costs and be reimbursed by the Feeder Funds or the Master Fund. Stillwater may bear any of those costs out of its own assets or revenues, but its decision to do so as to some costs or for some periods will not obligate it to do so as to any other costs or to continue doing so for any other periods. The Feeder Funds (or the Master Fund) and one or more other clients or accounts Stillwater entities manage may be obligated to bear or to reimburse Stillwater for some or all

of a particular cost that benefits all of them. In such a case, Stillwater may allocate the cost among the Feeder Funds and the Master Fund in its discretion.

The amount of charges and expenses indirectly borne by an investor may vary from year to year.

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

As noted in Item 5, the General Partner receives performance-based fees, referred to as incentive allocations, from the Master Fund. The incentive allocations provide the Adviser with an incentive to engage in more speculative investment strategies to maximize gross profits, which lead to greater compensation. Stillwater currently only serves as investment adviser to the Master Fund and operates the Feeder Funds in a master-feeder structure, which reduces some conflicts of interest. If the Adviser begins to manage other funds or accounts, Stillwater will implement additional policies and procedures for allocating transactions and investment opportunities among the Master Fund and those other funds or accounts in a manner that the Adviser believes to be equitable.

## **Item 7. Types of Clients**

The Adviser provides investment advisory services to the Master Fund. Investment advice is provided directly to the Funds and not individually to its investors. Investors in the Funds may include, but are not limited to, banks, pension and profit-sharing plans, sovereign wealth funds, endowments, foundations and corporates or other business entities.

All initial and additional subscription minimums are disclosed in each of the Feeder Funds' Offering Memorandum. Generally, the minimum initial investment amounts in the Offshore Fund and the Onshore Fund are each USD \$10 million.

The General Partner (or the Board of Directors for the Offshore Fund) may reduce or waive the minimum new investment requirements for the Feeder Funds and intends to waive such requirements for Stillwater and its affiliates, employees or owners and their family members. The Offshore Fund's Board of Directors oversees the Offshore Fund's operations.

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

### Methods of Analysis and Investment Strategies

Stillwater has broad and flexible investment authority, but its primary method is to invest in or to sell securities as determined by an investment process based on the Adviser's core values. Stillwater generally makes capital allocation decisions based on fundamental research.

The Adviser offers a global, long/short equity investment strategy that features concentrated long and short positions based upon in-depth primary research. Both long and short positions are opportunistically hedged with a variety of instruments that target both general market risk and risks that are particular to a given position.

Stillwater may invest or trade the Master Fund's assets in all types of instruments, including United States or non-United States stocks (publicly traded or privately issued or negotiated), warrants and rights, corporate bonds, notes, debentures or other debt or debt participations, convertible securities, fixed income securities, swaps, currencies, options (purchased or written), futures contracts, commodities and forward contracts, derivative instruments in relation to one or more of the foregoing, partnership interests and other securities or financial instruments including those of investment companies. The Master Fund may have a highly concentrated portfolio.

Stillwater generally makes capital allocation decisions based on fundamental research. It generally focuses on opportunities within certain business models or industries, which may change over time. With respect to geography, the Adviser has a global mandate, but will generally concentrate in North America and Europe. The Adviser maintains a flexible approach to shifting "net exposure" depending on the relative attractiveness of long versus short opportunities in the market. In general, the Adviser seeks to maintain a net long bias.

The investment strategies summarized above represent Stillwater's current intentions, are general in nature and are not exhaustive. Stillwater may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above, as described in the Feeder Funds' Offering Memoranda. Depending on conditions and trends in securities markets, Stillwater may pursue other strategies or use any techniques that it considers appropriate and in the Master Fund's and the Feeder Funds' interests.

#### Risk of Loss

***An investment in the Offshore Fund or the Onshore Fund involves significant risks. You should invest in the Offshore Fund or the Onshore Fund only after consulting with your own independent qualified sources of investment and tax advice.***

***The Offshore Fund, the Onshore Fund and Stillwater cannot or do not guarantee or represent that the Master Fund's investment program will be successful. As with any investment, an investor could lose some or all of his or her or its investment. The Offshore Fund or the Onshore Fund is not a complete investment program and, if you invest, that investment should represent only a portion of your overall asset management strategy. The following is a brief summary of some of the significant risks that investors should consider before investing with the Adviser.***

#### General Investment Risks

**Market Conditions and Disruptions; Interconnected Markets.** Developments and disruptions in financial and securities markets generally, including aspects and attributes such as interest rates, the availability of credit, the liquidity of particular types of Investments, as well as changes in general economic conditions, including unemployment and inflation, can significantly affect the prospects of companies in which the Master Fund invests, the Adviser's ability to assess those prospects and the Master Fund's ability to adapt its portfolio and market exposures. For example, in 2007 and 2008, a global "credit crisis" caused rapid and violent swings in all markets. In the summer and early fall of 2011, global economic disruptions caused additional



dramatic swings in securities prices. In 2012, developments in Europe caused significant price swings. Other types of disruptions could emerge, including as a result of political or economic developments outside the markets in which the Master Fund mainly invests, that have similar, or even more dramatic, effects on the markets in which the Master Fund invests. Market disruptions could cause the Master Fund to incur major losses, particularly if they cause historical pricing relationships to become materially distorted or previously liquid positions to become illiquid. Market disruptions can result in otherwise historically low-risk strategies performing with unexpected volatility and risk.

**Counterparty and Custody Risk.** Investment funds such as the Master Fund must place most of their assets in the custody of institutions, such as brokerage firms and banks, which may hold those on the books of depositaries and other intermediaries in the institutions' own name (*i.e.*, in "street name"). The Master Fund is subject to the risk that these firms, as well as other brokers, counterparties or clearinghouses with which the Master Fund deals, may default on their obligations to the Master Fund. Any such default could result in material losses to the Master Fund. Bankruptcy or fraud at one of these institutions could also impair the Master Fund's operational capabilities or capital position. Securities and other assets the Master Fund deposits with custodians or brokers may not be clearly identified as being the Master Fund's assets, causing the Master Fund to be exposed to credit risk with regard to those custodians or brokers. The Master Fund generally will only be an unsecured creditor of its trading counterparties in the event of bankruptcy or administration of those counterparties and in some jurisdictions the same may be true of the Master Fund's relationship to its brokers. The Master Fund attempts to limit its brokerage and custody transactions to well-capitalized and established banks and brokerage firms in an effort to mitigate these risks, but the collapse in 2008 of the seemingly well-capitalized and established Bear Stearns and Lehman Brothers demonstrates that there are limits to the effectiveness of this approach in avoiding counterparty losses.

**Governmental Intervention in Markets.** Since 2008, financial crises and market disruptions have led to extensive new governmental intervention in financial markets and the structure and operation of financial institutions. Many governmental interventions have been unclear in scope and application and have included apparent inconsistencies, at times causing losses for market participants, contributing to confusion and uncertainty as to important market forces, and in some cases contributing, at least temporarily, to illiquidity in some markets. In particular, in the United States the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act substantially altered the regulation of many markets, market participants and financial instruments. Many of its provisions required rulemaking by various governmental agencies before they become fully effective and, as of the date of this Brochure, some required implementing rules that have not been adopted or become effective. Some of those rules, when adopted, may have significant effects on various financial market participants' costs of investing and providing services and on the availability and costs of certain types of Investments and services. European and other non-United States governmental entities have enacted and are still implementing their own regulations in response to the "credit crisis" and other market disruptions.

It is impossible to predict what additional interim or permanent governmental restrictions or other actions may be imposed on financial markets, particularly if new disruptions occur, and it is impossible to predict the effect those restrictions or other actions may have on the Adviser's

strategies or each of the Feeder Funds' portfolio when implemented. Those effects could create or exacerbate market disruptions and further expose the Feeder Funds to risks of the kinds described above.

### Risks Arising from Broad Discretion and Dependence on Stillwater

The Adviser has exclusive and unrestricted discretion to invest the Master Fund's assets. The Feeder Funds' prospects depend upon the Adviser's ability to develop and to implement investment strategies that achieve the Master Fund's investment objectives. The following describes some of the risks that arise from relying on an investment adviser with such broad discretion and on the Adviser in particular.

**Investment Selection; Subjective Judgment.** The Adviser will select Investments based on its analysis and subjective assessment of a wide variety of factors that it considers, from time to time, relevant to the prospects of those Investments. Failures of that analysis or those assessments, for particular Investments or for strategic direction and construction of the Master Fund's portfolio as a whole, may cause the Feeder Funds to incur losses or to miss profit opportunities. Areas in which the Adviser's skill and potentially subjective judgment may be particularly important include the following:

- *Market Judgment.* The Adviser's personnel will apply judgment as to overall market conditions and directions as a core part of implementing the Master Fund's strategy at any particular time. The greater the role such judgment plays during any particular period, the more unpredictable and inconsistent a trading strategy is typically expected to be.
- *Fundamental Analysis.* Fundamental analysis, based on the theory that market prices do not always incorporate all knowable economic and other relevant data, is subject to the risk of inaccurate or incomplete market information, as well as faulty analysis of known information. In addition to the risk of shortcomings in analysis, Investments made based upon fundamental analysis are subject to significant losses when market sentiment leads to material discounting of market prices from the prices indicated by fundamental analysis (as in the case of "flights to quality" when the demand for certain risky investment instruments plummets) or when technical factors, such as price momentum encouraged by trend following, dominate the market.
- *Risk Management.* The Adviser actively causes the Master Fund to take risks, directly exposing it to potential loss under a wide variety of market conditions. It attempts to identify, measure and monitor risks associated with the investment activities and may choose to hedge or otherwise mitigate risks it identifies. However, the Adviser may fail to identify or anticipate a wide variety of risks that may adversely affect the Master Fund or the hedging or other risk mitigation techniques may not have the desired effect, potentially exposing the Master Fund to material losses.
- *Technical Analysis.* The Adviser may incorporate elements of technical analysis—analysis of historical and current market data—into its investment decision making. Technical analysis is subject to the risk that unexpected fundamental factors or other

factors that were not present during the periods from which historical data were generated on which decisions are based may arise and become dominant, at least for a time. Among other things, an influx of new participants in a particular market, structural changes in the markets, the introduction of new financial products and other developments could materially adversely affect the validity of inferences from historical data and thus the profitability of Investments based on technical analysis.

**Reliance on Key Personnel.** The Feeder Funds', the Master Fund's and the Adviser's operations are substantially dependent upon the skill, judgment and expertise of Adam Weiss and the Adviser's other personnel. The death, disability, departure or other unavailability of Mr. Weiss or any other key personnel could have a material and adverse effect on the Feeder Funds and the Adviser.

**Limited Operating History.** The Feeder Funds, the Master Fund and Stillwater are newly-formed and have no operating history of their own. Further, because, among other things, market conditions and investment approaches are continually changing, prior investment performance of the Adviser's key personnel does not necessarily indicate the Feeder Funds' prospects for profitability. Past results do not predict future performance. Neither the Feeder Funds nor Stillwater can or do give any assurance that the Feeder Funds will achieve profits or will not incur substantial losses.

**Concentration of Investments.** The Master Fund will not be as diversified as many other investment funds. The Adviser expects that the Master Fund may at times have a relatively large portion of its capital exposed to a relatively small number of positions and/or a particular industry. Losses in one or more large positions, or a downturn in an industry in which the Master Fund is concentrated, could materially adversely affect the Feeder Funds' performance and could have a materially adverse effect on the Feeder Funds' overall financial condition.

#### Risks Arising from Particular Activities or Types of Securities

All investment and trading activities risk the loss of capital. The following describe some of the risks to which the Feeder Funds' portfolio will, or may, be subject.

**Investments Based on Valuation.** The Master Fund will invest in securities the Adviser believes are undervalued and may sell short securities the Adviser believes are overvalued. Identifying investment opportunities of these kinds is a difficult task and neither the Feeder Funds nor the Adviser can provide any assurance that the Adviser will succeed at it. While Investments in undervalued securities offer opportunities for above-average capital appreciation, these Investments involve a high degree of financial risk and can result in substantial losses and short sales based on expectations that market participants will come to agree that a stock is overpriced can theoretically involve even higher risks. The Master Fund may be required to hold positions for a substantial period before market prices reflect the Adviser's beliefs about their value. Returns generated from the Master Fund's Investments may not adequately compensate for the business and financial risks assumed.

**Short Selling.** The Master Fund will sell securities short as a regular part of its investing activities. In a short sale, the Master Fund sells securities it does not own, in the expectation that

the market price will decline and the Master Fund will be able to buy replacement securities later at a lower price. To accomplish this, the Master Fund borrows the securities from a broker or other third party. It “closes” the position by “returning” the security (buying a replacement security on the lender’s behalf). This “return” obligation does not typically have a specified “maturity” date and the lender generally may require replacement of the securities whenever it chooses. A short sale theoretically involves the risk of unlimited loss; the price at which the Fund must buy “replacement” securities could increase without limit. The Master Fund may experience losses on short positions that are not offset by gains on long positions.

As collateral for its return obligation, the Master Fund must leave the proceeds of its short sales with the lender—generally a prime broker. Ordinarily, all the Master Fund’s assets held by a prime broker will serve as collateral not only for the Master Fund’s short sale return obligation, but also for any other credit the prime broker extends and any other obligations the Master Fund owes the prime broker. If the amount of the Master Fund’s return obligation were to increase significantly due to increases in a short-sold security’s price, or if the value of collateral were to decrease, the Master Fund could be required to deliver additional cash or other collateral to the relevant prime broker. But, if substantially all the Master Fund’s assets were already serving as collateral, it is unlikely that the Master Fund would be able to meet such a demand, and the prime broker would likely cause the Master Fund to “buy-in” or “close” some or all of its short positions. Such a “buy-in” could well be at a time and on terms that are adverse to the Master Fund. Lenders such as the prime brokers have great discretion in their decisions regarding adequacy of collateral and the Master Fund’s short-selling activities and actions that depend on availability of assets not being relied on for collateral (*e.g.*, distributing cash) could be curtailed, potentially significantly and without notice.

In 2008, regulators in the United States, the United Kingdom and several other countries significantly changed the regulations that govern short selling, settlements of short-sale transactions, lending to facilitate short sales, disclosure of short positions and other aspects of short-selling activities. Those actions, taken on short notice, significantly affected some positions and some market participants, including through forced buy-ins under adverse circumstances and even “double” buy-ins. In 2011 and 2012, regulators in several European countries imposed additional interim limitations on short selling and in 2012 imposed significant permanent reporting requirements. Short selling practices remain the subject of political controversy and changes in short-selling-related regulations may continue to occur, again potentially with little notice. The Master Fund could suffer losses on short-selling activities as a direct or indirect result of those changes and its ability to use short selling as a part of its overall investment activities could be limited or made less effective or profitable.

**Hedging.** The Adviser may use hedging strategies to the extent it considers appropriate in light of current circumstances and portfolio composition. It may do so using short positions in one instrument to hedge long positions in another instrument and vice versa. Hedging strategies in general are intended to limit or reduce investment risk, but they involve transaction costs and may inherently limit or reduce the potential for profit. Hedges are often imperfectly inversely correlated with the underlying exposure the Feeder Funds seek to hedge and, to the extent that is the case, can subject the Feeder Funds to additional risk if prices involved in the hedging position move against the Feeder Funds. Other risks that may be involved in hedging include: (i) possible illiquidity in the market for closing out a hedging position; (ii) interest rate, spread or

other broad market movements not anticipated by the Adviser; (iii) the Feeder Funds' obligations to meet margin or other payment requirements; (iv) a counterparty's default or refusal to perform; and (v) impact that required segregation of the Master Fund's assets to cover hedge-related obligations may have on portfolio management or the Feeder Funds' ability to meet short term obligations. The Master Fund will not attempt to hedge all market or other risks inherent in its positions and will hedge certain risks, if at all, only partially.

**Portfolio Leverage.** Leverage in the Master Fund's portfolio could increase both the possibilities for profit and the risk of loss. If the Master Fund were to borrow to leverage its Investments (margin borrowing), that borrowing would probably be secured by the Master Fund's securities and other assets. Margin borrowings typically allow the lender to demand an increase in the collateral that secures the Master Fund's obligations and if the Master Fund were unable to provide additional collateral, the lender could liquidate the collateral to satisfy the Master Fund's obligations. Forced liquidation could have extremely adverse consequences, including sales at disadvantageous times and prices and the acceleration of tax consequences.

**Risks of Investing in Non-United States Securities.** The Master Fund may invest and trade in securities of non-United States companies or governmental entities and in securities, commodity interests and derivative contracts and instruments denominated in currencies other than United States dollars. Such securities and other instruments can subject the Feeder Funds to risks not typically associated with investing in securities and commodity interests in the United States. The following are some of the more significant risks associated with this type of investing:

- *Political and Economic Instability.* Many non-United States economies and markets are relatively unstable due to, among other things, volatile internal political environments, relatively unstable monetary systems and/or external political risks. Some governments participate in their economies through ownership or regulation in ways that can have a significant effect on securities prices. The economies of some countries depend heavily on international trade and can be adversely affected by the enactment of trade barriers or changes in the economic condition of their trading partners. In some countries, especially developing or emerging countries, political or diplomatic developments could lead to programs that would adversely affect Investments, such as confiscatory taxation or expropriation.
- *Currency Fluctuations.* The Master Fund may invest in securities denominated in foreign currencies. A change in the value against the United States dollar of a currency in which an investment is denominated causes a corresponding change in the United States dollar value of the investment. Some foreign countries maintain their currencies at artificial levels relative to the United States dollar. This type of system can lead to sudden and large adjustments in the currency, which can in turn result in losses to foreign investors. The Master Fund may enter into futures and foreign currency transactions to attempt to reduce its foreign currency exposure. These techniques may reduce, but will not eliminate, the risk of loss due to unfavorable currency fluctuations and they tend to limit any potential gain that might result from favorable currency fluctuations. Some countries restrict conversion of their currency into foreign currencies, including the United States dollar, and for some currencies, there is no significant foreign exchange market.

- *Characteristics of Foreign Securities Markets.* Many foreign securities markets are not as developed or efficient as those in the United States and may be more volatile than the United States markets. In particular, there is generally less government supervision and regulation of many foreign exchanges, brokers and listed companies than in the United States. Further, trading volumes in many markets are lower than in the United States markets, resulting in reduced liquidity and potentially rapid and erratic price fluctuations. Commissions for trades on foreign exchanges are generally higher than negotiated commissions on United States exchanges and custody expenses are generally higher as well. Settlement practices for transactions in foreign markets may involve delays beyond periods customary in the United States, possibly requiring the Master Fund to borrow funds or securities to satisfy its obligations arising out of other transactions. In addition, there could be more “failed settlements,” which can result in losses to the Feeder Funds.
- *Less Adviser Information and Regulation.* There is less publicly available information about many foreign companies than about United States companies. This may make it more difficult for the Adviser to keep informed of corporate action that may affect the price of a particular security. Further, many foreign countries lack uniform accounting, auditing and financial reporting standards, practices and requirements. These factors can make it difficult to analyze and to compare the performance of foreign companies.
- *Restrictions on Investment and Repatriation.* Some countries impose restrictions and controls regarding investment by foreigners. Among other things, they may require prior governmental approvals, impose limits on the amount or types of securities that may be held by foreigners or impose limits on the types of companies in which foreigners may invest. These restrictions may at times limit or preclude the Master Fund’s investment in certain countries and may increase the Master Fund’s costs. Indirect foreign investment may, in some cases, be permitted through investment funds that have been specifically authorized for that purpose. Because of the limited number of authorizations granted in such countries, however, units or Investments in most of the investment funds authorized in those countries may at times trade at a substantial premium over the value of their underlying assets. There can be no certainty that these premiums will be maintained and if the restrictions on direct foreign investment in the relevant country were significantly liberalized, premiums might be reduced, eliminated altogether or turned into a discount. In addition, certain foreign countries impose restrictions and controls on repatriation of investment income and capital.
- *Foreign Taxes.* Dividend and interest payments on certain foreign securities owned by the Master Fund may be subject to foreign withholding taxes, as may realized capital gains. Such taxes will reduce net proceeds to the Feeder Funds.
- *Depositary Receipts.* The Master Fund may pursue some non-United States investing through American Depositary Receipts (“ADRs”), Global Depositary Receipts (“GDRs”), European Depositary Receipts (“EDRs”) or other similar securities representing ownership of foreign securities (collectively, “Depositary Receipts”). Depositary Receipts generally evidence an ownership interest in a corresponding foreign security on deposit with a financial institution. Transactions in Depositary Receipts

usually do not settle in the same currency in which the underlying securities are denominated or traded. Generally, ADRs, in registered form, are designed for use in the United States securities markets and EDRs, in bearer form, are designed for use in European securities markets. GDRs may be traded in any public or private securities markets and may represent securities held by institutions located anywhere in the world. Investing through Depositary Receipts involves substantially the same risks as investing directly in non-United States securities.

**Currencies and Foreign Exchange.** The Master Fund may take positions in currencies, either directly or through the use of derivative instruments. While it generally will do so to hedge currency exposure on other Investments, it may also do so to take advantage of what the Adviser considers trading opportunities. The foreign exchange markets can be news-driven, can be unexpectedly volatile and can be affected by non-market forces such as actions of various governments.

**Options.** Trading options is highly speculative and may entail risks greater than investing in other securities. Option prices are generally more volatile than other securities' prices. When trading options, the Master Fund speculates on market fluctuations of securities and securities exchange indices while investing only a small percentage of the value of the securities underlying the options. A change in the market price of the underlying securities or underlying market index would cause a much greater change in the price of the option contract. In addition, if the Master Fund buys options that it does not sell or exercise, it will lose the premium paid. To the extent the Master Fund sells (writes) options and must deliver the underlying securities at the option price, the Master Fund has a theoretically unlimited risk of loss if the price of the underlying securities increases. If the Master Fund must buy those underlying securities, it risks the loss of the difference between the market price and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option.

**Convertible Securities, Rights and Warrants.** The Master Fund may invest in hybrid securities that may be exchanged for, converted into or exercised to acquire a predetermined number of Investments of an issuer's common stock at the option of the holder during a specified time period (such as convertible preferred stocks, convertible debentures, stock purchase rights and warrants). Convertible securities generally pay interest or dividends and provide for participation in the appreciation of the underlying common stock but at a lower level of risk because the yield is higher and the security is senior to common stock.

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The credit standing of the issuer and other factors may also affect the investment value of a convertible security. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security is increasingly influenced by its conversion value.

Convertible securities may also include warrants, often publicly traded, that give a holder the right to purchase at any time during a specified period a predetermined number of Investments of common stock at a fixed price but that do not pay a fixed dividend. Their value depends primarily on the relationship of the exercise price to the current and anticipated price of the underlying securities.

**Derivatives in General.** The Master Fund's Investments in derivative instruments could include, among other things, options, contracts for differences, participatory notes, swaps (including on interest rate, credit default, total return and equity swaps), futures and forward contracts. While specific types of derivatives involve specific risks, all derivative instruments can involve a variety of material risks, including the following:

- *Leverage.* Derivatives can have significant embedded leverage: they can allow the Master Fund to participate in market price fluctuations of the underlying reference instrument or value (e.g., securities, indices, interest rates, commodities or currencies) while only investing a small percentage of the “notional” value of the contract. As with all forms of leverage, this can increase not only the opportunity for profit but also the risk of loss. Depending on how they are used, derivatives may increase or decrease the overall volatility of a portfolio.
- *Limited Liquidity.* The markets for many derivative instruments are frequently characterized by a limited number of dealers, which can mean limited liquidity and can, in turn, make it difficult and costly to close out positions in order either to realize gains or to limit losses.
- *Correlation Error and Change.* The pricing relationships between derivatives and the reference values or instruments underlying them may suddenly change from historical patterns, resulting in unexpected losses.

**Over-the-Counter Derivatives.** Over-the-counter or “OTC” derivatives have historically been individually-negotiated, non-standardized agreements entered into directly and privately between two parties—rather than on an exchange—to make/receive payments based on changes in underlying reference instruments or values. While, as described below, legislation and regulations require many derivatives to be cleared, many will remain bilateral and non-cleared. OTC derivatives involve the following types of risks, among others:

- Counterparties might fail to perform, subjecting the Master Fund not only to loss of the benefit of the derivative agreement but also, potentially, to loss of access to assets posted as collateral. Non-cleared OTC derivatives are generally not afforded the risk-mitigating protections of an execution facility or clearinghouse, or of a government regulator that oversees the execution facility or clearinghouse, in the event of such a failure to perform. Even cleared derivatives may not avoid these risks entirely: when transacting in cleared OTC derivatives, the Master Fund will not face a clearinghouse directly but rather will transact through an OTC derivatives dealer that is registered with the United States Commodity Futures Trading Commission (“CFTC”) or SEC to act as a clearing member (a futures commission merchant). If another of the Master Fund's clearing member's customers fails to meet its obligations to the clearing member, under certain



circumstances the clearing member could default on its obligations to the clearinghouse and the Master Fund's assets held by the clearing member could consequently become inaccessible for an indefinite period or could ultimately prove not to be recoverable.

- If a counterparty's creditworthiness declines, the value of a derivative contract with the counterparty can be expected to decline, potentially resulting in losses by the Master Fund.
- Many derivative contracts call for payments periodically or upon changes in the price of the underlying instrument, rates or indices. The Master Fund must be prepared to make those payments when due and it may be required to maintain collateral with its counterparty to support its payment obligations. If the Master Fund were to fail to fulfill those obligations or to post any required collateral, its counterparty could declare an event of default and the Master Fund could be required to pay breakage fees, suffer the loss of the amounts paid to the counterparty and possibly forego future payments from the counterparty.
- OTC derivatives are less liquid than listed options or futures.
- Difficulties may arise in interpreting the legal terms of the relevant agreements.

**Regulation of Over-the-Counter Derivatives.** As a result of Dodd-Frank, the CFTC now requires certain derivative transactions that were previously executed on a bilateral basis in the OTC markets to be executed through a regulated futures or swap exchange or execution facility. The SEC will also impose similar requirements on certain security-based derivative transactions in the near future, though it is not yet clear when those requirements will go into effect. Among other things, in the United States, trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, as well as possible SEC- or CFTC-mandated margin requirements. Regulators also have broad discretion to impose margin requirements on non-cleared OTC derivatives and new requirements will apply to derivatives dealers' holding of customer collateral. Derivatives dealers may require the Master Fund to give them the right unilaterally to increase collateral requirements for cleared OTC trades beyond regulatory and clearinghouse minima. These factors may increase the amount of collateral the Master Fund is required to provide and the costs associated with providing it.

If the Master Fund opts not to trade on a swap execution facility ("SEF") directly but instead through a broker, that trading may nevertheless require the Master Fund to consent to the SEF's jurisdiction as a self-regulatory organization and to be subject to the SEF's rules, which could adversely impact the Master Fund.

In Europe, the European Market Infrastructure Regulation on OTC derivatives, central counterparties and trade repositories ("EMIR") imposes requirements that may affect the Master Fund's derivatives activities in Europe, including a general obligation to clear certain types of OTC derivative contracts through a central counterparty. EMIR is in the process of being implemented over several years. E.U. derivative activities are also affected by the Markets in Financial Instruments Directive ("MiFID II"), which is expected to be implemented over the coming years.

While these and other legislative and regulatory measures may provide protections for some market participants, they are new and still being implemented and their effects on the derivative markets activities cannot be reliably predicted. They may reduce the availability of some types of derivative instruments, may increase the cost of trading in or maintaining others and may cause uncertainty in the markets for a variety of derivative instruments.

**Futures/Commodities Activities.** The Master Fund could buy futures on securities indices, commodities or currencies and trade in other commodity interests. As with some other derivatives, futures can provide a form of leverage, allowing the Master Fund to participate in market price fluctuations of indices, interest rates or commodities underlying futures (or options on futures), while only investing a small percentage of the value of those underlying indices, rates or commodities as margin. Trading in futures is highly speculative and may entail risks that are greater than investing in securities, including: increased volatility relative to other securities; increased exposure resulting from the leverage aspects of futures trading; and the potential illiquidity of futures positions. Neither the Adviser nor the General Partner is registered as either a “commodity pool operator” or a “commodity trading adviser.”

**Securities Lending.** The Master Fund may lend portfolio securities either directly or through programs operated by financial intermediaries. As a creditor, the Master Fund runs the risk that borrowers of its securities may fail to return borrowed securities on demand or at all. A borrower’s failure to return securities on a timely basis could cause the Master Fund to default on obligations it owes to third parties or it could force the Master Fund to make other arrangements to satisfy those obligations (such as borrowing equivalent securities elsewhere), resulting in penalties and unexpected costs. The Master Fund could lose the entire value of the lent securities. While borrowers typically provide securities as collateral for their obligations to return borrowed securities, that collateral is typically invested in instruments the value of which could decline, resulting in losses to the Master Fund. The institutions that operate securities lending programs in which the Master Fund participates may make mistakes in administering the lending and collateral investing arrangements, resulting in delays and potential losses for the Master Fund.

**Exchange Traded Funds and Other Pooled Investment Vehicles.** The Master Fund may invest or trade in Exchange Traded Funds (“ETFs”), index-related instruments and other instruments or pooled vehicles as a way of hedging risks related to particular industries, sectors or markets in connection with its other Investments. Doing so will subject the Feeder Funds to hedging-related risks. It may also include the risk that an ETF or index-related instruments may not effectively reflect the performance of the index, industry or other market it is intended to replicate. Investing in any pooled investment vehicle involves, in addition to all the risks involved in investing in securities or commodities generally, the risk that the expenses charged to the pooled vehicle reduce the return, that the managers of the pooled vehicle are not successful at their stated program, that those managers face conflicts of interest, that the investment is illiquid and that the non-investment operations of the pooled vehicle become subject to error and mismanagement, resulting in losses for the pooled vehicle. In any event, such pooled vehicles can be expected to incur costs in addition to the Feeder Funds’ fees and costs described in this Brochure, thus reducing the return on Investments in those vehicles.

**Trading Errors.** Trading inevitably entails the risk of errors in order placement and execution. The Master Fund may engage in trading that is, at times, rapidly executed and may rely on computer code, software, hardware and modes of transmission. These activities may increase the risk of trading errors. The Master Fund will bear the burdens, and enjoy the profits, from any trading errors, unless those errors constituted disabling conduct (defined as an act or an omission that constitutes gross negligence or willful misconduct) by the Adviser.

**Idle Funds.** The Master Fund may at times have a significant portion of its assets in cash or cash equivalents. The investment return on such “idle funds” is not expected to meet the overall return objective the Adviser seeks through the Master Fund’s investment program.

**Debt Instruments.** The Master Fund may invest in debt or other fixed-income instruments, including bonds and debentures. Particular types of debt instruments are subject to various risks that are specific to the ways in which they are structured, the industries and markets in which their issuers participate, the assets underlying the instruments, the impact of applicable tax or regulatory factors and numerous other specific factors. But the values and prices of all debt instruments are subject, in substantially the same way (albeit with differing levels of sensitivity), to credit risk, market risk and interest rate risk.

- *Credit risk* is the risk that a fixed income security will decline in price, or fail to pay interest or principal when due, because the issuer of the security experiences a decline in its financial status.
- *Market risk* relates to the changes in the market perceptions of the risk of an issuer, country or region. The market values of debt instruments, particularly non-investment grade debt, may be more volatile than the values of other Investments and, during periods of economic uncertainty and change, the market price of these Investments can decrease rapidly and dramatically.
- *Interest rate risks* include: (i) if interest rates increase, the value of fixed income securities will generally decline; (ii) during periods of rising interest rates, the average life of certain fixed income securities may be extended because of slower than expected principal payments, which may lock in a below market interest rate, increase the security’s duration and reduce the value of the security (*i.e.*, extension risk); and (iii) during periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the Master Fund to invest in lower yielding securities (*i.e.*, call or prepayment risk).

The following is a list of some of the types of debt instruments in which the Master Fund may invest or trade, each of which is subject to the risks described above as well as other particular risks applicable to the specific type of debt instrument: non-investment grade (high yield) instruments; bank loans and participations; non-traditional debt Investments; municipal securities; non-United States sovereign debt; asset-backed securities; mortgage-backed securities; other securitized products; and United States government securities. The Master Fund may buy any of these types of debt instruments in circumstances in which they are non-performing or possibly in bankruptcy, which may increase the probability that the debt’s issuer

would default on the debt or require the Master Fund to incur expenses to restructure the debt instruments.

### Fund Risks

**Valuation.** For some of the Master Fund’s securities, the market may be or become subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, resulting in unreliability of pricing information. Further, if an issuer’s financial condition deteriorates, accurate financial and business information can become limited or entirely unavailable and prices for its securities may not be available from any source. Although most marketable securities and other instruments are valued based on prices reported in the public markets, where third-party pricing of an asset is not readily available, valuation will be in the General Partner’s discretion. In addition, where the Adviser considers market-based pricing information not to be indicative of the position’s value, the Master Fund may assign a different (less favorable) value. As a result of these and other factors, values reflected in financial reports and used in determining investors’ sharing percentages (*e.g.*, upon new subscriptions), redemption proceeds, the Management Fee and Incentive Allocations might not accurately reflect the amounts the Master Fund could obtain (or would be required to pay as to some types of derivatives positions) if it were to try to sell the security (or close the position). Stillwater faces conflicts of interest in making valuation decisions.

**Risks Associated with Incentive Allocations.** The prospect that the General Partner or its affiliates could receive Incentive Allocations could encourage the Adviser to make Investments on the Master Fund’s behalf that are riskier or more speculative than it would otherwise. Because the General Partner or its affiliates will receive an Incentive Allocation as to unrealized gains that may never be realized and will not return an Incentive Allocation made for one period if, in a later period, the Feeder Funds experience losses, the Incentive Allocation may be greater than it would be if it were based solely on realized gains. Further, unrealized gains will be determined based on valuations over which the General Partner has ultimate authority. The General Partner may at any time withdraw from the Master Fund capital attributable to Incentive Allocations. These factors could be viewed as providing an incentive for the General Partner to cause valuations of securities as of a calendar year end to be higher than it might in the absence of those factors.

### Tax Risks

**U.S. Source Payments May Be Subject to Withholding Under FATCA.** The Foreign Account Tax Compliance Act (“FATCA”), enacted as part of the United States Hiring Incentives to Restore Employment Act, provides that a 30% withholding tax will be imposed on certain payments of United States source income and certain payments of proceeds from the sale of property that could give rise to United States source interest or dividends, unless the Offshore Fund enters into an agreement with the United States Internal Revenue Service (the “IRS”) to disclose the name, address and taxpayer identification number of certain United States persons that own, directly or indirectly, an interest in the Offshore Fund, as well as certain other information relating to any such interest. The IRS has released regulations and other guidance that provide for the phased implementation of the foregoing withholding and reporting requirements. On November 29, 2013, the United States Department of the Treasury signed

Model 1 non-reciprocal intergovernmental agreement (“Model 1 IGA”) with the Cayman Islands. The Model 1 IGA modifies the foregoing requirements but generally requires similar information to be disclosed to the Cayman Islands government and ultimately to the IRS.

Although the Feeder Funds will attempt to satisfy any obligations imposed on it to avoid the imposition of this withholding tax, no assurance can be given that the Feeder Funds will be able to satisfy these obligations. The Feeder Funds intend to take steps to impose the economic burden of any such withholding on the investors to which it relates, as described in the next paragraph. However, if those steps are not entirely effective, the return of all investors could be materially affected. The Master Fund will be subject to similar requirements under FATCA. Prospective investors are encouraged to consult with their own tax advisers regarding the possible implications of FATCA on their Investments in the Feeder Funds.

**Special Measures for Shareholders that Fail to Cooperate with Efforts to Comply with FATCA.** The Feeder Funds’ ability to comply with FATCA will depend on each investor providing the Feeder Funds with information that the Feeder Funds request concerning the direct and indirect owners of such investor. If an investor fails to provide the Feeder Funds with any information the Feeder Funds request, the Feeder Funds may take special measures intended to place the entire economic burden of withholding on that investor. These special measures may include mandatorily redeeming that investor’s Investments and using a portion of the redemption proceeds to fund the withholding or converting the investor’s Investments into a separate series or sub-series and allocating the cost of the withholding to that series or sub-series of Investments.

#### Risks Applicable to Investors in the European Economic Area

**Enforcement of Judgments.** The Offshore Fund and all or substantially all of its Directors, officers and other persons acting for the Offshore Fund are expected to be located outside of the European Economic Area (“EEA”). As a result, investors who are domiciled or organized in any EEA member state may not be able to effect service of process upon the Fund or such persons within that member state. All or a substantial portion of the Fund’s assets and such other persons may be located outside of the EEA and, as a result, it may not be possible to satisfy a judgment against the Fund or such persons in an EEA member state jurisdiction or to enforce a judgment obtained in an EEA member state’s courts against the Fund or such persons.

Although there is generally no statutory enforcement in the Cayman Islands of judgments obtained in a foreign jurisdiction, a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment satisfies certain criteria.

**European Market Infrastructure Regulation.** On August 16, 2012, EMIR entered into force.

EMIR introduced certain requirements in respect of derivative contracts. EMIR applies primarily to “financial counterparties” (“FCs”) such as EU authorized investment firms, credit institutions, insurance companies, UCITS and alternative investment funds managed by EU authorized alternative investment fund managers and “non-financial counterparties” (“NFCs”) which are entities established in the EU that are not financial counterparties. NFCs whose

transactions in OTC derivative contracts exceed EMIR's prescribed clearing threshold ("NFC+s") are generally subject to more stringent requirements under EMIR than NFCs whose transactions in OTC derivative contracts do not exceed such clearing threshold (including because such contracts are excluded from the threshold calculation on the basis that they are concluded in order to reduce risks directly relating to the NFC's commercial activity or treasury financing activity) ("NFC-s").

Broadly, EMIR's requirements in respect of derivative contracts are: (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts; and (iii) reporting and record-keeping requirements in respect of all derivative contracts.

As FCs and NFCs are required to comply with EMIR's risk mitigation obligations regardless of the identity of their counterparties, non-EU counterparties such as the Fund are likely to become indirectly subject to such requirements when they transact with EU counterparties, which will require compliance by their non-EU counterparties in order to satisfy their own obligations under EMIR. EU FCs or NFC+s which transact with a non-EU counterparty that would be classed as an FC or an NFC+ if it had been established in the EU will also be required to ensure that certain specified OTC derivative contracts are cleared through a duly authorized central counterparty. Certain obligations under EMIR (such as the obligation to report transactions, reconcile portfolios and confirm transactions in a timely fashion) have already been implemented through secondary measures, while others, such as the requirement to exchange collateral, are still being finalized.

#### Other Risks

**Master-Feeder Structure.** The Onshore Fund and the Offshore Fund invest alongside each other as the Feeder Funds in the Master Fund. Operating in a master-feeder structure could, under some circumstances, create pressure for the Adviser to manage the Master Fund's portfolio in ways that are less advantageous to the Feeder Funds than if each of the Feeder Funds pursued its investment activities independently. For example, the Master Fund might make Investments that are attractive to the Onshore Fund but that could give rise to withholding taxes or other tax burdens specific to the Offshore Fund when other opportunities might provide lower pre-tax returns but better returns for the Offshore Fund because they would not subject the Offshore Fund to withholding or other taxes.

**European Union Alternative Investment Fund Managers Directive.** Under the AIFMD, if the Feeder Funds were to market Investments in the European Union, the Adviser and the Feeder Funds would have to comply with certain disclosure and reporting requirements set forth in the AIFMD. Because various member countries in the European Union are still implementing their own statutes and regulations in response to the AIFMD, these requirements are unsettled and still evolving. If the Adviser or the Feeder Funds were found not to have complied with the AIFMD and related laws, as implemented by any particular European Union country, the Feeder Funds may incur costs and expenses that could adversely affect investors' return on their Investments. Finally, the costs of compliance with the AIFMD and related laws, or the threat of penalties and sanctions for failure to comply, may cause the Adviser to determine not to offer Investments in

some or all European Union countries which could hinder the Feeder Funds' ability to raise capital to fund its investment strategies.

**Disclosure of Information to Taxing Authorities.** Under FATCA and the Model 1 IGA, as well as certain United Kingdom tax laws and a similar intergovernmental agreement between the Cayman Islands and the United Kingdom, the Feeder Funds may be required to disclose confidential information about certain investors and their Investments in the Feeder Funds and the Cayman Islands Tax Information Authority (the "TIA") may be required to provide that information to the IRS or the United Kingdom tax authority (HM Revenue and Customs or "HMRC"). Further, the Feeder Funds may be required to provide certain confidential information about investors and their Investments directly to the IRS or HMRC, including information that the Feeder Funds require investors to provide in order to comply with FATCA and/or United Kingdom laws. Other jurisdictions may enact similar laws and enter into similar agreements with the Cayman Islands in the future.

## **Item 9. Disciplinary Information**

Stillwater and its management personnel have not been involved in any legal or disciplinary events in the past ten years that would be material to a client's or prospective client's evaluation of the Adviser's advisory business or management integrity.

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

Neither Stillwater nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Stillwater and the General Partner rely on certain exemptions from registration as commodity pool operators or commodity trading advisers pursuant to the United States Commodity Exchange Act and rules promulgated thereunder.

Stillwater provides administrative and discretionary investment management services to the Master Fund and the Feeder Funds. The Adviser is a sponsor to the Offshore Fund and the Adviser's affiliate serves as the general partner to the Master Fund and the Onshore Fund. The master-feeder structure reduces some conflicts of interest, but can give rise to others such as a risk of double counting fees payable to the Adviser. To mitigate this risk, Stillwater has structured the investment so that management fees and incentive allocations payable to the Adviser are not duplicated. This structure is described in detail in each of the Feeder Funds' Offering Memorandum.

Stillwater and its employees do not have any relationships or arrangements with other financial services companies that can pose material conflicts of interest.

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

### Code of Ethics

Stillwater has adopted a code of ethics (the “Code of Ethics”) pursuant to Rule 204A-1 under the United States Investment Advisers Act of 1940 (the “Advisers Act”) which requires Stillwater and its employees to put the interests of the Adviser’s clients before its own interests and to act honestly and fairly in all respects in its dealings with its clients. The Code of Ethics also requires all employees to comply with applicable federal securities laws.

The Code of Ethics also describes rules surrounding personal securities transactions. Under Rule 204A-1, certain provisions of the Code of Ethics apply only to Stillwater’s employees who are considered “access persons.” These access persons are required to report certain personal securities transactions and holdings.

Those personal securities transactions may raise potential conflicts with the interests of Stillwater’s clients. To mitigate potential conflicts of interest, Stillwater generally prohibits its access persons from trading, in any personal account, the following securities: debt or equity securities; options on securities; indices or currencies; and other “Reportable Securities.” However, Stillwater allows its access persons to dispose, with a prior written approval, any Reportable Securities that were acquired before the Code of Ethics becomes applicable to the access person. The Adviser also allows its employees to invest in the Feeder Funds managed by Stillwater and those employee Investments will be subject to the Adviser’s review.

Clients and the Feeder Fund investors, including prospective clients and investors, may obtain a copy of Stillwater’s Code of Ethics by contacting Stillwater’s President/General Counsel and Chief Compliance Officer, Kimberly Summe, at (650) 437-0632.

### Participation or Interest in Client Transactions

From time to time, Stillwater and/or its employees may have an investment position or interest in the same securities recommended to or owned by the Master Fund. As such, Stillwater may purchase or sell for the Master Fund securities of an issuer in which the Adviser and/or its employees also have an investment position or interest.

Conflicts of interest may arise if Stillwater or its employees recommend a particular transaction because of a financial interest held by any such person in such securities or interests. As previously mentioned, the Adviser has adopted the Code of Ethics to address these conflicts of interest.

### Insider Trading Policy

Stillwater and/or its employees may, from time to time, come into possession of material non-public or other confidential information which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, Stillwater and its employees may be



prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other third party. Accordingly, should Stillwater and/or its employees come into possession of material non-public or other confidential information (“MNPI”) with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of, Stillwater’s private funds and their underlying investors.

Stillwater has adopted a policy in accordance with Section 204A of the Advisers Act, which establishes procedures to prevent the misuse of MNPI by Stillwater and its employees.

#### Outside Business Activities and Gifts and Entertainment

The Adviser requires all of its employees to obtain pre-clearance before serving on the boards of directors of any outside for-profit companies, receiving or offering gifts or entertainment worth established monetary value from or to persons doing business with Stillwater, or making contributions, payments or gifts to political candidates.

## **Item 12. Brokerage Practices**

Stillwater has complete discretion in deciding what brokers, dealers and other financial intermediaries and counterparties to use for portfolio transactions (collectively, “Transacting Parties”). The Adviser also has complete discretion to negotiate compensation arrangements and transaction terms with Transacting Parties, including not only commissions for transactions effected on any agency basis, but also markups, markdowns and other compensation implicit in prices of transactions effected directly with Transacting Parties acting as principal. The following describes some noteworthy aspects of the Adviser’s and the Master Fund’s use of, and relationships with, Transacting Parties.

#### Selection Criteria

In choosing Transacting Parties, Stillwater is not required to consider any particular criteria. It generally seeks “best execution” of the Master Fund’s transactions. However, what constitutes “best execution” and determining how to achieve it are inherently uncertain. The Adviser typically considers a range of factors, including: historical net prices (after markups, markdowns and other transaction-related compensation); Transacting Parties’ execution, clearance and settlement and error correction capabilities generally and in connection with instruments of the type and in the amounts to be bought or sold; their willingness to commit capital; their reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the market for the instrument in question; and the nature, quantity and quality of research and other services and products the Transacting Party provides. The Master Fund may at times pay more than the lowest transaction cost available in order to obtain services and products other than the execution of securities transactions.

#### Use of Soft Dollars

When a Transacting Party provides the Master Fund or the Adviser with products or services beyond transaction execution, or pays for them, the Master Fund or the Adviser is said to have acquired those services or products with “soft dollars.” Section 28(e) of the United States

Securities Exchange Act of 1934 (the “Exchange Act”) provides that it does not breach the Adviser’s fiduciary duty to the Master Fund if the services and products consist of “research” and “brokerage” services and products and certain other conditions and requirements are met. To be protected by Section 28(e), Stillwater must, among other things, determine that commissions paid are reasonable in light of the value of the “brokerage” and “research” services and products acquired. Section 28(e) protects the Adviser’s use of soft dollars for “research” and “brokerage” services and products even when those services or products benefit clients other than the Master Fund.

The Master Fund Investment Management Agreement authorizes Stillwater to use Master Fund soft dollars for a wide range of services and products and does not limit soft dollar activities to those that are protected by the Section 28(e) safe harbor. However, the Adviser currently intends to use Master Fund soft dollars only to acquire services and products that constitute “research” and “brokerage” within the meaning of Section 28(e).

Stillwater may acquire, among others, the following types of “research” from Transacting Parties: reports on or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; financial and industry publications; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical software and services; proxy analysis services and systems; quotation services; and other products or services that may enhance the Adviser’s investment decision-making. “Brokerage” services and products beyond “actual” execution may include computer systems and facilities (including hardware) used for such things as communicating orders and settlement related information electronically to executing Transacting Parties, post-trade matching of trade information, communicating allocation instructions and other clearance and settlement functions.

Stillwater may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients’ interest in receiving most favorable execution. However, as mentioned above, the acquisition of products and services using soft dollars versus hard dollars does not involve a conflict of interest that would traditionally exist because the Feeder Funds otherwise would incur hard dollar costs and expenses associated with brokerage and research-related products and services. The generation and use of soft dollars to acquire brokerage and research-related products and services benefits Stillwater by allowing Stillwater, at no cost to it, to supplement its own research and analysis activities, to receive the views and information of individuals and research staff of other securities firms, and to gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors. In acquiring services or products using soft dollars, Stillwater has an incentive to cause the Master Fund to pay higher compensation, use different Transacting Parties and effect more transactions than it might otherwise do, possibly at the Master Fund’s expense.

Stillwater may choose a Transacting Party in recognition of referrals of investors, including investors in other accounts (including use of prime broker capital introduction services), referrals of advisory clients or the potential for future referrals. To the extent the Adviser would otherwise be obligated to pay for these referrals, this practice would present a conflict of interest. Even without that obligation, Stillwater would face a conflict because it benefits from increases

in the Feeder Funds' size.

### Custodians and Prime Brokers

Stillwater has selected and retained custodians and prime brokers for the Master Fund. The prime brokerage agreements entered into by and among the Adviser, the Master Fund and prime brokers contain provisions that limit each prime broker's liabilities to the Master Fund and under which the Master Fund must indemnify that prime broker. The Adviser may replace a prime broker or appoint additional prime brokers and custodians at any time.

Some of the factors that the Adviser considers when selecting a prime broker may include price, clearance, settlement, error resolution, order of call, offering to the Adviser electronic access to data regarding its Funds' accounts, the availability of stocks to borrow for short sale transactions, custody, recordkeeping, reputation, financial strength and stability and similar services and other matters involved in the receipt of prime brokerage services generally. Each prime broker also may provide the Master Fund with administrative services, such as technology services (including IT support and disaster recovery systems), capital introduction services, consulting services, portfolio reporting and access to electronic communications networks. Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if the Master Fund did not receive these services from the prime brokers, the Master Fund would be required to pay for all or some portion of them.

The Adviser is not required to direct a particular number of trades to any prime broker or to continue to use any prime broker as a custodian, but the Adviser may have an incentive to do so based on the prime broker's prior and continued services. A Feeder Fund may also maintain some of its assets at a bank or similar institution. To the extent that the Adviser directs portfolio transactions to a prime broker, an account may be deemed to be paying for the trading, research and administrative services that prime brokers provide with "soft" or commission dollars. Any such administrative assistance may not fall within the safe harbor provided by section 28(e) of the Exchange Act.

### Trade Errors

While the Adviser takes the utmost care in making and implementing investment decisions on behalf of the Feeder Funds, it may make an error while placing a trade for the Master Fund. As previously disclosed in Item 8 of this Brochure, the Master Fund will bear the burdens, and enjoy the profits, from any trading errors, unless those errors involve gross negligence or willful misconduct by the Adviser. To minimize trade errors and mitigate any risks associated with trade errors, Stillwater has adopted a trade error policy, which requires, among other things, the Adviser to reconcile promptly confirmation with trade tickets and by reviewing past trade errors to understand the internal control breakdown that caused the errors.

## **Item 13. Review of Accounts**

Stillwater's Investment Committee and investment team perform, respectively, monthly and ongoing investment reviews of the Feeder Funds that the Adviser manages. The Investment Committee may meet more frequently when it notes changes in company earnings, industry and market outlooks and price levels.

The Feeder Funds will provide their respective investors monthly account statements and an annual report that will include audited financial statements as of the end of each fiscal year. Year-end financial statements will be presented in accordance with Generally Accepted Accounting Principles.

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

Stillwater currently has no arrangement with any person or unaffiliated entity for referring clients to the Adviser or investors to invest in the Feeder Funds managed by the Adviser.

## **Item 15. Custody**

Stillwater has custody of the Feeder Funds' assets and is subject to Rule 206(4)-2 under the Adviser Act (the "Custody Rule"). Pursuant to the Custody Rule, the Master Funds' assets are held by unaffiliated qualified custodians. Also, as mentioned in Item 13, the Feeder Funds' investors will receive monthly account statements and an annual report that will include financial statements audited by an independent public accounting firm for the Fund(s) in which the investors have invested. Those audited financial statements will be distributed to the investors within 120 days of the Funds' fiscal year-end. Stillwater recommends that investors carefully review such statements and annual reports.

## **Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to the Master Fund. Stillwater has entered into an investment management agreement with the Master Fund pursuant to which it exercises discretion over the Master Fund's assets. Stillwater has entered into a "Sponsorship Agreement" with the Master Fund that authorizes and directs Stillwater to invest all of the Offshore Feeder Fund's assets in the Master Fund, except for certain limited amounts of cash necessary to pay Offshore Feeder Fund expenses and pay shareholders' redemption proceeds. An affiliate of the Adviser has served as general partner of the Onshore Feeder Fund under a limited partnership agreement that similarly directs that affiliate to invest substantially all the Onshore Feeder Fund's assets in the Master Fund. Stillwater's investment decision and advice with respect to the Master Fund are subject to the Master Fund's investment objectives and guidelines, as set forth in the Feeder Funds' Offering Memoranda.

## **Item 17. Voting Client Securities**

Stillwater has adopted written proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. In voting proxies for the Feeder Funds, the Adviser is guided by general fiduciary principles. The Adviser's goal is to act prudently and in the best interest of the Feeder Funds and the investors in each of the Feeder Funds. Stillwater seeks to consider all positive and negative consequences its vote could have on the value of the investment. When the Adviser votes proxies, the Adviser does so in a manner that it believes will be consistent with efforts to maximize the value of the Feeder Funds' positions. In its discretion, Stillwater may choose not to vote on particular proxy.

If Stillwater encounters an identifiable conflict of interest with respect to a particular vote, with sufficient time before a vote, the Adviser's Chief Financial Officer in consultation with the Adviser's Chief Investment Officer and Chief Compliance Officer, will determine how to vote the proxy consistent with the best interests of the Feeder Funds and in a manner not affected by the conflict of interest. The Adviser may opt for a voting procedure by which guidance is sought from outside legal counsel on matters involving a material conflict of interest.

Stillwater retains Institutional Shareholder Services, Inc. ("ISS"), an independent proxy voting service, as its agent. The Adviser delegates to ISS the authority to vote the proxies according to ISS's policies, subject to the Adviser's monitoring and review. Stillwater reserves the right to withdraw any proxy from ISS and to vote the proxy with Stillwater's review and approval. Stillwater will withdraw a proposed proxy vote from ISS in the event that the Adviser determines that the proposed vote by ISS would not be consistent with Stillwater's fiduciary duty to its clients.

The Adviser's complete proxy voting policy and procedures are memorialized in writing and are available for review by clients or investors upon request. In addition, a record of all proxy votes cast on behalf of clients or investors is available upon request. To receive a copy, please contact Stillwater's President/General Counsel and Chief Compliance Officer, Kimberly Summe at (650) 437-0632.

Stillwater does not direct clients' participation in class actions. The President/General Counsel and Chief Compliance Officer will determine whether to return any documentation inadvertently received regarding clients' participation in class actions to the sender or to forward such information to the appropriate clients.

## **Item 18. Financial Information**

Stillwater has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the Master Fund.