

ITEM 1
COVER PAGE

PART 2A OF FORM ADV: FIRM BROCHURE

CANVAS CAPITAL S.A.

March 2018

Canvas Capital S.A.
Rua Professor Atilio Innocenti 165, 15th floor

São Paulo/ SP – CEP 04538-000

Tel: +55 11 3185 9200

Website: www.canvascapital.com.br

This brochure (this “**Brochure**”) provides information about the qualifications and business practices of **Canvas Capital S.A.** (the “**Investment Adviser**”, “**we**”, “**us**”, and similar terms). If you have any questions about the contents of this Brochure, please contact us at +55 11 3185 9200 or canvas@canvascapital.com.br. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

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

Additional information about the Investment Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2

MATERIAL CHANGES

This Brochure is our initial Form ADV Part 2A, which has been submitted with our application for registration with the SEC; therefore, there are no material changes to report. In the future, if our Brochure – when amended in conjunction with our annual update – contains material changes from our last annual update, we are required to identify and discuss those changes.

ITEM 3 TABLE OF CONTENTS

ITEM 1 COVER PAGE	i
ITEM 2 MATERIAL CHANGES	ii
ITEM 3 TABLE OF CONTENTS	iii
ITEM 4 ADVISORY BUSINESS	1
A. General Description of Advisory Firm	1
B. Description of Advisory Services	1
C. Availability of Customized Services for Individual Clients	3
D. Wrap Fee Programs.....	3
E. Assets Under Management	3
ITEM 5 FEES AND COMPENSATION.....	4
A. Advisory Fees and Compensation	4
B. Payment of Fees.....	5
C. Additional Fees and Expenses	6
D. Prepayment of Fees.....	6
E. Additional Compensation and Conflicts of Interest.....	6
ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	7
ITEM 7 TYPES OF CLIENTS	8
ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
A. Methods of Analysis and Investment Strategies	9
B. Material, Significant or Unusual Risks Relating to Investment Strategies	13
C. Risks Associated With Particular Types of Securities	37
ITEM 9 DISCIPLINARY INFORMATION	54
ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	55
A. Broker-Dealer Registration Status	55
B. Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser Registration Status.....	55
C. Material Relationships or Arrangements with Industry Participants	55
D. Material Conflicts of Interest Relating to Other Investment Advisers	55
ITEM 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	56
A. Code of Ethics.....	56

B. Securities that the Investment Adviser or a Related Person Has a Material Financial Interest.....	56
C. Investing in Securities that the Investment Adviser or a Related Person Recommends to Clients	57
D. Conflicts of Interest Created by Contemporaneous Trading.....	57
ITEM 12 BROKERAGE PRACTICES	59
A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions	59
B. Order Aggregation	61
ITEM 13 REVIEW OF ACCOUNTS.....	62
A. Frequency and Nature of Review of Client Accounts or Financial Plans.....	62
B. Factors Prompting Review of Client Accounts Other than a Periodic Review	62
C. Content and Frequency of Account Reports to Clients.....	62
ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	63
A. Economic Benefits for Providing Services to Clients.....	63
B. Compensation to Non-Supervised Persons for Client Referrals	63
ITEM 15 CUSTODY	64
ITEM 16 INVESTMENT DISCRETION.....	65
ITEM 17 VOTING CLIENT SECURITIES.....	66
A. Policies and Procedures Relating to Voting Client Securities	66
ITEM 18 FINANCIAL INFORMATION	67

ITEM 4 ADVISORY BUSINESS

A. General Description of Advisory Firm

1. *Canvas Capital S.A.*

Canvas Capital S.A. (the “**Investment Adviser**”, “**we**” and “**us**”), is a *sociedade anônima* organized under the laws of Brazil that was incorporated in 2012.

Our principal place of business is located in São Paulo. We have one additional office located in Rio de Janeiro.

We are controlled by our principal owner, Mr. Antonio Quintella (the “**Principal Owner**”), who is a member of Canvas Participações Ltda., a Brazilian *sociedade limitada*, which is a shareholder of, and controls, the Investment Adviser (the “**Investment Adviser Parent Company**”). The Investment Adviser Parent Company has ultimate responsibility for our management, operations and investment decisions.

B. Description of Advisory Services

This Brochure generally includes information about us and our relationships with our clients. While much of this Brochure applies to all such clients, certain information included herein applies to specific clients only. In particular, we have solely provided information with respect to US clients or funds with US investors.

1. *Funds Not Offered to US Investors*

The Investment Adviser’s operations and personnel are all located in Brazil. The Investment Adviser provides discretionary investment management services to several Brazilian clients, including pooled investment vehicles, that are not US entities and have no US investors (such clients, the “**Brazilian Clients**”). The Investment Adviser has tailored this Brochure to reflect information with respect to the investment strategies, fees, expenses and risks associated with the services that the Investment Adviser provides to US clients or investment funds offered to US investors. Information pertaining to the Investment Adviser’s services to the Brazilian Clients is available upon request. To the extent that material conflicts of interest exist between the Funds or Managed Accounts and the Brazilian Clients, such conflicts will be disclosed herein.

2. *Credit Investment Advisory Services*

The “**Credit Funds**” comprise of Canvas P Liquid Distressed Master Fund L.P., a Delaware limited partnership (“**Canvas P Credit Fund**”), Canvas Distressed Credit Fund L.P., a Delaware limited partnership (the “**Distressed Credit Fund**”). Canvas P Distressed Master Fund General Partner Ltd., a Cayman Islands exempted limited partnership (the “**Canvas P General Partner**”) and Canvas Distressed Master Fund General Partner Ltd., a Cayman Islands exempted company (the “**Distressed Credit General Partner**”) serve as general partners for the Canvas P Credit Fund and the Distressed Credit Fund, respectively. The Canvas P General Partner serves as a general partner to the Canvas P Credit Fund, and the Distressed Credit General Partner serves as a general partner to the Distressed Credit Fund. The Credit Funds may invest substantially all or a portion of their assets through one or more investment vehicles organized under Brazilian law.

Canvas Cayman Holdings, Ltd., a Cayman Islands exempted company, is an affiliate of the Investment Adviser and serves as the sole owner and controls the Canvas P General Partner and Distressed Credit General Partner.

3. Macro Fund Advisory Services

The “**Macro Funds**” comprise of Enduro Fund (Delaware) LLC, a Delaware limited partnership (the “**Enduro Domestic Fund**”), Enduro Fund (Cayman) Ltd., a Cayman Islands exempted company (the “**Enduro Offshore Fund**”, collectively with the Enduro Domestic Fund, the “**Enduro Feeder Funds**”), and Enduro Master Fund (Delaware) LLC, a Delaware limited liability company (the “**Enduro Master Fund**”). The Enduro Master Fund serves as the master fund into which the Enduro Domestic Fund and Enduro Offshore Fund invests substantially all of its assets through a “master feeder” structure.

The Credit Funds and the Macro Funds are referred to collectively as the “**Funds**”.

MANAGED ACCOUNTS

In addition, the Investment Adviser may serve as an investment adviser with discretionary trading authority over, and provide discretionary advisory services to, separately managed accounts (the “**Managed Accounts**”)

Boston Patriot St Charles LLC

The Investment Adviser and Boston Patriot St Charles LLC, a Massachusetts limited liability fund (“**Boston**”), entered into by and between the Investment Management Agreement dated as of August 15, 2017 and effective as of October 20, 2017 (“**IMA**”), whereby Boston appointed the Investment Adviser to serve as Boston’s discretionary investment manager related to the credit strategy, pursuant to the terms and restrictions set forth by the IMA.

As used herein, the term “client” generally refers to each Fund and each beneficial owner of a Managed Account.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. The securities of the Funds are offered and sold on a private placement basis under exemptions promulgated under the Securities Act of 1933 and other applicable state, federal or non-U.S. laws. Significant suitability requirements apply to prospective investors in the Funds, including requirements that they be “accredited investors” as defined in Regulation D, “qualified purchasers” as defined in the Investment Company Act, or non-”U.S. Persons” as defined in Regulation S. Persons reviewing this Brochure should not construe this as an offer to sell or a solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer or solicitation will be made only by means of a confidential private placement memorandum.

4. Investment Strategies and Types of Investments

The Investment Adviser’s investment strategy with respect to the Credit Funds is to provide clients with capital appreciation with attractive risk-adjusted returns and low correlation to the overall equity and

credit markets through a portfolio of Brazilian long-biased, opportunistic, stressed, distressed, federal claims and special situation credit-related investments that provide in most cases the downside protection of credit instruments. The portfolio may include government issuers, companies or entities predominantly located in Brazil or otherwise having their primary business in Brazil, federal claims, distressed leveraged loans, distressed bonds, senior unsecured loans, senior secured loans, bankruptcy and post-bankruptcy securities and other event-driven credit special situations.

The Investment Adviser's investment strategy with respect to the Macro Funds is to achieve capital appreciation by trading and investing, both long and short, in a wide range of securities and instruments, including but not limited to fixed income securities, currencies, equities, commodities, and related derivatives. The Investment Adviser may also invest, generally to a lesser degree, in securities and instruments from outside Brazil in circumstances in which the Investment Adviser, in its sole discretion, deems it to be consistent with the Macro Fund's investment objectives.

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

C. Availability of Customized Services for Individual Clients

Our investment decisions and advice with respect to each Fund will be subject to each Fund's investment objectives and guidelines, as set forth in its respective offering documents.

Similarly, our investment decisions and advice with respect to each Managed Account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement, as well as any written instructions provided by the client to us.

D. Wrap Fee Programs

We do not currently participate in any Wrap Fee Programs.

E. Assets Under Management

We manage, on a discretionary basis, approximately \$1.5 billion (USD) of client assets (including assets attributable to the Brazilian Clients), rounded to the nearest \$100,000, determined as of December 31, 2017.

We manage, on a non-discretionary basis, approximately \$193 million (USD) of client assets, rounded to the nearest \$100,000, determined as of December 31, 2017.

ITEM 5 FEES AND COMPENSATION

A. Advisory Fees and Compensation

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

1. *Distressed Credit Fund*

(a) Management Fee

Generally, the Distressed Credit Fund pays the Investment Adviser a fee for investment management services (the "**Management Fee**") for each fiscal quarter equal to between 1.25-1.75% (on an annualized basis) of the quarter-beginning balance in each such investor's capital account (without taking into account any accrued Incentive Allocation (as defined below)). The Management Fee is calculated and paid in advance but is amortized monthly by the Distressed Credit Fund over the quarter for which such Management Fee is paid.

The Management Fee will be prorated for any capital contribution or withdrawal by an investor that is effective other than as of the first day of a quarter. In the event of a withdrawal by an investor other than as of the last day of a quarter, the Investment Adviser will pay to the Distressed Credit Fund an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days remaining in such quarter, and the Distressed Credit Fund will distribute such amount to the withdrawing investor. In the sole discretion of the Distressed Credit Fund General Partner, the Management Fee may be waived, reduced or calculated differently with respect to certain investors.

(b) Incentive Allocation

Generally, at the end of each fiscal year of the Distressed Credit Fund, the Distressed Credit Fund General Partner is entitled to an incentive allocation (the "**Incentive Allocation**") in an amount equal to between 15-20% of the net capital appreciation, allocated to each limited partner's capital account, subject to a cumulative hurdle, vesting restrictions and a loss recovery mechanism.

In the event that the Distressed Credit Fund is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation allocable at such time to the Distressed Credit Fund General Partner, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. In the sole discretion of the Distressed Credit Fund General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain investors.

2. *Canvas P Credit Fund*

(a) Management Fee

Generally, the Canvas P Credit Fund pays the Investment Adviser a Management Fee in arrears as of the end of each month equal to 0.8% (on an annualized basis) of the balance of each capital account of a limited partner (without taking into account any accrued incentive allocation). In the sole discretion of the Investment Adviser, the Management Fee may be waived, reduced or calculated differently with respect to certain investors.

(b) Incentive Allocation

Generally, at the end of each fiscal year, the Canvas P Credit Fund reallocates from each capital account of each limited partner to the capital account of the Liquid Credit General Partner an amount equal to between 0-15% of the net capital appreciation allocated to such capital account of such limited partner, subject to a loss carryforward mechanism.

In the event that the Canvas P Credit Fund is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the Incentive Allocation allocable at such time to the Liquid Credit General Partner, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. In the sole discretion of the Liquid Credit General Partner, the Incentive Allocation may be waived, reduced or calculated differently with respect to certain investors.

3. *Enduro Funds*

(a) Management Fee

Generally, the Enduro Feeder Funds pay the Investment Adviser a Management Fee in arrears as of the end of each month equal to between 1-1.5% (on an annualized basis) of the balance of each investor's capital account (or, in the case of the Enduro Offshore Fund, the balance of each share class)(without taking into account any accrued incentive allocation). In the sole discretion of the Investment Adviser, the Management Fee may be waived, reduced or calculated differently with respect to certain investors.

(b) Performance Fee

Generally, at the end of each fiscal year, the Enduro Feeder Funds pay a performance fee (the "**Performance Fee**", collectively with the Incentive Allocation, "**Performance Compensation**") to the Investment Adviser equal to between 10-15% of the net capital appreciation allocated to each investor's capital account (or, in the case of the Enduro Offshore Fund, the balance of each share class), subject to a loss carryforward mechanism.

In the event that an Enduro Feeder Fund is terminated or an investor withdraws other than at the end of a fiscal year, then for purposes of determining the Performance Fee payable at such time to the Investment Adviser, net capital appreciation will be determined as if such dates were the end of the fiscal year, subject to certain adjustments. In the sole discretion of the Investment Adviser, the Performance Fee may be waived, reduced or calculated differently with respect to certain investors.

4. *Managed Accounts*

All fees for Managed Accounts are subject to negotiation and established pursuant to each Managed Account's investment management agreement. Generally, the investment management agreements are terminable upon receipt by either party from the other of prior written notice of termination and after the expiration of the specified notice period and the client will be entitled to any unearned prepaid portion of the Management Fee to the extent applicable.

B. Payment of Fees

Fees and compensation paid to the Investment Adviser or its affiliates by the Funds or Managed Accounts are generally deducted from the assets of such clients. As discussed above, Management Fees are

generally deducted on a quarterly or monthly basis and Performance Compensation is generally deducted on an annual basis.

C. Additional Fees and Expenses

Each client bears its own expenses, including, without limitation, the Management Fee; the Performance Compensation, organizational expenses (including organizational expenses related to vehicles formed for the purpose of pursuing investments), investment-related expenses (*e.g.*, expenses related to the investment of the Clients' assets, such as brokerage commissions, expenses relating to short sales, clearing and settlement charges, bank service fees, custodial fees, interest expenses, expenses relating to consultants, attorneys, brokers or other professionals or advisers who provide research, advice or due diligence services with regard to investments, appraisal fees and expenses, and investment banking expenses); legal expenses; taxes; accounting, audit, tax preparation and other tax-related expenses (including the cost of accounting software packages); research-related expenses (including, but not limited to, Bloomberg services and third-party independent research services); fees of the Funds' administrator (the "Administrator") and related costs; the costs of third-party pricing services and price quotation services; costs of printing and mailing reports and notices; costs of directors' and officers' insurance policies and other liability insurance covering the Investment Adviser, its affiliates, and their respective employees, agents and affiliates; corporate licensing; government fees; regulatory expenses (including, but not limited to, filing fees); fees payable to Fund directors; the costs of errors and omissions insurance for the Funds, the Investment Adviser and its affiliates; Fund director travel expenses; IT expenses; for certain clients facilities rent and base salaries of Investment Adviser staff adjusted for proportion of time devoted to matters related to such clients; interest including on borrowings; securities lending fees and expenses; placement agent fees; corporate licensing costs; extraordinary legal fees and expenses such as relating to litigation, investigation or examination; indemnification expenses; taxes (such as withholding or transfer taxes, or entity-level taxes) payable by the Funds; investment-related travel expenses; costs and expenses relating to currency exchange; costs and expenses relating to the currency hedging of the different Fund tranches; costs and expenses relating to compliance with any agreements between the Funds and any investor; and extraordinary expenses and other similar expenses related to the Funds, as the Investment Adviser determines in its sole discretion. Certain client agreements may provide for expense caps or other limitations on expenses.

D. Prepayment of Fees

Most Clients pay the Investment Adviser the Management Fee in advance based on the net asset value of each client. In the event that a client's net asset value is reduced in connection with a withdrawal or redemption by an investor of such client other than as of the last day of the quarter or month (as applicable), the Investment Adviser will pay such client an amount equal to the *pro rata* portion of the Management Fee, based on the actual number of days remaining in the relevant calculation period, and (in the case of Funds), the Fund will distribute such amount to the investor.

E. Additional Compensation and Conflicts of Interest

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

ITEM 6

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We and our affiliates accept performance-based compensation from every client (other than clients that are not assessed performance-based compensation because it is assessed through another entity in a single master-feeder or similar structure). As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

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

We are committed to allocating investment opportunities on a fair and equitable basis and have established policies and procedures to address the conflicts of interest described above.

ITEM 7
TYPES OF CLIENTS

We provide investment advice to the Funds, as described above in Item 4.B of this Brochure.

We provide investment advice to the Managed Accounts for institutional investors.

ITEM 8

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

A. Methods of Analysis and Investment Strategies

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

We have divided the presentation of our investment strategies into two sections relating to the Credit Investment Strategy and the Macro Strategy, respectively.

1. Credit Investment Strategy

The investment strategies detailed in this section relate to the Credit Investment Strategy pursued by certain Clients of the Investment Adviser. Please refer to the governing documents or Confidential Memorandum applicable to a specific Client for information relating to its strategy.

The Investment Adviser's investment objective with respect to the Credit Investment Strategy is to provide its Clients with capital appreciation with attractive risk-adjusted returns and low correlation to the overall equity and credit markets through a portfolio of Brazilian long-biased, opportunistic, stressed, distressed and special situation credit-related investments that provide in most cases the downside protection of credit instruments. Client portfolios may include distressed leveraged loans, distressed bonds, senior secured loans, bankruptcy and post-bankruptcy securities and other event-driven credit special situations.

In spite of the recent improvement in macroeconomic fundamentals in Brazil, a relatively long period of economic recession (from 2014 through 2016) created a significant opportunity to invest in distressed assets. The Investment Adviser believes it is well positioned to capture this opportunity for its Clients.

The Investment Adviser prioritizes capital preservation. The Investment Adviser's investment approach relies on a few key principles:

- Diversification;
- Mitigation of tail risk exposures;
- Liquidity profile that avoids forced asset liquidation; and
- Worst-case scenario assessments for in-court and out-of-court recoveries.

The Investment Adviser understands markets are mostly efficient. Therefore, The Investment Adviser's personnel must be specialists and seek to identify distinctive investment opportunities. The Investment

Adviser believes it is able to do this by:

- Having a regional focus;
- Developing proprietary research;
- Identifying niches with less efficient market dynamics;
- Having analysts, traders and lawyers who specialize in specific markets and instruments; and
- Creating a proper incentive structure to attract and align individual talent.

The Investment Adviser aims at building alpha in the long term and in a gradual manner. The Investment Adviser understands that a disciplined investment process with a formal decision-making framework is key to achieve this objective. The Investment Adviser believes a well-structured portfolio construction process can leverage its alpha generation capabilities to reach a better risk/return relation. In order to yield efficient portfolios, capital allocation must take into consideration correlations, tail risks, non-linearities and liquidity constraints.

With respect to liquid assets, the Investment Adviser has pre-determined limits set forth by the Investment Adviser's Risk Division in order to purchase such assets in accordance with the Investment Adviser's Risk Policy. With respect to the purchase of illiquid assets by a *fundo de investimento em direitos creditórios não padronizados* ("FIDC-NP") established for the relevant client by the Investment Adviser, the Investment Adviser generally follows the following purchase process:

- (a) Phase 1: internal legal and financial review of the documents related to the purchase of the relevant illiquid asset; and
- (b) Phase 2: the purchase of such asset must be approved by the Investment Committee of the Brazilian vehicle through which such assets are purchased, which is an FIDC-NP, in accordance with the FIDC-NP's investment policy.

The Investment Adviser is expected to invest on behalf of its Clients opportunistically in a wide range of investments that will primarily involve two broad categories of investment focus: (i) distressed securities and assets (*e.g.*, non-performing loans, corporate debt and structured loans), and (ii) Brazilian Federal Claims. The Investment Adviser may pursue investments on behalf of Clients in other areas, including, without limitation, lending and real estate, depending on, among other things, the perceived opportunities and expected returns, as determined by the Investment Adviser in its sole discretion.

The Investment Adviser may cause its Clients to invest in the debt of distressed companies, including debt with varying terms with respect to collateral, relative seniority or subordination, purchase price, convertibility, interest requirements and maturity (*e.g.*, bonds, debentures and notes, trust certificates and commercial paper and trade claims) and publicly traded equity and equity-related securities of distressed companies, including preferred stock, convertible preferred stock, common stock and warrants. The Investment Adviser may also cause its Clients to invest in debt that the Investment Adviser believes is undervalued because of operational inefficiencies or market dislocations, even when the market generally does not view such debt, or its issuer, as distressed.

The Investment Adviser may, from time to time, cause its Clients to adopt a temporary defensive investment strategy by investing in investment grade and/or U.S. and Brazilian government securities, money market funds, commercial paper, certificates of deposit and other money market instruments and interest-bearing accounts.

Client investments may be concentrated in one or more of the asset types described above, and may not involve others, in each case based on the Investment Adviser's evaluation of the most attractive opportunities.

2. Macro Strategy

The investment strategies detailed in this section relate to the Macro Strategy pursued by certain Clients of the Investment Adviser. Please refer to the governing documents or Confidential Memorandum applicable to a specific Client for information relating to its strategy.

The Investment Adviser will seek to achieve its Clients' investment objectives by trading and investing, both long and short, in a wide range of securities and instruments, including but not limited to fixed income securities, currencies, equities, commodities, and related derivatives, issued by, or representing an investment in, government issuers, companies or entities predominantly located in Brazil or otherwise having their primary business in Brazil, as determined by the Investment Adviser in its discretion. The Investment Adviser will also invest on behalf of its Clients, generally to a lesser degree, in securities and instruments from outside Brazil in circumstances in which the Investment Adviser, in its sole discretion, deems it to be consistent with the applicable Clients' investment objectives.

The Investment Adviser will make investments on behalf of Clients that seek to take advantage of market opportunities when they occur. The investment objective does not assume outperforming any specific benchmark or index.

The Investment Adviser anticipates that a portion of its Clients' portfolios may be invested in accordance with a "macro" strategy involving the securities of Brazilian issuers and other Brazilian assets, as determined by the Investment Adviser in its discretion. The Investment Adviser will seek to manage the "macro" portion of its Clients' portfolio with a view to anticipating, reacting to, or hedging against governmental measures and market developments relating to or affected by monetary policy, exchange rate policy, fiscal policy and similar policies adopted or modified by the Brazilian government or other governments in a manner that the Investment Adviser considers relevant to the Brazilian economy.

Monetary policy. The Brazilian government's monetary policy may focus on inflation management measures, such as through central bank modifications of the benchmark Sistema Especial de Liquidação e Custódia ("SELIC") interest rate. Prices and yields on fixed income securities in which Clients may invest may be significantly affected by measures relating to the benchmark interest rate and broader changes to interest rates in the Brazilian financial markets.

Fiscal policy. The Investment Adviser's focus on Brazil's fiscal policy involves consideration of governmental spending levels, trends in the relative size of the public sector, governmental debt levels, surpluses, deficits, interest rates on government borrowing, reserves, tax collections and enforcement, foreign balance of payments, and similar measures. The Investment Adviser will

seek to take account of the stability or instability of Brazil's fiscal situation in managing its Clients' portfolio assets.

Exchange rate policy. Official exchange rate policies may be expressed in the form of, for example, tax and other restrictions to limit capital inflows or outflows, or interventions such as through entering into swaps to manage exchange rates. Broader market forces across the globe, significant international events, or the actions of other governments also may affect exchange rates of various currencies relative to the Brazilian Real which may result in gains or losses for Clients' currency positions.

The Investment Adviser does not undertake to invest any particular percentage of its Clients' assets in the foregoing macro strategy, and on determining in its discretion that other strategies may be more favorable to a Client, may cease to employ such strategy at any time without advance notice to the applicable Client.

Derivative transactions may be used to either seek higher returns or hedge overall market risk and may include, but not be limited to, buying and writing covered or uncovered put or call options on stock, stock indexes, commodities and their respective forward and future contracts and repurchase agreements, call and put options on commodities, forward currency contracts and currency futures contracts, call or put options on foreign currency, interest rate transactions such as interest rate futures contracts and interest rates swaps.

Except as otherwise expressly provided in this Brochure, the Investment Adviser will have complete flexibility as to the instruments and markets in which it may invest and the investment techniques it may use in relation to the investment strategies and objectives.

Investments not denominated in, or linked to, U.S. dollars may be hedged against the U.S. exchange rate at the Investment Adviser's sole discretion.

Any excess funds will normally be left on cash or invested in money market instruments or in such other instruments or assets as otherwise deemed appropriate by the Investment Adviser. Any income earned from such investments will be ordinarily reinvested by the Investment Adviser in accordance with its investment program.

3. Additional Disclosures Relating to Investment Strategies

While the foregoing description of the Investment Adviser's investment strategies reflects the Investment Adviser's current intentions with respect to current market conditions, the Investment Adviser may vary those objectives and strategies to the extent it determines that doing so will be in the best interests of the applicable Clients.

The Investment Adviser's investment strategies are speculative and entail substantial risks. There can be no assurance that the investment objectives of the Investment Adviser will be achieved, and results may vary substantially over time.

B. Material, Significant or Unusual Risks Relating to Investment Strategies

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the clients advised by the Investment Adviser. These risk factors include only those risks we believe to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Adviser.

The risk factors detailed herein may relate to one or more investment strategies pursued by the Investment Adviser, and certain risk factors may overlap between multiple strategies. The Investment Adviser has not indicated below whether any particular risk factor applies to a specific strategy only. Please see the Confidential Memorandum or other governing documents for the applicable Clients for a comprehensive set of risk factors pertaining to the investment strategy pursued by such Clients.

There can be no assurance that the Investment Adviser's investment objective will be achieved or that the Investment Adviser will have success in implementing any stated investment strategies.

Borrowing & Leverage. The Investment Adviser may use leverage to create a larger and broader portfolio of investments for Clients, subject to the limitations imposed under applicable credit and margin regulations. Borrowings can enable the Investment Adviser to obtain a greater return on its capital than it would otherwise be possible, if gains realized on securities purchased with borrowed funds exceed the interest paid on the borrowing. In such case, the value of a Client's portfolio will rise more quickly than it would otherwise be the case. On the other hand, if investment gains fail to cover interest costs, or if there are losses, the value of a Client's portfolio would decline faster than it would otherwise be the case. The Investment Adviser may also borrow money in order to meet a Fund investor's withdrawals or redemptions requests. The use of borrowing and leverage are not subject to any limitations.

The Investment Adviser may also leverage Clients' assets by entering into reverse repurchase agreements whereby Clients effectively borrow funds on a secured basis by "selling" interests in investments to a financial institution for cash and agreeing to "repurchase" such investments at a specified future date for the sales price paid plus interest at a negotiated rate. The Investment Adviser may also cause Clients to enter into arrangements to secure leverage whereby substantially all of its capital may be used for margin or collateral deposits. If the value of the Clients' investments fall below the margin or collateral level required by a lender, additional margin or collateral deposits would be required. If a Client were unable to satisfy any margin or collateral call by a lender, such lender could liquidate the Client's position in some or all the investments that may be in the Client's account at such lender and cause the Client to incur significant losses. The failure to satisfy a margin or collateral call, or the occurrence of other material defaults under the Client's financing agreements, may trigger cross-defaults of the Clients' agreements with other brokers, lenders, clearing firms or other counterparties, multiplying the adverse impact to the Clients.

In the event of a sudden decrease in the value of a Client's assets, the Investment Adviser might not be able to liquidate the Client's assets quickly enough to satisfy its margin or collateral requirements. In that event, Clients may become subject to claims of financial intermediaries that extend credit. Such claims may exceed the value of the assets in a Client's portfolio. The banks and dealers that provide financing to Clients can apply essentially discretionary margin, haircut, financing and collateral valuation policies. Changes by banks and dealers in any of the foregoing may result in large margin or collateral calls, loss of

financing and forced liquidations of positions at disadvantageous prices. There can be no assurance that Clients will be able to secure or maintain adequate financing.

Margin interest rates tend to fluctuate with interest rates generally, and Clients are at risk that interest rates generally, and margin interest rates in particular, will increase, thereby increasing the Clients' expenses. Clients will bear the foregoing risks by employing leverage.

Any credit facility entered into by Clients in connection with their utilization of leverage may contain a number of common covenants, some of which might, among other things, restrict the ability of Clients to (i) acquire or dispose of certain types of assets; (ii) incur additional indebtedness; (iii) make cash distributions; (iv) create liens on all or some of the Clients' assets; and (v) otherwise restrict activities of Clients. In addition, such a credit facility might require a Client to comply with financial covenants, such as minimum interest coverage ratios and maximum leverage ratios. The failure to maintain a debt-to-equity ratio at levels specified in any borrowings may result in additional borrowings being unavailable, cash being diverted to amortize principal of outstanding borrowings, or the liquidation of Clients' investments in order to satisfy such limitations. In the event that a Client defaults under a credit facility, the provider of such facility may be entitled to accelerate such facility and take possession of the Clients' assets pledged thereunder.

Securities Lending. In order to generate additional income or access certain markets, the Investment Adviser may cause a Client to lend securities from its portfolio to securities firms and financial institutions. In such transactions, the Client will receive any interest or dividends paid on loaned securities, and any gain or loss in the market value of the loaned securities which may occur during the term of the loan will be for the account of the Client. In addition, a Client can be paid a premium for the loan. The risk in lending portfolio securities, as with other extensions of credit, consists of possible delay or impossibility in recovery of the securities or possible loss of rights in the collateral, should the borrower fail financially.

Risk Management. The Investment Adviser intends to actively manage risk on multiple levels, utilizing different analytical and statistical tools. These calculations may be applied on the then-current strategies and segment levels of the Investment Adviser. While the Investment Adviser will carefully and periodically monitor the risk exposure of its Clients' portfolios, there is no assurance that this monitoring will prevent the occurrence of severe adverse events at any given time. Risk may also be managed indirectly by the funds, if any, in which Clients invest.

The risk management strategies and limits of the Investment Adviser may vary over time.

Other strategies. Although not the Investment Adviser's focus, certain investments may be in U.S. issuers whose businesses have a domestic focus. The Investment Adviser may employ leverage, subject to any limits specified in the governing documents applicable to a Client, through borrowing and the use of derivatives, for both speculative and hedging purposes.

Risks Relating to Investments in Brazil

Brazilian and Other Foreign Investment Risk. From a U.S. perspective, the risks of investing in securities of Brazilian and other foreign issuers, securities or contracts traded on foreign exchanges or in foreign markets, or securities or contracts payable in foreign currency. Investing in foreign investments

entails risks beyond those of domestic investing. These include, but are not limited to: (1) significant changes in currency exchange rates; (2) possible imposition of market controls or currency exchange controls; (3) possible imposition of withholding taxes on dividends and interest; (4) possible seizure, expropriation or nationalization of assets or confiscatory taxation; (5) more limited foreign financial information or difficulty in interpreting it because of foreign regulations and accounting standards; (6) lower liquidity and higher volatility in some foreign markets; (7) political, economic or social instability or adverse diplomatic events; (8) the difficulty of evaluating some foreign economic trends; (9) the possibility that a foreign government could restrict an issuer from paying principal and interest to investors outside the country; and (10) potential rapid price inflation or deflation. Brokerage commissions and transaction costs are often higher for foreign investments, and it may be harder to use foreign laws and courts to enforce financial or legal obligations.

Economic Factors. The Brazilian economy differs from the economies of the United States or Western European countries in such respects as general development, wealth distribution, inflation rate, volatility of the rate of growth of gross domestic product, capital reinvestment, resource self-sufficiency and balance of payments position, among others.

In particular, over some periods, Brazil has experienced substantial and, over some periods, extreme and volatile inflation rates and fluctuations in the value of its currency. Inflation and rapid fluctuations in currency values have had and may continue to have negative effects on the economy and securities markets of Brazil.

Also, economic and market conditions abroad may influence the Brazilian economy and investors' perception of economic conditions in Brazil. For example, the Asian economic crisis and the 1998 Russian debt moratorium and devaluation of the Russian currency triggered significant securities market volatility and declines in market indices in Brazil and other emerging market countries' securities markets. The market value of Brazilian assets may therefore be adversely affected by events occurring outside of Brazil, especially in other emerging market countries.

In 2008 and 2009 Brazil was awarded investment-grade status by three rating agencies (Standard & Poor's, Fitch, and Moody's), but the country lost this status in 2015 (Standard & Poor's and Fitch) and 2016 (Moody's) following the deterioration in economic and fiscal conditions. Economic institutions in Brazil are continuing to evolve and they still trail more developed markets in certain respects. Certain enterprises continue to operate under inefficient management structures and with little accountability. Market institutions have not yet developed in such a way as to allocate resources efficiently among firms. In addition, while basic bankruptcy laws are evolving, there is insufficient experience in Brazil to ensure that such laws will permit the orderly liquidation of inefficient firms.

Brazilian Government's Role in Economy. In the past, the Brazilian economy was characterized by frequent and occasionally drastic intervention by the Brazilian government – the government's actions to control inflation have often involved wage and price controls as well as other interventionist measures, such as freezing bank accounts, which occurred in 1990, and imposing capital controls. Although such interventions have been decreasing in magnitude and frequency since the adoption of the Brazilian Real monetary currency in Brazil in 1994, in some periods the Brazilian government has often changed monetary, credit, tariff and other policies to influence the course of Brazil's economy. . Changes in policies involving tariffs, exchange controls, regulations and taxation could adversely affect the assets of

the Investment Adviser held on behalf of its Clients in Brazil, as could the Brazilian government's response to inflation, devaluation, social instability and other political, economic or diplomatic developments. However, the Investment Adviser has no control over and cannot predict what measures or policies the Brazilian government may take in the future.

The Investment Adviser's businesses, financial condition and results of operations may be adversely affected by changes in policy or regulations involving or affecting such general economic factors as:

- Brazilian economic growth;
- Currency fluctuations;
- Inflation;
- Exchange control policies (including payment restrictions on foreign currency indebtedness);
- Interest rates;
- Liquidity of domestic capital and lending markets;
- Social instability;
- Price instability;
- Fiscal and regulatory policies and changes in tax laws; and
- Other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian federal government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil. The Investment Adviser cannot predict what future fiscal, monetary, social security and other policies will be adopted by the current Brazilian federal government or future Brazilian governments. Presidential elections, along with political and economic transition in Brazil, may result in potential changes in administration or other developments that may adversely affect the Investment Adviser's business and financial results. The Investment Adviser cannot predict whether any future policies to be adopted by Brazilian government will result in adverse consequences to the Brazilian economy, to the Investment Adviser's business, results of operations or financial condition or prospects. While the Investment Adviser intends to manage its Clients' investments in a manner that will minimize their exposure to such risks, there can be no assurance that adverse political or economic changes will not cause Clients to suffer losses.

Internal Political and Economic Instability. Historically, the performance of the Brazilian economy has been affected by Brazil's political environment. Political crises have affected investor confidence in Brazil, which adversely affects the development of the economy. Any such development may have a material adverse effect on the Investment Adviser's business.

Inflation in Brazil. Before the adoption of the Brazilian Real, Brazil has in the past experienced high rates of inflation, with annual inflation rates as measured by the IGP-M, a general price inflation index, reaching 2,567% in 1993 and 870% in 1994. More recently, the annual inflation rate measured by the same index decreased from 25.3% in 2002 to a deflation rate of 1.7% in 2009, due to the effects of the global financial crisis that began in late 2008. In 2015, 2016 and 2017, the inflation rate in Brazil was 10.5%, 7.2% and -0.5%, respectively. The historical volatility in Brazilian inflation rates has also resulted in high and frequently fluctuating interest rates in Brazil. If Brazil experiences substantial inflation in the future, the Investment Adviser's costs may increase, the Investment Adviser's opportunity set as well as its operating margins may decrease, and such decrease may adversely affect the Investment Adviser's

ability to pay its expenses and the ability of companies in which the Investment Adviser has caused clients to invest to satisfy their payment obligations to Clients. Inflationary pressures may also lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy and the companies to which the Investment Adviser lends or in which the Investment Adviser has invested. The Brazilian monetary authorities have taken steps designed to counter increasing inflation, but there can be no assurance that increases in inflation will not occur; should increases occur they will likely have a material adverse effect on the performance of Client portfolios.

Brazilian Real-Market and Convertibility Risks. The Investment Adviser's investments on behalf of Clients in Brazil through the Brazilian Investment Vehicle(s) will be exposed to Brazilian Real fluctuation against the U.S. Dollar. Clients of the Investment Adviser should be aware that the volatility and variations of Brazilian exchange rates may be substantially higher when compared with exchange rates among developed countries and even with some other emerging market exchange rates.

In the past, the Brazilian government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. Although over long periods the devaluation of the Brazilian currency generally has correlated with the rate of inflation in Brazil, devaluations over shorter periods have resulted in significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar, as well as currencies of other countries. Historically, depreciations of the Brazilian Real have produced inflationary pressures in the Brazilian economy (either by increasing the price of imported products or as a result of governmental policies instigated to curb aggregate demand), and there can be no assurance that any further devaluation of the Brazilian currency will not cause similar or other adverse effects in the future.

In addition, the Brazilian Real is exposed to convertibility risk (or frontier risk), which means that the country may impose temporary restrictions on foreign capital remittances abroad. Client portfolios could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the Investment Adviser or Clients of any restrictions on investments.

Ability to Enforce Legal Rights. The Investment Adviser may have difficulty in successfully pursuing claims in the courts of Brazil on behalf of its Clients. Further, to the extent that the Investment Adviser may obtain a judgment but is required to seek its enforcement in the courts of Brazil, there can be no assurance that such a court will enforce such a right. A judgment obtained outside Brazil would be enforceable in Brazil, without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*). That confirmation, generally, will occur if the foreign judgment (i) fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted, (ii) is issued by a competent court after proper service of process is made in accordance with Brazilian legislation, (iii) is not subject to appeal, (iv) is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a sworn translation into Portuguese, and (v) is not contrary to Brazilian national sovereignty, public policy or public morality (as set forth under Brazilian law). Notwithstanding the foregoing, no assurance can be

given that such confirmation will be obtained at all or in a timely manner or that a Brazilian court would enforce a judgment obtained outside Brazil.

Restrictions and Control on Foreign Investments. Foreign investment in securities of Brazilian issuers is restricted or controlled to varying degrees. These restrictions or controls may at times limit or preclude foreign investment in certain issuers and increase the costs and expenses borne by Client portfolios. There can be no assurances that these restrictions will not adversely affect the Investment Adviser's ability to achieve its Clients' investment objective or that they will not adversely affect the performance of Client investments. In addition, if there is a deterioration in a specific government's balance of payments or for other reasons, such government may impose temporary restrictions on foreign capital remittances abroad subject to exchange control restrictions and foreign investment legislation, which generally requires, among other things, obtaining a certificate of registration. For example, in 1990, the Brazilian government froze bank deposits as part of an economic stabilization plan, including the deposits of foreign investors investing through government-approved programs. Client portfolios could be adversely affected by delays in, or a refusal to grant any required governmental approval for repatriation of capital, as well as by the application to the Investment Adviser of any restrictions on investments. Moreover, restrictions may be imposed on remittances to foreign investors relating to distributions or other proceeds relating to their investments. There can be no assurance that additional or different restrictions or adverse policies applicable to Clients could not be imposed in the future, nor as to the duration or impact of such restrictions or policies if imposed.

Nationalization Risk. Brazilian governmental authorities may, at any time, cause the expropriation, confiscation, freezing, nationalization, requisition or other action which, directly or indirectly, may deprive a Client of any of its assets (including rights to receive payments) in Brazil. Any such action with respect to investments or companies in which the Investment Adviser has caused its Clients to invest or extend credit would adversely affect the Client's investment returns.

Local Intermediary Risk. Certain of the Investment Adviser's transactions may be undertaken through local brokers, banks or other organizations in Brazil, and Clients will be subject to the risk of the default, insolvency or fraud of such organizations. There can be no assurance that any money advanced to such organizations will be repaid or that Clients would have any recourse in the event of default. The collection, transfer and deposit of bearer securities and cash exposes Clients to a variety of risks including theft, loss, and destruction. Finally, the Investment Adviser and Clients will be dependent upon the general soundness of the Brazilian banking system.

Accounting Disclosure Standards. Accounting, auditing, financial and other reporting standards, practices, and disclosure requirements in Brazil (or other countries in which the Investment Adviser may cause a Client to invest) are not equivalent to those in the United States and certain Western European countries and may differ in fundamental ways. Accordingly, information available to the Investment Adviser, including both general economic and commercial information and information concerning specific enterprises or assets, may be less reliable and less detailed than information available in more economically sophisticated countries. In addition, in certain circumstances, the Investment Adviser may not receive access to all available information to determine fully the investments or the manner in which such investments have been serviced and/or operated. As a result, the Investment Adviser's due diligence activities may provide less information than the due diligence reviews conducted in more developed countries. While the Investment Adviser will endeavor to conduct appropriate due diligence in connection

with each investment, no guarantee can be given that it will obtain the information or assurances that an investor in a more sophisticated economy would obtain before proceeding with an investment.

Increased Tax Rates in Brazil. The Brazilian government has in the past changed tax rates and created new taxes, as well as modified the system of taxation with some frequency. In the event that the Brazilian government increases tax rates or creates new taxes that are imposed on the Investment Adviser or its Clients' portfolio investments, the financial condition and results of operations may be materially adversely affected.

No Guarantee of Risk Elimination. Investment in the FIDC-NP subjects the Investment Adviser and its Clients to the risks affecting the FIDC-NP and their respective portfolios, which may cause the loss of capital invested by the Investment Adviser on behalf of a Client in the FIDC-NP. There is no guarantee in the elimination of the potential for losses by the FIDC-NP and the Client. The FIDC-NP is not guaranteed by the Administrator or the Investment Adviser, by their respective affiliates or by any third parties, by any insurance mechanism or by the Credit Guarantee Fund – FGC, with regard to the reduction or elimination of the risks to which the FIDC-NP is subject. Potential losses sustained by the FIDC-NP are not limited to the amount of subscribed capital and, therefore, the Investment Adviser may be required to contribute additional capital in the future, including in situations where the FIDC-NP lacks the necessary assets to fulfill its obligations.

Risks Associated with Investing in Credit Instruments. The FIDC-NP may invest in a variety of credit instruments issued by mid-sized companies. In addition to the risks of borrower default or delinquency, the FIDC-NP will be subject to a variety of risks in connection with such credit investments, including the risks of mismanagement of the borrower, fraud or a decline in value of collateral, contested foreclosures, bankruptcy of the borrower or debtor, claims for lender liability, violations of usury laws and the imposition of legal restrictions on the FIDC-NP's exercise of contractual remedies for defaults on such investments.

Investments in Troubled Assets. The FIDC-NP may make investments in non-performing or other troubled assets that involve a high degree of financial risk, and there can be no assurance that the FIDC-NP's target return objectives will be realized or that there will be any return of the FIDC-NP's capital. Furthermore, investments in distressed assets may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the FIDC-NP's original investment.

Operational Risks Related to FIDC-NP's Service Providers. While the FIDC-NP will maintain certain procedures and controls to protect its investment in creditors' rights, including the implementation of controls to safeguard supporting documents, monitor payment flow and relevant operational proceedings, including enforcement and collection proceedings, the FIDC-NP may hire third-party service providers to fulfill these duties.

The non-fulfillment of these duties by the FIDC-NP's charging agent, deposit agent, administrator, investment manager, custodians or assignor, in accordance with their contracts with the FIDC-NP, the FIDC-NP's administrator and/or custodian, may result in deviations from the FIDC-NP's procedures for creditors' rights' assignment and enforcement and collection, investment management, administration, deposit, safeguard of support documents, recordkeeping, custody and control of assets and bookkeeping. The failure to implement such procedures may subject the FIDC-NP to losses.

Limited Liquidity Generally. The FIDC-NP is subject to liquidity risks with respect to its quotas and/or its investment in creditors' rights. With regard to the amortization of quotas, the FIDC-NP may not be able to make payments relating to scheduled amortizations in the case of (i) reduced liquidity in the markets on which permitted investments are traded; and/or (ii) extraordinary market conditions. As a result of such characteristics and due to the fact that the FIDC-NP will be organized as a closed-end condominium (*i.e.*, it does not accept the possibility of redemption of its quotas at any time), the Investment Adviser could face difficulties when selling its quotas in the secondary market. Furthermore, the investments of the FIDC-NP in creditors' rights are different than investments carried out by most Brazilian investment funds, since, in Brazil, there is no liquid secondary market for creditors' rights. If the FIDC-NP needs to sell creditors' rights, there may not be a purchaser or the negotiated price could be very low, which would result in losses to the net worth of the FIDC-NP and, consequently, of the partial or total capital invested by quotaholders.

Credit Risks. In the case of a bankruptcy or judicial recovery filing, protection from extrajudicial reorganization plan, or other insolvency proceedings of the debtors or the assignors (the debtors co-obligors), the FIDC-NP may not receive all or a portion of the principal amount and/or interest relating to all or some of the creditors' rights that make up its portfolio, which may adversely affect the results of the FIDC-NP.

As a general rule, the payment by, or the solvency of, the debtors under the creditors' rights held by the FIDC-NP will not be guaranteed by assignors, by originators of the creditors' rights, by the FIDC-NP's administrator, by the FIDC-NP's investment manager and/or by the FIDC-NP's custodian. As a general rule, the assignors will only be liable for the origination, formalization and assignment and transfer of the creditors' rights sold to the FIDC-NP, not assuming any responsibility for its payment for the solvency of the corresponding debtors. The FIDC-NP may incur credit risks from debtors and the other co-obligors of the creditors' rights and will suffer the impact of any default of overdue creditors' rights, as well as the impossibility to enforce potential guarantees connected to creditors' rights or the insufficiency of funds resulting from the enforcement of such guarantees to meet the full extent of the defaulted credit right. Therefore, should the FIDC-NP acquire portfolios of overdue credit rights, the increase in the value of the investments of the FIDC-NP, and, consequently, of its quotas, will be directly associated to the results of the collection efforts relating to the credit rights to be carried out by the FIDC-NP's collection agent on behalf of the FIDC-NP.

The FIDC-NP's financial assets are subject to their issuers' ability to honor payments of interest and principal relating to such financial assets. Changes in the financial conditions of the issuers of financial assets and/or in the perception that the investors may have about such conditions, as well as changes in the economic and political conditions that could compromise their payment capabilities could have material impact on the price and liquidity of the financial assets. Changes as to the perception of quality of the issuers' credit, even if unfounded, may also bring about profound impacts on prices and on the liquidity of financial assets.

The FIDC-NP may incur credit risk from the issuers of financial assets and brokers and distributors of securities that may intermediate the purchase and sale transactions of the financial assets on behalf of the FIDC-NP, at the time of the liquidation of the transactions carried out through such brokers and distributors. In case of lack of capabilities and/or lack of payment provisions on the part of any of the

issuers of financial assets or their counterparts in transactions that are part of the portfolio of the FIDC-NP, the FIDC-NP may sustain losses, which could include costs to enable the recovery of its credits.

Limited Liquidity. Except for the amortization of quotas of the FIDC-NP, since the FIDC-NP is a closed-end condominium, the redemption of its quotas can only take place (i) after the end of the term of effectiveness of each series of quotas, at which time all FIDC-NP Partners quoteholders of the FIDC-NP (the “FIDC-NP Partners”) will mandatorily use their redeemed quotas, or (ii) in cases of early liquidation of the FIDC-NP, as defined in the FIDC-NP’s by-laws. The FIDC-NP’s administrator and the FIDC-NP’s custodian do not ensure that the amortizations and/or redemption of the quotas will take place on the originally scheduled dates, and no fine of any nature will be payable by the FIDC-NP, by the FIDC-NP’s administrator, by the FIDC-NP’s investment manager or by the FIDC-NP’s custodian.

The FIDC-NP may be liquidated in the manner described in the FIDC-NP’s by-laws. Once the FIDC-NP Partners decide, during a general meeting of the FIDC-NP Partners, to liquidate the FIDC-NP in advance, the redemption of the quotas may take place by means of the delivery of creditors’ rights and/or financial assets. In those cases, the FIDC-NP Partners may face difficulties (i) in selling the creditors’ rights and/or financial assets received at the time of the early liquidation of the FIDC-NP or (ii) in collecting the amounts payable by debtors under the creditors’ rights.

Risk Relating to Court Collection and/or Extrajudicial Defaulted Creditors’ Rights. The FIDC-NP, the FIDC-NP’s administrator, the FIDC-NP’s investment manager, the FIDC-NP’s custodian and the FIDC-NP’s collection agent are not responsible for the due performance of the creditors’ rights. There is no guarantee that the procedure for the collection of the creditors’ rights, including the overdue creditors’ rights, would ensure that amounts owed to the FIDC-NP relating to such creditors’ rights shall be paid or recovered, which could adversely affect the FIDC-NP’s net equity and consequently result in insufficient funds in the FIDC-NP to make payments as scheduled in the FIDC-NP’s by-laws. The FIDC-NP or third party engaged by it may file an action for collection of defaulted creditors’ rights or enforcement action guarantees concerning such overdue creditors’ rights. It is possible that such actions extend over a period of time excessively higher than estimated and that the FIDC-NP takes or fails to recover the amounts owed. In such cases, the FIDC-NP may not have the resources to make the payments within the deadlines specified in the FIDC-NP’s by-laws. Additionally, the FIDC-NP’s may enter into agreements and/or renegotiation of overdue creditors’ rights, with the granting of discounts and changing payment terms of the creditors’ rights, as recommended by the FIDC-NP’s collection agent. The agreements and renegotiation of overdue creditors’ rights may eventually adversely affect the FIDC-NP’s net equity, when performed for the receipt of less than the acquisition cost of the creditors’ rights by the FIDC-NP and/or value when the agreement or renegotiation to establish deadlines for payment more extensive than those in effect when the acquisition of the creditors’ rights.

Risks Related to the Assets Pledged as Collateral of Operations Conducted by the FIDC-NP. Although it is not the purpose of the FIDC-NP, other assets not covered by the FIDC-NP’s by-laws may exceptionally enter into the FIDC-NP’s portfolio as a result of enforcing of the guarantees of the creditors’ rights. In this case, the FIDC-NP’s investment manager may not be able to successfully sell the asset, within the estimated time for him to do so. While the asset is in the portfolio of the FIDC-NP, it may incur costs and expenses related to the maintenance, inspection and asset protection costs, including costs of custody, supervision, payment of taxes and maintenance costs. Therefore, there is risk of the FIDC-NP to issue quotas to raise capital to pay for such costs and expenses of the asset, during the period

while the asset is not yet been disposed. Moreover, if the asset is not sold until the expiration of the FIDC-NP, there is a risk of distribution in kind of assets to the FIDC-NP Partners as payment for their quotas yet to be redeemed. Additionally, the FIDC-NP may acquire creditors' rights and/or financial assets, whose guarantee is granted by the debtor in the form of its lien on goods, including, for example, real estate. A chattel mortgage (*alienação fiduciária*) is a certain type of guarantee whereby the debtor to the creditor transfers the ownership of certain resolvable property. Thus, if the FIDC-NP did not timely receive the resources of certain creditors' rights and/or financial assets whose collateral is *alienação fiduciária*, full ownership, it will be transferred to the FIDC-NP. Thus, the FIDC-NP may hold in its portfolio a good, running the risks inherent in such assets, for example, in the case of real estate properties, assuming obligations of various kinds, including but not limited to tax and environmental obligations related to the property.

Liquidity Trading of Quotas on the Secondary Market. Investment funds in creditors' rights are a new and sophisticated type of investment in the Brazilian financial market and, therefore, possess restricted application to individuals or entities that classify as qualified investors. The quotas will not be negotiated on the secondary market and are being restricted in the transfer to third parties. The negotiation of quotas will be allowed only if the FIDC-NP's by-laws are amended to allow the negotiation of the quotas and to establish the presentation of the risk rating report to the *Comissão de Valores Mobiliários* ("CVM"). Additionally, even if the FIDC-NP's by-laws were amended to allow the negotiation of the quotas, the investment funds in creditors' rights, as well as the FIDC-NP, face low liquidity in the Brazilian secondary market. Therefore, the FIDC-NP Partners may have difficulties in selling their quotas on the secondary market, as well as, if the FIDC-NP Partners need to sell their quotas, there may be no buying market, or the selling price of the quotas may reflect such low liquidity, giving cause to asset losses to the FIDC-NP Partners.

Risk of Origination. The existence of the FIDC-NP depends on a sufficient flow of creditors' rights that are originated by assignors and then transferred to the FIDC-NP. If the FIDC-NP's investment manager is unable to identify sufficient creditors' rights, flows of assignment of creditors' rights may be compromised and the FIDC-NP may not achieve the minimum investment allocation. The lack of availability of creditors' rights may thus adversely impact the FIDC-NP, and, in case of discontinuance of the FIDC-NP, the FIDC-NP Partners may be unable to reinvest the proceeds from prior investments in other creditors' rights with the same return profile as made until this moment. Moreover, the assignment of creditors' rights may be invalidated or rendered ineffective by judicial or administrative decision adversely affecting the assets of the FIDC-NP. The creditors' rights acquired by the FIDC-NP may have legally questionable flaws and may also present irregularities of form or content. Therefore, it could be necessary for the execution of a court order payment for such creditors' rights by the debtors, or it could still be subject to adverse ruling by the court. In any case, the FIDC-NP could suffer losses, for the delay or absence of inflow of funds.

Concentration Risk for the FIDC-NP. In compliance with the FIDC-NP's eligibility criteria at each acquisition date of the creditors' rights, the FIDC-NP may maintain in its portfolio creditors' rights and financial assets from the same debtor, or co-obligations of the same person or entity, to the extent of 20% (twenty percent) of the FIDC-NP's net asset value, subject to the following exceptions:

- (i) This limit may be increased up to 25% (twenty five percent) when the debtor or co-obliged: (a) is registered as a public company; (b) is a financial institution authorized to operate by the Brazilian Central

Bank; or (c) is an entrepreneurial company that has its financial statements for its fiscal year that immediately precedes the date of constitution of the FIDC-NP prepared in accordance with the provisions of Law No. 6404 of December 15, 1976, and ordinances issued by the CVM, and audited by an independent auditor registered with the CVM.

(ii) During the FIDC-NP's investment period, the FIDC-NP may acquire creditors' rights from the same debtor or co-obligations of the same person or entity in excess of 20% (twenty percent) of the FIDC-NP's net asset value, subject to CVM's prior approval. Considering that the investment process takes significant time, given that the majority of the targeted assets are complex, illiquid and difficult to negotiate, requiring a due diligence performance before its acquisition, this exception allows the FIDC-NP's investment manager to search for what it considers to be suitable assets for the FIDC-NP during the its investment period.

(iii) The FIDC-NP may also purchase up to 100% (one hundred percent) of its net asset value in creditors' rights assigned by the same assignor, as may be provided in FIDC-NP's by-laws. This may result in the FIDC-NP's exposure to greater credit, sectorial and other risks, which in turn may have a negative effect on the profitability of the FIDC-NP.

Other Investment-Related Risks

General Economic and Market Conditions. The Investment Adviser's investments on behalf of its Clients will be focused on Brazil credit-related investment opportunities. However, the Investment Adviser expects to cause its Clients to trade in and across different markets. The Investment Adviser's activities on behalf of a Client will therefore be affected by general economic and market conditions in and outside of Brazilian markets, such as the relevant interest rates, availability of credit, credit defaults, inflation rates, commodity prices, economic uncertainty, changes in laws (including laws relating to taxation of such Clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices and the liquidity of Clients' investments. Volatility or illiquidity could impair a Client's profitability or result in losses. The Investment Adviser may cause a Client to maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets. Economic slowdowns or downturns could lead to financial losses in Clients' portfolio securities and Clients' net assets. In addition, many Client investments may be similarly subject to the same economic conditions, which could adversely impact Clients' investment return. Debt and equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence and investor perceptions of issuers change. These investor perceptions are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies, inflation and interest rates, economic expansion or contraction, and global or regional political, economic or banking crises. Decreases in the market value of the investments that the Investment Adviser causes Clients to make will adversely affect the investment returns of such Clients.

Governmental Interventions. Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating

market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Investment Adviser's strategies.

Investment and Due Diligence Process. Before making investments, the Investment Adviser will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Investment Adviser may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding an investment, the Investment Adviser will rely on the resources reasonably available to it, which in some circumstances, whether or not known to the Investment Adviser at the time, may not be sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

Undervalued Securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunity for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the investments that the Investment Adviser causes its Clients to make may not adequately compensate for the business and financial risks assumed.

Volatility. The value of Clients' assets may fluctuate significantly over a short period of time. Accordingly, investors should understand that the results of a particular period will not necessarily be indicative of results in future periods. Changes in the degree of volatility of the market from the Investment Adviser's expectations may produce material losses to Clients.

Portfolio Turnover Rate Risk. The Investment Adviser seeks to cause its Clients to hold securities for substantial periods of time, but the securities of the Clients may be sold at any time if such sale is deemed advisable for investment or operational reasons. To the extent that the Investment Adviser engages in active and frequent trading of Clients' portfolio securities, such Clients will have a correspondingly higher "portfolio turnover rate." A high portfolio turnover rate will generally result in (1) greater brokerage commission expenses borne by Clients, and (2) higher amounts of realized investment gain potentially subject to the payment of taxes by Investors. Clients' portfolios are not subject to a specific limitation on portfolio turnover.

Diversification and Concentration. The Investment Adviser may select investments for its Clients that are concentrated in a limited number or types of securities. In addition, Client portfolios may become significantly concentrated in securities related to a single or a limited number of issuers, industries, sectors, markets, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

Correlation Risk. U.S. and non-U.S. markets often rise and fall at different times or by different amounts due to economic or other developments particular to a given country or region. Thus investing in both

U.S. and non-U.S. markets may lower Clients' portfolio volatility. Sometimes, however, global events will cause the U.S. and non-U.S. markets to move in the same direction, reducing or eliminating the benefit of such diversification.

Company Risk. The risk that an issuer's earnings prospects and overall financial position will deteriorate, causing a decline in the security's value over short or extended periods of time.

Arbitrage. Under certain circumstances, the Investment Adviser may employ risk arbitrage strategies where a rate of return significantly exceeding that available from other short-term alternatives is anticipated. Risk arbitrage positions, generally, are dependent on an expectation that profit will be realized from a discrepancy between a security's current market price and an amount associated with an announced corporate event, such as a liquidation, asset sale, merger or tender offer. The Investment Adviser generally will cause its Clients to purchase such securities after the announcement of the transaction at a price that is higher than the pre-announcement market price, but which is lower than the price at which the transaction is expected to be consummated. Ordinarily, the prospect of profit is independent of market behavior and risk is commensurate with the likelihood that the announced event will be delayed, will fail to occur or will occur on altered terms. Depending on the outcome of these factors, the risk arbitrage transaction may yield a rate of return below expectations or result in a significant loss. The Investment Adviser may attempt to mitigate such risks, in certain circumstances, through the use of options, short sales and other hedging techniques. Since attractive arbitrage opportunities are often unavailable for long periods of time, it is therefore possible that arbitrage transactions will occur infrequently or not at all.

Hedging Transactions. As described herein, the Investment Adviser intends to enter currency hedging transactions on behalf of its Clients to hedge against Brazilian Real currency risk with respect to the USD Tranches and against U.S. Dollar currency risk with respect to the BRL Tranches, as well as against Brazilian tax risk. Otherwise, the Investment Adviser is not required to, and may not attempt to, hedge market risks or other risks inherent in the positions held in Client portfolios. In addition, the Investment Adviser may not anticipate a particular risk so as to hedge against it.

The Investment Adviser, however, may cause its Clients to utilize a variety of financial instruments (including options and derivatives), both for investment purposes and (to the extent desired) for risk management purposes in order to: (i) protect against possible changes in the market value of a Client's investment portfolio resulting from fluctuations in the securities or commodities markets and changes in interest rates; (ii) protect the unrealized gains in the value of a Client's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a Client's portfolio; (v) hedge the interest rate or currency exchange rate on any of a Client's liabilities or assets; (vi) protect against any increase in the price of any securities or commodities the Investment Adviser anticipates purchasing on behalf of a Client at a later date; or (vii) for any other reason that the Investment Adviser deems appropriate.

The success of the Investment Adviser's hedging is subject to the Investment Adviser's ability to correctly assess the degree of correlation between the performance of the instruments used to hedge and the performance of the investments in the portfolios being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the instances when the Investment Adviser hedges a Client's portfolio positions is also subject to the Investment Adviser's ability to

continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Investment Adviser may cause a Client to enter into certain hedging transactions, like currency hedging, to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. For a variety of reasons, the Investment Adviser may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose a Client to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Client's portfolio holdings.

Currency Exchange Exposure. All contributions to the Funds by investors or amounts contributed to Managed Accounts are denominated in U.S. Dollars, while the Investment Adviser will invest on behalf of its Clients in securities denominated in Brazilian Real or potentially other non-U.S. currencies, the prices of which are determined with reference to the Brazilian Real and/or currencies other than the U.S. Dollar. This exposes Clients to currency risks.

In the past, the Brazilian Central Bank periodically devalued the Brazilian currency, but since 1999, the Brazilian Central Bank's intervention has been less obstructive. The exchange rate between the Brazilian Real and the U.S. Dollar has varied significantly since 1999 as the Brazilian currency has floated more freely. However, more dramatic Brazilian Central Bank intervention in response to political developments in Brazil and changing global, regional and local economic circumstances remains a risk. From time to time, including at the end of 2014 and through the first part of 2015, there have been significant exchange rate fluctuations between the Brazilian Real and the U.S. Dollar and other currencies. The return of the Investment Adviser on any investment on behalf of a Client, as measured in U.S. Dollars for the USD Tranches, will be affected by fluctuations in currency exchange rates and exchange control regulations as well as by the success of the investment itself. Potential devaluations of the Brazilian Real against the U.S. Dollar may also create inflationary pressures in Brazil that may negatively affect the Client. Further, a significant devaluation generally results in a curtailment of access to foreign financial markets for the Investment Adviser and can lead to government intervention, including recessionary government policies.

The Investment Adviser will seek to cause its Clients to hedge their Brazilian Real currency exposure with respect to USD Tranches, as well as Clients' U.S. Dollar currency exposure with respect to BRL Tranches. The costs of such BRL currency hedging will be borne by the Client holding the relevant USD Tranches and/or BRL Tranches. However, the Investment Adviser will not seek to hedge against other currency exposures.

To the extent the Investment Adviser seeks to hedge against currency exchange risk, the Investment Adviser may enter into spot and forward currency contracts or invest in currency futures contracts and options on currencies and futures to hedge currency risk by shifting exposure to foreign currency fluctuations from one currency to another with respect to its Clients' portfolios. Currency transactions made on a spot (*i.e.*, cash) basis are at the spot rate prevailing in the currency exchange market. A forward currency contract, which involves an obligation to purchase or sell a specific currency at a future date at a price set at the time of the contract, reduces Clients' exposure with respect to Clients' investments to changes in the value of the currency it will deliver and increases the Client's exposure to changes in the value of the currency it will receive for the duration of the contract.

There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Investment Adviser wishes to use them, or that hedging techniques employed by the Investment Adviser on behalf of its Clients will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of Clients' positions in Brazilian and other non-U.S. investments will fluctuate with U.S. Dollar exchange rates with respect to the USD Tranches, as well as with the price changes of the investments in the various local markets and currencies. Likewise, the value of Clients' positions in U.S. Dollar and other non-BRL investment will fluctuate with the Brazilian Real exchange rate with respect to the BRL Tranches, as well as with price changes of the investment in the various local markets and currencies. Such fluctuations may result in a loss to Clients and adversely affect the Clients holding USD Tranches and/or BRL Tranches, as applicable.

Furthermore, the Investment Adviser may incur costs in connection with conversions between various currencies. Brazilian Real and other non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to Clients at one rate, while offering a lesser rate of exchange should the Investment Adviser desire immediately to cause the applicable Clients to resell that currency to the dealer. The Investment Adviser will conduct Clients' currency exchange transactions either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward or options contracts to purchase or sell Brazilian Real or other non-U.S. currencies. It is anticipated that most Client currency exchange transactions will occur at the time Brazilian Real denominated investments are purchased and sold and will be executed through the Client's prime brokers or a local broker or custodian acting on behalf of the Client.

Foreign Currency Transactions. Investments in foreign securities involve currency risk, such as the risk that the U.S. dollar value of such securities may be affected adversely by changes in foreign currency exchange rates and exchange control regulations. In order to attempt to protect itself against such risks, the Investment Adviser may enter into spot (that is, cash) foreign currency transactions or forward foreign currency exchange contracts and foreign currency futures contracts and may purchase and sell put and call options on foreign currency and on such contracts. These contracts can be traded in the inter-bank market among currency traders, typically large commercial banks. The Investment Adviser may also cause its Clients to enter into foreign currency forward and futures contracts and currency options for speculative purposes when it believes that a particular currency may increase or decline against the U.S. dollar. While futures contracts generally trade on exchanges and are afforded certain regulatory protections, forward contracts are privately negotiated, less regulated and subject to a greater degree of price volatility.

Currency Trading. Currency trading is subject to risks different from those of other securities transactions. Because exchange rate control is of great importance to the issuing governments and influences economic planning and policy, purchases and sales of currency and related instruments can be negatively affected by government exchange controls, blockages, and manipulations or exchange restrictions imposed by governments. These government actions can result in losses to Clients if the Investment Adviser is unable to deliver or receive currency or funds on behalf of its Client in settlement of obligations. Buyers and sellers of currency futures are subject to the same risks that apply to the use of futures generally. Furthermore, settlement of a currency forward contract for the purchase of most currencies must occur at a bank based in the issuing nation. The ability to establish and close out options

on currency futures is subject to the maintenance of a liquid market, which may not always be available. Currency exchange rates may fluctuate based on factors extrinsic to that country's economy.

At or before the maturity of a forward currency contract, the Investment Adviser may either cause its Clients to make delivery of the currency, or terminate the Clients' contractual obligation to deliver the currency by buying an "offsetting" contract obligating it to buy, on the same maturity date, the same amount of the currency.

If the Investment Adviser causes a Client to engage in an offsetting transaction, the Client may later enter into a new forward currency contract to sell the currency. If the Client engages in an offsetting transaction, it will incur a gain or loss to the extent that there has been movement in forward currency contract prices. If forward prices go down during the period between the date the Client enters into a forward currency contract for the sale of a currency and the date it enters into an offsetting contract for the purchase of the currency, the Client will realize a gain to the extent that the price of the currency it has agreed to sell exceeds the price of the currency it has agreed to buy. If forward prices go up, the Client will suffer a loss to the extent the price of the currency it has agreed to buy exceeds the price of the currency it has agreed to sell.

Fundamental Analysis. The Investment Adviser's investment process is based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. To the extent that any such data are inaccurate or that other market participants have developed, based on such data, trading strategies similar to the Investment Adviser's trading strategies, Clients may not be able to realize their investment goals. In addition, fundamental market information is subject to interpretation. To the extent that the Investment Adviser misinterprets the meaning of certain data, its Clients may incur losses.

Analytical Model Risks. The Investment Adviser employs certain strategies which depend upon the reliability, accuracy and analysis of the Investment Adviser's analytical models. To the extent such models (or the assumptions underlying them) do not prove to be correct, Client portfolios may not perform as anticipated, which could result in substantial losses. All models ultimately depend upon the judgment of the Investment Adviser and the assumptions embedded in them. To the extent that with respect to any investment, the judgment or assumptions are incorrect, Clients can suffer losses.

Counterparty Risk. The Investment Adviser expects to cause its Clients to establish relationships to obtain financing, derivative execution, derivative intermediation and prime brokerage services that permit the Investment Adviser to trade on behalf of its Clients in any variety of markets or asset classes over time. However, there can be no assurance that Clients will be able to establish or maintain such relationships. An inability to establish or maintain such relationships could limit the Investment Adviser's trading activities, create losses, preclude its Clients from engaging in certain transactions or prevent its Clients from trading at optimal rates and terms. Moreover, a disruption in the financing, derivative intermediation and prime brokerage services provided by any such relationships could have a significant impact on a Client's business due to the Client's reliance on such counterparties.

The Investment Adviser may cause its Clients to effect transactions in the "over-the-counter" or "OTC" derivatives markets. The stability and liquidity of OTC derivatives transactions depends in large part on the creditworthiness of the parties to the transactions. In the OTC markets, the Investment Adviser causes

its Clients to enter into contracts directly with dealer counterparties, which may expose such Clients to the risk that a counterparty will not settle a transaction in accordance with its terms because of a solvency or liquidity problem with the counterparty. Delays in settlement may also result from disputes over the terms of the contract (whether or not bona fide). In addition, Clients may have a concentrated risk in a particular counterparty, which may mean that if such counterparty were to become insolvent or have a liquidity problem, losses would be greater than if the Investment Adviser had caused such Clients to enter into contracts with multiple counterparties. Certain OTC derivative contracts require that Clients post collateral.

If there is a default by a counterparty, under most normal circumstances Clients will have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Client's portfolio being less than if the Investment Adviser had not caused such Client to enter into the transaction. Furthermore, there is a risk that any of such counterparties could become insolvent and/or the subject of insolvency proceedings. In such case, the recovery of a Client's securities from such counterparty or the payment of claims therefor may be significantly delayed and the Investment Adviser may recover substantially less on behalf of the Client than the full value of the securities entrusted to such counterparty. In addition, there are a number of proposed rules that, if they were to go into effect, may impact the laws that apply to insolvency proceeding and may impact whether a Client may terminate its agreement with an insolvent counterparty.

Collateral that the Investment Adviser causes a Client to post to its counterparties that is not segregated with a third-party custodian may not have the benefit of customer-protected "segregation" of such funds. In the event that a counterparty were to become insolvent, such a Client may become subject to the risk that it may not receive the return of its collateral or that the collateral may take some time to return.

In addition, the Investment Adviser may cause a Client to use counterparties located in jurisdictions outside the United States such as Brazil. Such local counterparties usually are subject to laws and regulations in non-U.S. jurisdictions that are designed to protect customers in the event of their insolvency. However, the practical effect of these laws and their application to a Client's assets are subject to substantial limitations and uncertainties. Because of the range of possible factual scenarios involving the insolvency of a counterparty and the potentially large number of entities and jurisdictions that may be involved, it is impossible to generalize about the effect of such an insolvency on a Client and its assets. Investors in a Fund should assume that the insolvency of any such counterparty would result in significant delays in recovering the Fund's securities from or the payment of claims therefor by such counterparty and a loss to the Fund, which could be material.

Credit Ratings. In general, the credit rating assigned by a nationally recognized rating agency to a security represents such rating agency's opinion of the safety of the principal and interest payments of the rated instrument based on available information. Such ratings are relative and subjective; they are not absolute standards of quality and do not evaluate the market value risk of such securities. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. Further, credit ratings may change over time due to various factors, including changes in the creditworthiness of the issuer and/or changes in the rating agency's analytics and processes. It is possible that a rating agency might not change its rating of a particular issue on a timely basis to reflect subsequent events and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Clients may

incur losses if the Investment Adviser makes investments based on credit ratings that subsequently change in a way not favorable to such Clients' investment objectives.

Counterparty Fraud. Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying an investment. The Investment Adviser relies upon the accuracy and completeness of representations made by counterparties to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Counterparty Insolvency. A Client's assets may be held in one or more accounts maintained for such Client by counterparties, including its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of a Client's counterparties is likely to impair the operational capabilities or the assets of such Client. Although the Investment Adviser regularly monitors the financial condition of the counterparties it uses, if one or more of a Client's counterparties were to become insolvent or the subject of liquidation proceedings in the U.S. (either under the Securities Investor Protection Act or the U.S. Bankruptcy Code), there exists the risk that the recovery of the Client's securities and other assets from such prime broker or broker-dealer will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

In addition, the Investment Adviser may cause its Clients to use counterparties located in various jurisdictions outside the U.S. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Client's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Client and its assets. Investors in a Fund should assume that the insolvency of any Fund counterparty would result in a loss to the Fund, which could be material.

Competition; Availability of Investments. Credit-related markets and certain other markets in which the Investment Adviser may cause its Clients to invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that the Investment Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments.

Exposure to Material Non-Public Information. From time to time, the Investment Adviser may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the Investment Adviser may be prohibited, by law, policy or contract, for a period of time from causing its Clients to (i) unwind a position in such issuer, (ii) establish an initial position or take any greater position in such issuer, (iii) pursue other investment opportunities related to such issuer, and (iv) invest in securities of other issuers for which the Investment Adviser deems itself and its Clients restricted by virtue of the Investment Adviser's involvement in such issuer of publicly traded securities.

Access to Information. The Investment Adviser, particularly in the context of international stocks, is not in a position to confirm the completeness, genuineness or accuracy of the information and data it

considers in making investment decisions, and in some cases, complete and accurate information is not available because certain information may be considered proprietary or otherwise confidential. These difficulties make it more difficult for investments to be evaluated and for the value of securities to be accurately determined.

Trading Suspensions. The United States, other governments, and each U.S. and non-U.S. securities exchange retain the right to suspend or limit trading in securities. Such a suspension might render it impossible for the Investment Adviser to liquidate certain positions promptly and, accordingly, could expose the Clients to losses.

Restricted Investments. The Investment Adviser may cause its Clients to invest in securities which are subject to legal or other restrictions on transfer. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Investment Adviser may not be able to sell them on behalf of its Clients when the Investment Adviser desires to do so or to realize what it perceives to be the fair value of such securities in the event of a sale. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Non-U.S. Investments. The Investment Adviser expects to cause its Clients to make investments in companies outside the United States, particularly in Brazil and certain other offshore jurisdictions. Investing in the securities of companies in non-U.S. countries involves certain considerations not usually associated with investing in securities of U.S. companies or U.S. markets, including: political and economic considerations, such as greater risks of expropriation and nationalization, confiscatory taxation, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments; the possibility of imposition of withholding or other taxes on dividends, interest, capital gain, other income or gross sale or disposition proceeds; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the investment opportunities that the Investment Adviser may be able to pursue on behalf of its Clients. In addition, accounting and financial reporting standards that prevail in such countries generally are not equivalent to U.S. standards and, consequently, less information is available to investors in companies located in such countries than is available to investors in companies located in the U.S. There is also less regulation, generally, of the securities markets in such countries than there is in the U.S. As a result, the Investment Adviser may be unable to structure its Clients' transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce a Client's rights in such markets. For example, securities traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the CFTC, the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to a Client under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

Emerging Markets Generally. In addition to the risks associated with investments outside of the United States, investments in emerging markets (*i.e.*, developing countries, such as Brazil) may involve additional risks. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the financial instrument may not exist locally, and transactions will need to be made on a neighboring exchange or OTC. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market financial instruments, little or no market may

exist for such instruments. In addition, imposition of exchange regulations, limitations on removal of funds, political instability, corruption and confiscatory taxation are more likely to occur in emerging markets.

Issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported. The issuers of some non-U.S. securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. Custodial expenses for a portfolio of emerging markets securities generally are higher than for a portfolio of securities of issuers based in developed countries.

Many of the laws that govern private and foreign investment, securities transactions and contractual relationships in non-U.S. countries, particularly in developing countries, are new and largely untested. As a result, Clients may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, and lack of enforcement of existing regulations.

Trade Errors. Trade errors and similar human errors involving transactions in accounts directly or indirectly held by a Client or any derivatives contracts or other similar agreements may occur. Such errors may include, for example, (i) the placement of orders (either purchases or sales) in excess of, or less than, the amount of securities the account intended to trade; (ii) the sale of a security when it should have been purchased; (iii) the purchase of a security when it should have been sold; (iv) the purchase or sale of the wrong security; (v) the purchase or sale of a security contrary to regulatory restrictions or investment guidelines or restrictions of the account; (vi) incorrect allocations of trades between the account and any Other Account that does not trade *pari passu* with the account; (vii) keystroke errors that occur when entering trades into an electronic trading system; and (viii) typographical or drafting errors. Such errors may result in losses or gains. The Investment Adviser generally will seek to detect such errors prior to settlement and promptly correct and/or mitigate them. To the extent an error is caused by a counterparty, such as a broker-dealer, the Investment Adviser will seek to recover any losses associated with such error from the counterparty.

Pursuant to the exculpation and indemnification provided by the Investment Adviser to its Clients, the Investment Adviser and its affiliates and personnel will generally not be liable to a Client for any act or omission, absent bad faith, gross negligence, willful misconduct or actual fraud of such person, and the Investment Adviser will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Investment Adviser, absent bad faith, gross negligence, willful misconduct or actual fraud of such person. As a result of these provisions, Clients (and not the Investment Adviser) will benefit from any gains resulting from trade errors and similar human errors and will be responsible for any losses (including additional trading costs) resulting from trade errors and similar human errors, absent bad faith, gross negligence, willful misconduct or actual fraud of the relevant person. Given the potentially large volume of transactions executed by the Investment

Adviser on behalf of its Clients, investors should assume that trade errors and similar human errors will occur and that, to the extent permitted by applicable law and under the applicable Client's governing documents, the Investment Adviser will not be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of the Investment Adviser's personnel.

Short Selling. The Investment Adviser may cause its Clients to enter into short selling transactions which involve the sale of a security that a Client does not own at a specific price in the expectation of covering the sale by purchasing the security in the open market at a later date at a price lower than the specified price. At the time a short sale is effected, the Client borrows the security from a third party "lender" and delivers it to the buyer. At the same time, it incurs an obligation to replace the borrowed security at the market price prevailing at the time that the Client purchases it for delivery to the lender. The market price at such time can be more or less than the price at which the Client sold the security to the buyer. Since short selling can result in profits during a period of declining securities prices, the Investment Adviser can, to an extent, use short selling to hedge against market risks faced by its Clients. However, Clients would incur losses to the extent that securities sold short increase in value.

Short-selling is a form of leverage. The profit realized by a Client on a short sale will be the difference between the price received on the sale and the cost of the securities subsequently purchased to cover the sale. If the securities sold short increase in value, the Client will incur a loss. Such losses can be, in theory, unlimited, while losses on cash purchases of securities are limited to the amount of cash invested. In addition, there may be circumstances, such as corporate events, when the fund will not be able to return to the original lender the security sold short. Under these circumstances, the position will be usually closed by entering in an indemnification agreement with the lender. The cost of such indemnification ("cash settlement") can be extraordinarily high and, in some cases, could generate a total and permanent loss of the net asset value of the applicable Client. Further, it is likely that the lenders of the securities that the Investment Adviser caused its Clients to buy for short sales will require the applicable Clients to collateralize their obligation to replace the borrowed securities with deposits of cash or governmental obligations, thus increasing the costs of such transactions to the applicable Clients. Short selling is also subject to certain restrictions imposed under the federal securities laws and the rules of the various national and regional securities exchanges.

Any income earned from such investments ordinarily will be reinvested by the Investment Adviser on behalf of its Client in accordance with the Clients' investment programs. For operational convenience, however, the Investment Adviser may cause Clients to maintain certain liquidity in fixed income securities or money market instruments pending investment or reinvestment.

Regulation in the Derivatives Industry. There are many rules related to derivatives that may negatively impact Clients such as requirements related to recordkeeping, reporting, portfolio reconciliation, central clearing, minimum margin for uncleared OTC instruments and mandatory trading on electronic facilities, and other transaction-level obligations. Parties that act as dealers in swaps, are also subject to extensive business conduct standards, additional "know your counterparty" obligations, documentation standards and capital requirements. All of these requirements add costs to the legal, operational and compliance obligations of the Investment Adviser, and increase the amount of time that the Investment Adviser spends on non-investment-related activities. Requirements such as these also raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to Clients.

These rules are operationally and technologically burdensome for the Investment Adviser. These compliance obligations require employee training and use of technology, and there are operational risks borne by the Investment Adviser in implementing procedures to comply with many of these additional obligations.

These regulations may also result in the Investment Adviser forgoing the use of certain trading counterparties (such as broker-dealers and futures commission merchants (“**FCM**”) or other counterparties, as the use of other parties may be more efficient for the Investment Adviser from a regulatory perspective. However, this could limit the Investment Adviser’s trading activities, create losses, preclude the Investment Adviser from engaging in certain transactions or prevent the Investment Adviser from trading at optimal rates and terms.

Many of these requirements were implemented pursuant to the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Dodd-Frank Act**”), the EU Regulation on OTC Derivatives, Central Counterparties and Trade Repositories (known as the European Market Infrastructure Regulation or “**EMIR**”) and similar regulations globally. In the United States, the Dodd-Frank Act divides the regulatory responsibility for derivatives between the SEC and the CFTC, a distinction that does not exist in any other jurisdiction. The CFTC has regulatory authority over “swaps” and the SEC has regulatory authority over “security-based swaps.” EMIR is being implemented in phases through the adoption of delegated acts by the European Commission. As a result of the SEC and CFTC bifurcation and the different pace at which the SEC, the CFTC, the European Commission and other international regulators have promulgated necessary regulations, different transactions are subject to different levels of regulation. Though many rules and regulations have been finalized, there are others, particularly SEC regulations with respect to security-based swaps and EMIR regulations, that are still in the proposal stage or are expected to be introduced in the future.

The following describes derivatives regulations that may have the most significant impact on Clients:

Reporting. Most swap transactions have become subject to anonymous “real-time reporting,” meaning that information relating to transactions entered into by the Investment Adviser on behalf of its Clients will become visible to the market in ways that may harm the Investment Adviser’s ability to enter into additional transactions for its Clients at comparable prices or could enable competitors to “front-run” or replicate the Investment Adviser’s strategies.

Central Clearing. In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through central clearinghouses. In the United States, clearing requirements have been implemented as part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing requirements for additional classes of derivatives in the future. EMIR also requires OTC derivatives contracts meeting specific criteria to be cleared through central counterparties.

While such clearing requirements may be beneficial for a Client in many respects (for instance, they may reduce the counterparty risk to the dealers to which the Client would be exposed under non-cleared derivatives), the Client could be exposed to new risks, such as the risk that an

increasing percentage of derivatives will be required to be standardized and/or cleared through central clearinghouses, and as a result the Client may not be able to hedge its risks or express an investment view as well as it would using customizable derivatives available in the over-the-counter markets. The Investment Adviser may have to split its Clients' derivatives portfolios between centrally cleared and over-the-counter derivatives, which may result in operational inefficiencies and an inability to offset risk between centrally cleared and over-the counter positions, and which could lead to increased costs.

Another risk is that a Client may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the Investment Adviser's FCM and the clearinghouse. Virtually all margin models utilized by the clearinghouses are dynamic, meaning that unlike traditional bilateral swap contracts, where the amount of initial margin posted on the contract is typically static throughout the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject Clients to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment, which could have a detrimental effect on Client portfolios. Clearinghouses also limit the collateral that they will accept to cash, U.S. Treasury bonds and, in some cases, other highly rated sovereign and private debt instruments, which may require Clients to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to such Clients. In addition, clearinghouses may not allow the Investment Adviser to portfolio-margin its Clients' positions, which may increase the applicable Clients' costs.

Although standardized clearing for derivatives is intended to reduce risk (for instance, it may reduce the counterparty risk to the dealers to which a Client would be exposed under OTC derivatives), it does not eliminate risk. Derivatives clearing may also lead to concentration of counterparty risk, namely in the clearinghouse and the Investment Adviser's FCM, subjecting Clients to the risk that the assets of the FCM are insufficient to satisfy all of the FCM's payment obligations, leading to a payment default. The failure of a clearinghouse or FCM could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on FCMs during a financial crisis, which could lead FCMs to default and thus worsen the crisis.

Swap Execution Facilities. In addition to the central clearing requirement, certain swap transactions are now required to trade on regulated electronic platforms such as swap execution facilities ("SEFs"), which will require Clients to subject themselves to regulation by these venues and subject Clients to the jurisdiction of the CFTC.

The EU regulatory framework governing derivatives is set not only by EMIR but also a legislative package known as a recast of the Markets in Financial Instruments Directive ("**MiFID II**"). Among other things, MiFID II requires transactions in derivatives to be executed on regulated trading venues. The implementation and related guidance pertaining to MiFID II continues to develop, including within the local law of EU member states, and as such it is currently difficult to assess a full impact of such regulatory reforms on a Client. Similarly, although the SEC recently finalized certain rules related to security-based SEFs and has

provided for certain interim exemptions from certain requirements, a number of SEC rule proposals regarding SEFs remain to be finalized, and these may affect market operations in various ways.

It is not clear whether these trading venues and the evolving regulation of them will benefit or impede liquidity, or how they will fare in times of market stress. Trading on these trading venues may increase the pricing discrepancy between assets and their hedges as products may not be able to be executed simultaneously, therefore increasing basis risk. It may also become relatively expensive for Clients to obtain tailored swap products to hedge particular risks in their portfolios due to higher collateral requirements on bilateral transactions as a result of the new regulations.

Margin Requirements for Non-Cleared Swaps. New rules issued by U.S., EU and other regulators globally (the “**Margin Rules**”) impose various margin requirements on all swaps that are not centrally cleared, including the establishment of minimum amounts of initial margin that must be posted, and, in some cases, the mandatory segregation of initial margin with a third-party custodian. Although the Margin Rules are intended to increase the stability of the derivatives market, the overall amount of margin that Clients will be required to post to swap counterparties may increase by a material amount, and as a result the Investment Adviser may not be able to deploy its Clients’ capital as effectively. Additionally, to the extent that the Clients are required to segregate initial margin with a third party custodian, additional costs will be incurred by such Clients.

Systemic Risk. Systemic risk is the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other interdependent financial institutions. Financial intermediaries, such as clearinghouses, banks, securities firms and exchanges with which Clients interact, as well as the Investment Adviser, are all subject to systemic risk. A systemic failure could have material adverse consequences to Clients and on the markets for the securities and other instruments in which the Investment Adviser seeks to invest on behalf of its Clients.

Brexit Risk; Eurozone Risk; Refugees; Sanctions in Other Regions. In what is commonly referred to as “Brexit,” the United Kingdom including Britain has undertaken to exit the European Union (“EU”), which has already resulted in significant volatility in British, broader European, and global markets, adds uncertainty to future market developments, and, during its implementation, may cause severe adverse effects to financial prospects in Britain and continental Europe as well as globally. Other countries could also decide to exit the EU, adding further uncertainties. Collectively, the member states of the EU which have adopted the euro as their common currency are known as the “Eurozone.” Further, as a result of the past decade’s financial crisis in Europe, in particular in Portugal, Ireland, Italy, Greece and Spain, the European Commission took various major measures to provide funding to Eurozone countries in financial difficulty and seek to stabilize national economies. Despite these measures, concerns persist regarding the indebtedness of certain Eurozone countries and their ability to meet their financial obligations, the overall stability of the Eurozone and its members and the suitability of certain states to be members of the Eurozone. These and other concerns could lead to the re-introduction of individual currencies in one or more member states of the European Union or, in more extreme circumstances, the possible dissolution of the Eurozone entirely. Should the Eurozone dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. In addition,

political and economic stress is resulting from the migration to Europe of persons fleeing war zones in Syria and other jurisdictions. These potential developments, or market perceptions concerning these and related issues, could have a material adverse effect on the net asset value of Client portfolios and on the Investment Adviser's ability to achieve its Clients' investment objectives. In addition, the United States and other countries impose and remove sanctions on countries or companies in different regions around the world. Such events may subject certain Clients' investments to particular risks of loss or volatility.

C. Risks Associated With Particular Types of Securities

We do not recommend a particular type of investment instrument to the Clients, but rather, we recommend and invest in multiple investment instruments. Given the broad discretion we have in managing the Clients, any one or more of the risks listed in the previous section may be incurred by our clients.

The risk factors detailed herein may relate to one or more investment strategies pursued by the Investment Adviser, and certain risk factors may overlap between multiple strategies. The Investment Adviser has not indicated below whether any particular risk factor applies to a specific strategy only. Please see the Confidential Memorandum or other governing documents for the applicable Clients for a comprehensive set of risk factors pertaining to the investment strategy pursued by such Clients.

However, because it may be useful in understanding our investment program, set forth below is a non-exclusive list of certain risks related to securities and other instruments that may be utilized within the Client's portfolio:

Debt Investments. Private and public debt investments of all types may have speculative characteristics, regardless of whether they are rated. The issuers of such instruments (including sovereign issuers) may face significant ongoing uncertainties and exposure to adverse conditions that may undermine the issuer's ability to make timely payment of interest and principal in accordance with the terms of the obligations.

Dealer Market Making. The value of Clients' fixed-income investments will be affected by general fixed-income market conditions, such as the volatility and liquidity of the fixed-income market, which are affected by the ability of dealers to "make a market" in fixed-income investments. In recent years, the market for bonds has significantly increased while dealer inventories have significantly decreased, relative to market size. This reduction in dealer inventories may be attributable to regulatory changes, such as capital requirements, and is expected to continue. As dealers' inventories decrease, so does their ability to make a market (and, therefore, create liquidity) in the fixed-income market. Especially during periods of rising interest rates, this could result in greater volatility and illiquidity in the fixed-income market, which could impair Clients' profitability or result in losses.

Interest Rate Risk. Changes in interest rates can affect the value of Clients' investments in fixed-income instruments. Increases in interest rates may cause the value of a Client's debt investments to decline. Clients may experience increased interest rate risk to the extent it invests, if at all, in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments.

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a

variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, “premium” securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and “discount” securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount instruments when interest rates and/or spreads are high, and will be premium instruments when interest rates and/or spreads are low, such debt instruments may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact Client portfolios. Particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments.

Zero-Coupon and Deferred Interest Bonds. Zero-coupon bonds and deferred interest bonds are debt obligations issued at a significant discount from face value. The original discount approximates the total amount of interest the bonds will accrue and compound over the period until maturity or the first interest accrual date at a rate of interest reflecting the market rate of the security at the time of issuance. While zero-coupon bonds do not require the periodic payment of interest, deferred interest bonds generally provide for a period of delay before the regular payment of interest begins. Such investments experience greater volatility in market value due to changes in interest rates than debt obligations that provide for regular payments of interest.

High-Yield. Bonds or other fixed-income securities that are “higher yielding” (including non-investment grade) debt securities are generally not exchange-traded and, as a result, these securities trade in the over-the-counter marketplace, which is less transparent and has wider bid/ask spreads than the exchange-traded marketplace. High-yield securities face ongoing uncertainties and exposure to adverse business, financial or economic conditions, which could lead to the issuer’s inability to meet timely interest and principal payments. High-yield securities are generally more volatile and may or may not be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured by substantially all of the issuer’s assets. High-yield securities may also not be protected by financial covenants or limitations on additional indebtedness. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities. Companies that issue such securities may be highly leveraged and may not have available to them more traditional methods of financing. In addition, the Investment Adviser may cause its Clients to invest in bonds of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such investments.

The Investment Adviser may cause its Clients to invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer’s obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant

uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

Corporate Debt. Bonds, notes and debentures issued by corporations may pay fixed, variable or floating rates of interest, and may include zero-coupon obligations. Corporate debt instruments may be subject to credit ratings downgrades. Other instruments may have the lowest quality ratings or may be unrated. In addition, the Investment Adviser may cause its Clients to pay interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to a Client in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, Clients may experience substantial losses.

Mezzanine Debt. Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of the Investment Adviser to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine debt instruments are often issued in connection with leveraged acquisitions or recapitalizations in which the issuers incur a substantially higher amount of indebtedness than the level at which they had previously operated. Default rates for mezzanine debt instruments have historically been higher than for more senior instruments. In the event of the insolvency of a portfolio company of a Client or similar event, the Client's debt investment therein will be subject to fraudulent conveyance, subordination and preference laws.

Stressed Debt. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of stressed and distressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Non-Performing Nature of Debt. Certain debt instruments may be non-performing or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to such debt instruments.

Troubled Origination. When financial institutions or other entities that are insolvent or in serious financial difficulty originate debt, the standards by which such instruments were originated, the recourse to the selling institution, or the standards by which such instruments are being serviced or operated may be adversely affected.

Sovereign Debt and Other Public Debt. Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank, including those of Brazil, to make payments on the debt it has issued ("**Sovereign Debt**"), including Brazilian Federal Claims and securities that the Investment Adviser believes are likely to be included in restructurings of the external debt obligations of the issuer in question, (ii) the market value of such debt and (iii) the inclusion of Sovereign Debt in future restructurings, including such issuer's (x) balance of trade

and access to international financing, (y) cost of servicing such obligations, which may be affected by changes in international interest rates, and (z) level of international currency reserves, which may affect the amount of non-U.S. exchange available for external debt payments. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Equitable Subordination. Under common law principles that in some cases form the basis for lender liability claims, if a lender (i) intentionally takes an action that results in the undercapitalization of a borrower or issuer to the detriment of other creditors of such borrower or issuer, (ii) engages in other inequitable conduct to the detriment of such other creditors, (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors or (iv) uses its influence as a stockholder to dominate or control a borrower or issuer to the detriment of other creditors of such borrower or issuer, a court may elect to subordinate the claim of the offending lender or bondholder to the claims of the disadvantaged creditor or creditors (a remedy called "equitable subordination"). If the Investment Adviser causes its Clients to engage in such conduct, such Clients may be subject to claims from creditors of an obligor that debt held by the Clients should be equitably subordinated.

Loan Investments. The Investment Adviser's success in the area of loan investing will depend, in part, on its ability to originate or obtain loans on advantageous terms. In purchasing loans, Clients will compete with a broad spectrum of investors and institutions. Increased competition for, or a diminution in the available supply of, qualifying loans could result in lower yields on such loans, which could reduce returns to investors.

Leveraged Loans. "Leveraged loans" are loans made to companies with a below investment-grade rating from any nationally recognized rating agency. Such loans may be performing poorly when a Client acquires them. There is no assurance that the Investment Adviser will correctly evaluate the value of the assets collateralizing such loans or the prospects for distribution on or repayment of such loans. A Client may lose its entire investment or may be required to accept cash, property or securities with a value less than the Client's original investment and/or may be required to accept payment over an extended period of time.

Hung Loans. The term "hung loan" commonly refers to a loan that has been made (or has been committed to be made), and the lender is not able to syndicate the loan on the originally anticipated terms. Hung loans are illiquid and lack readily ascertainable market values; there is no assurance that the price to be paid for hung loans by a Client will reflect a discounted price that should allow the Investment Adviser to achieve a positive return for a Client on such loans or avoid losses. Since the price of the loans to be purchased is expected to continue to be significantly impacted by, in addition to the specific circumstances relating to each loan (*e.g.*, in the case of a loan relating to a leveraged buyout ("**LBO**"), the financial condition of the target), global and macro-economic conditions (*e.g.*, monetary policy, changes to currency exchange rates, governmental intervention or changes to existing laws, international geo-political events, etc.) as well as other systemic factors, it is possible that loans purchased by a Client will suffer significant impairments in value as a result of events not predicted by the Investment Adviser. The Investment Adviser may also face difficulties in disposing of or leveraging such loans, or in doing so without incurring losses for its Clients. The markets in which hung loans are purchased and sold have been volatile and are likely to continue to be volatile in the future.

Bank Loans. Bank loans are subject to unique risks, including: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Investment Adviser to directly enforce a Client's rights with respect to participations. Successful claims by third parties arising from these and other risks will be borne by the Client.

As secondary market trading volumes increase, new loans are frequently adopting standardized documentation to facilitate loan trading, which may improve market liquidity. There can be no assurance, however, that future levels of supply and demand in loan trading will provide an adequate degree of liquidity or that the current level of liquidity will continue. Because of the provision to holders of such loans of confidential information relating to the borrower, the unique and customized nature of the loan agreement, and the private syndication of the loan, loans are not as easily purchased or sold as a publicly traded security, and historically the trading volume in the loan market has been small relative to the high-yield debt market.

Second Lien Loans. The Investment Adviser may cause its Clients to invest in loans that are secured by a second lien on assets. Second lien loans have been a developed market for a relatively short period of time, and there is limited historical data on the performance of second lien loans in adverse economic circumstances. In addition, second lien loan products are subject to intercreditor arrangements with the holders of first lien indebtedness, pursuant to which the second lien holders have waived many of the rights of a secured creditor, and some rights of unsecured creditors, including rights in bankruptcy that can materially affect recoveries. While there is broad market acceptance of some second lien intercreditor terms, no clear market standard has developed for certain other material intercreditor terms for second lien loan products. This variation in key intercreditor terms may result in dissimilar recoveries across otherwise similarly situated second lien loans in insolvency or distressed situations. While uncertainty of recovery in an insolvency or distressed situation is inherent in all debt instruments, second lien loan products carry more risks than certain other debt products. Beginning in August 2007, the market for many loan products, including second lien loans, contracted significantly which made virtually all leveraged loan products, particularly second lien loan products, less liquid or illiquid. Many participants ceased underwriting and purchasing certain second lien loan products. There can be no assurance that the market for second lien loans will not contract further.

Bridge Loans. It is a common practice for financial institutions to commit to providing bridge loans to facilitate acquisitions, including LBOs, where they serve as advisers to the purchaser. Bridge loans are frequently made because, for timing or market reasons, longer-term financing is not available at the time the funds are needed, which is often at the time of the closing of an acquisition. In the past, these commitments were not frequently drawn upon due to the availability of other sources of financing; however, due to market conditions affecting the availability of these other sources of financing (principally high-yield bond transactions), bridge loan commitments have been and may be drawn upon more regularly. Since these commitments were not regularly drawn upon in the past, there is little history for investors to rely upon in evaluating investments in bridge loans. Bridge loans often have shorter maturities. Borrower and lenders typically agree to shorter maturities based on the anticipation that the bridge loans will be replaced with other forms of financing within such shorter time period. However, the source and timing of such replacement financing may be uncertain and can be affected by, among other things, market conditions and the financial condition of the borrower at the maturity date of the

bridge. If the borrower is unable to obtain replacement financing and repay the bridge loan at maturity, the terms of the bridge loan may provide for the bridge loan to be converted to a longer term loan. If bridge loans are not repaid (or cannot be disposed of on favorable terms) on the dates projected by the Investment Adviser, there may be an adverse effect upon the ability of the Investment Adviser to manage the assets of its Clients in accordance with its models and projections or an adverse effect upon its Clients' performance and ability to make distributions.

Debtor-in-Possession ("DIP") Loans. Loans to companies that have filed for protection under Chapter 11 of the U.S. Bankruptcy Code, as amended, are most often asset-based, revolving working-capital facilities put into place at the outset of a Chapter 11 case to provide the debtor with both immediate cash and the ongoing working capital that will be required during the reorganization process. While such loans are generally less risky than many other types of loans as a result of their seniority in the debtor's capital structure and because their terms have been approved by a U.S. federal bankruptcy court order, it is possible that the debtor's reorganization efforts may fail and the proceeds of the ensuing liquidation of the DIP lender's collateral might be insufficient to repay in full the DIP loan.

Fraud Associated with Loans. Of paramount concern in loan investments is the possibility of material misrepresentation or omission on the part of the borrower or loan seller. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Investment Adviser to cause its Clients to perfect or effectuate a lien on the collateral securing the loan. Clients will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable, but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to a Client may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Lender Liability Claims. There may be circumstances where a loan or other debt investment of a Client could be subordinated to claims of other creditors or the Client could be subject to lender liability claims. If a company that a Client is invested in were to go bankrupt, even though the Investment Adviser may have structured the Client's investment as senior debt, depending on the facts and circumstances, a bankruptcy court might recharacterize such debt holding as an equity investment and subordinate or disallow all or a portion of the Client's senior debt claim to that of other creditors. In addition, lenders can be subject to lender liability claims for actions taken by them where they become too involved in the borrower's business or exercise control over the borrower as described above for debt investments.

Additionally, should the Client need to collect on a defaulted loan, litigation could result. There is a high cost associated with any litigation and the results of litigation are always uncertain. Even before litigation is commenced, the Client could experience substantial costs in trying to collect on defaulted investments, such as legal fees, collection agency fees, or discounts related to the assignment of a defaulted loan to a third party.

Incurrence of Additional Debt by Borrowers. Although the Investment Adviser expects to negotiate approval rights on behalf of its Clients limiting or preventing borrowers from incurring further debt in addition to the loans, any such increase of debt levels could impair the ability of borrowers to service their loans, which in turn could result in higher rates of delinquency and loss on the loans underlying the Client's investments.

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

Bankruptcy Claims. Bankruptcy claims, which are amounts owed to creditors of companies that are debtors in pending bankruptcy cases, typically are illiquid and generally do not pay interest. The markets in U.S. bankruptcy claims are generally not regulated by U.S. federal securities laws or the SEC. Because bankruptcy claims are frequently unsecured, holders of such claims may have a lower priority in terms of payment than certain other creditors in a bankruptcy proceeding. In addition, the debt of companies in financial reorganization may be adversely affected by an erosion of the issuer's fundamental values. Accordingly, there can be no guarantee that the debtor will ever be able to satisfy the obligation on a bankruptcy claim.

Many of the events within a bankruptcy case are adversarial and often beyond the control of the creditors. While creditors generally are afforded an opportunity to appear and be heard, there can be no assurance that a bankruptcy court would not approve actions that may be contrary to the interests of Clients. Furthermore, there are instances where creditors lose their priority or are recharacterized as equity if, for example, they have exercised excessive control over management or engaged in misconduct that harms other creditors. In those cases where a Client, by virtue of such action, is found to exercise "domination and control" of a debtor, the Client may lose its priority if the debtor can demonstrate that its business was adversely impacted or other creditors and equityholders were harmed by the Client.

Generally, the duration of a bankruptcy case can only be roughly estimated. The reorganization of a company usually involves the development and negotiation of a plan of reorganization, plan approval by

creditors and confirmation by the bankruptcy court. This process can involve substantial legal, professional and administrative costs to the company and Clients; it is subject to unpredictable and lengthy delays; and during the process the company's competitive position may erode, key management may depart and the company may not be able to invest adequately. In some cases, the company may not be able to reorganize and may be required to liquidate assets.

U.S. bankruptcy law permits the classification of "substantially similar" claims in determining the classification of claims in a reorganization for the purpose of voting on a plan of reorganization. Because the standard for classification is vague, there exists a significant risk that a Client's influence with respect to a class of securities can be lost by the inflation of the number and the amount of claims in, or other gerrymandering of, the class. In addition, certain administrative costs and claims that have priority by law over the claims of certain creditors (for example, claims for taxes) may be quite high.

The Investment Adviser intends to cause its Clients to invest a substantial portion of their assets in issuers domiciled in Brazil or otherwise outside of the United States. Investment in the debt of financially distressed companies domiciled outside the United States involves additional risks. Bankruptcy law and process may differ substantially from that in the United States, resulting in greater uncertainty as to the rights of creditors, the enforceability of such rights, reorganization timing and the classification, seniority and treatment of claims. In certain developing countries, although bankruptcy laws have been enacted, the process for reorganization remains highly uncertain.

The Investment Adviser, on behalf of its Clients, may elect to serve on creditors' committees, equityholders' committees or other groups to ensure preservation or enhancement of the Client's positions as a creditor or equityholder. A member of any such committee or group may owe certain obligations generally to all parties similarly situated that the committee represents. The Investment Adviser may resign from that committee or group for any reason, including, for example, if the Investment Adviser concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to its Clients. In such case, Clients may not realize the benefits, if any, of participation on the committee or group. In addition, if a Client is represented on a committee or group, it may be restricted or prohibited under applicable law from disposing of or increasing its investments in such company while it continues to be represented on such committee or group.

The Investment Adviser may cause its Clients to purchase creditor claims subsequent to the commencement of a bankruptcy case. Under judicial decisions, it is possible that such purchase may be disallowed by the bankruptcy court if the court determines that the purchaser has taken unfair advantage of an unsophisticated seller, which may result in the rescission of the transaction (presumably at the original purchase price) or forfeiture by the purchaser. Additionally, the claim may be disallowed or subordinated if the bankruptcy court determines that the seller engaged in inequitable conduct that harmed other creditors.

Reorganizations can be contentious and adversarial, and it is by no means unusual for participants to use the threat of, as well as actual, litigation as a negotiating technique. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would generally be borne by Clients.

Real Estate Debt Investments. Real estate debt investments present additional risks not necessarily present in other types of investments. In the case of certain real estate debt investments, the Investment Adviser's investment strategy may be based, in part, upon the premise that real estate loans and/or participation interests therein that are otherwise performing are from time to time available for purchase by the Investment Adviser on behalf of its Clients at "discounted" rates or at "undervalued" prices. Purchasing debt instruments and/or other interests at what may appear to be "undervalued" or "discounted" levels is no guarantee that these investments will generate attractive risk-adjusted returns to a Client or will not be subject to further reductions in value. No assurance can be given that real estate loans and/or participation interests can be acquired at favorable prices or that the market for such interests will continue to improve since this depends, in part, upon events and factors outside the control of the Investment Adviser. There can be no assurance that the market conditions for investing in real estate-related debt instruments may not deteriorate further, which could have an adverse effect on the performance of these investments.

In the case of any real estate loans acquired by the Investment Adviser on behalf of a Client that are non-performing at the time of their acquisition and/or become non-performing following their acquisition for a wide variety of reasons, such non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which can entail, among other things, a substantial reduction in the interest rate and a substantial writedown of the principal of such loan. However, even if a restructuring were successfully accomplished, a risk exists that, upon maturity of such real estate loan, replacement "takeout" financing will not be available. Purchases of participations in real estate loans raise many of the same risks as investments in real estate loans and also carry risks of illiquidity and lack of control. It is possible that the Investment Adviser and its affiliates will find it necessary or desirable to foreclose on collateral securing one or more real estate loans purchased by the Investment Adviser on behalf of a Client. The foreclosure process varies jurisdiction by jurisdiction and can be lengthy and expensive. Borrowers in real estate projects often resist foreclosure actions, which often prolongs and complicates an already difficult and time-consuming process. In some states or other jurisdictions, real estate foreclosure actions can take up to several years or more to conclude. During the foreclosure proceedings, a borrower may have the ability to file for bankruptcy, potentially staying the foreclosure action and further delaying the foreclosure process. Foreclosure litigation tends to create a negative public image of the collateral property and may result in disrupting ongoing leasing and management of the property.

Convertible Securities. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by a Client is called for redemption, the Client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Investment Adviser's ability to achieve the Client's investment objective.

Structured Notes. Structured notes, variable rate mortgage-backed and asset-backed securities may each have rates of interest that vary based on a designated floating rate formula or index. The value of these investments is closely tied to the absolute levels of such rates or indices, or the market's perception of anticipated changes in those rates or indices. The movements in specific indices or interest rates may be difficult or impossible to hedge.

Collateralized Debt Obligations. There are a variety of different types of collateralized debt obligations (“CDOs”), including CDOs collateralized by trust preferred securities and asset-backed securities and CDOs collateralized by corporate loans and debt securities called collateralized loan obligations (“CLOs”). CDOs may issue several types of securities, including, without limitation, CDO and CLO equity, multi-sector CDO equity, trust preferred CDO equity and CLO debt. CDOs are subject to credit, liquidity and interest rate risks, which are each discussed in greater detail above. The CDO equity will usually be unrated or non-investment grade. As a holder of CDO equity, Clients will have limited remedies available upon the default of the CDO. CDOs often invest in concentrated portfolios of assets. The concentration of an underlying portfolio in any one obligor would subject the related CDOs to a greater degree of risk with respect to defaults by such obligor and the concentration of a portfolio in any one industry would subject the related CDOs to a greater degree of risk with respect to economic downturns relating to such industry.

Derivative Instruments Generally. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives is subject to change. Special risks may apply in the future that cannot be determined at this time with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available. The regulatory and tax environment for derivative instruments in which the Investment Adviser may cause its Clients to participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on Clients.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the gain by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing the premium if the option expires out of the money.

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium if the option expires out of the money, and thus the gain in the premium, and the option seller gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing the premium if the option expires out of the money.

Index or Index Options. The value of an index or index option fluctuates with changes in the market values of the securities included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular security, whether Clients will realize appreciation or depreciation from the purchase or writing of

options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, shareholders may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Investment Adviser on behalf of its Clients is also subject to the Investment Adviser's ability to correctly predict movements in the direction of the market.

Futures Contracts. The Investment Adviser may cause its Clients to invest in futures contracts or options thereon. Futures positions may be illiquid because, for example, many commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Investment Adviser from promptly liquidating unfavorable positions held by its Clients and subject such Clients to substantial losses. In addition, the Investment Adviser may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

Non-U.S. Futures Transactions. Foreign futures transactions, such as futures transactions in Brazil, involve executing and clearing trades on a foreign exchange. This is the case even if the foreign exchange is formally "linked" to a domestic exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No domestic organization regulates the activities of a foreign exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no domestic regulator has the power to compel enforcement of the rules of the foreign exchange or the laws of the foreign country. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, Clients may not be afforded certain of the protections which apply to domestic transactions, including the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. In addition, the price of any foreign futures or option contract and, therefore, the potential profit and loss resulting therefrom, may be affected by any fluctuation in the foreign exchange rate between the time the order is placed and the time the foreign futures contract is liquidated or the time the foreign option contract is liquidated or exercised.

Forward Trading. Forward contracts and options thereon, unlike futures contracts, are generally not traded on exchanges and are not standardized; rather, banks and dealers act as

principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Investment Adviser on behalf of its Clients due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Investment Adviser would otherwise recommend, to the possible detriment of its Clients. Market illiquidity or disruption could result in major losses to Clients.

Swap Agreements. The Investment Adviser may cause its Clients to enter into swap agreements. These agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments, asset classes or market factors. Depending on their structure, swap agreements may increase or decrease a Client’s exposure to, for example, equity securities. Swap agreements can take many different forms and are known by a variety of names. The Investment Adviser is not limited to any particular form of swap agreement if consistent with the applicable Client’s investment objective. Whether the Investment Adviser’s use of swap agreements will be successful depends on the Investment Adviser’s ability to select appropriate transactions for its Clients. Swap transactions may be highly illiquid and may increase or decrease the volatility of the Client’s portfolio. Moreover, Clients bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Clients also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Investment Adviser to post or maintain required collateral on behalf of the applicable Clients. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Investment Adviser’s ability to terminate a Client’s existing swap transactions or to realize amounts to be received under such transactions.

Credit Default Swaps. Credit default swaps can be used to implement the Investment Adviser’s view that a particular credit, or group of credits, will experience credit improvement or deterioration. In the case of expected credit improvement, a Client may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Client to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. The Investment Adviser may also cause its Clients to buy credit default protection with respect to a referenced entity if, in the Investment Adviser’s judgment, there is a high likelihood of credit deterioration. In such instance, the applicable Clients will pay a premium regardless of whether there is a credit event.

High Volatility. The prices of derivative instruments, including currencies, futures and option prices, can be highly volatile. Price movements of derivative contracts in which a Client’s portfolio’s assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors,

cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Client's portfolio is also subject to the risk of the failure of any exchanges on which its positions trade or of their clearinghouses.

Equity Securities. The Investment Adviser will cause its Clients' investment portfolios to include equity and equity related securities of Brazilian Companies and may include equity and equity-related securities of U.S. and non-U.S. companies, especially (but not limited to) credit-sensitive equity and equity-related securities. The value of equity securities of public companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, a Client may suffer losses if it will invest in equity instruments of issuers whose performance diverges from the Investment Adviser's expectations or if equity markets generally move in a single direction and the Investment Adviser has not caused the Client to hedge against such a general move.

Indexed Securities. The Investment Adviser may invest on behalf of its Clients in indexed securities whose value is linked to interest rates, commodities, equities, currencies, price indices or other financial indicators. The value of indexed securities at maturity is determined by such underlying factors. Indexed securities may be positively or negatively related to the underlying factor (that is, they may, for example, increase or decrease in value if the underlying factor appreciates) and may have return characteristics similar to direct investments in the underlying securities or to options thereon. Indexed securities may be more volatile than the underlying securities themselves.

ABS and MBS Generally. The investment characteristics of asset-backed securities ("ABS") and mortgage-backed securities ("MBS"), whether issued by U.S., Brazil or other non-U.S. issuers, differ from traditional debt securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that the principal may be prepaid at any time because the underlying loans or other assets generally may be prepaid at any time.

ABS and MBS Subordinated Securities. Investments in subordinated MBS and ABS involve greater credit risk of default than the senior classes of the issue or series. Default risks may be further pronounced in the case of MBS and ABS secured by, or evidencing an interest in, a relatively small or less diverse pool of underlying loans. Certain subordinated securities absorb all losses from default before any other class of securities is at risk, particularly if such securities have been issued with little or no credit enhancement or equity. Such securities, therefore, possess some of the attributes typically associated with equity investments.

Commercial MBS. Mortgage loans on commercial properties often are structured so that a substantial portion of the loan principal is not amortized over the loan term but is payable at maturity and repayment of the loan principal thus often depends upon the future availability of real estate financing from the existing or an alternative lender and/or upon the current value and salability of the real estate. Therefore, the unavailability of real estate financing may lead to default.

Most commercial mortgage loans underlying MBS are effectively nonrecourse obligations of the borrower, meaning that there is no recourse against the borrower's assets other than the collateral. If borrowers are not able or willing to refinance or dispose of encumbered property to pay the principal and interest owed on such mortgage loans, payments on the subordinated classes of the related MBS are likely to be adversely affected. The ultimate extent of the loss, if any, to the subordinated classes of MBS may only be determined after a negotiated discounted settlement,

restructuring or sale of the mortgage note, or the foreclosure (or deed in lieu of foreclosure) of the mortgage encumbering the property and subsequent liquidation of the property. Foreclosure can be costly and delayed by litigation and/or bankruptcy. Factors such as the property's location, the applicable U.S., Brazilian or non-U.S. laws and regulations, the legal status of title to the property, its physical condition and financial performance, environmental risks, and governmental disclosure requirements with respect to the condition of the property may make a third party unwilling to purchase the property at a foreclosure sale or to pay a price sufficient to satisfy the obligations with respect to the related MBS. Revenues from the assets underlying such MBS may be retained by the borrower and the return on investment may be used to make payments to others, maintain insurance coverage, pay taxes or pay maintenance costs. Such diverted revenue is generally not recoverable without a court-appointed receiver to control collateral cash flow.

ABS. ABS are not secured by an interest in the related collateral. Credit card receivables, for example, are generally unsecured and the debtors are entitled to the protection of a number of U.S. federal and state, Brazilian or other non-U.S. consumer loan laws, many of which give such debtors the right to set off certain amounts owed on the credit cards, thereby reducing the balance due. Most issuers of ABS backed by automobile receivables permit the servicers to retain possession of the underlying obligations. If the servicer were to sell these obligations to another party, there is a risk that the purchaser would acquire an interest superior to that of the holders of the related ABS. In addition, because of the large number of vehicles involved in a typical issuance and technical requirements under state laws, the trustee for the holders of the ABS may not have a proper security interest in all of the obligations backing such ABS. Therefore, there is a possibility that recoveries on repossessed collateral may not, in some cases, be available to support payments on these securities. The risk of investing in ABS is ultimately dependent upon payment of consumer loans by the debtor.

The collateral supporting ABS is of shorter maturity than certain other types of loans and is less likely to experience substantial prepayments. ABS are often backed by pools of any variety of assets, including, for example, leases, mobile home loans and aircraft leases, which represent the obligations of a number of different parties and use credit enhancement techniques such as letters of credit, guarantees or preference rights. The value of an ABS is affected by changes in the market's perception of the asset backing the security and the creditworthiness of the servicing agent for the loan pool, the originator of the loans or the financial institution providing any credit enhancement, as well as by the expiration or removal of any credit enhancement.

RMBS. Holders of residential mortgage-backed securities ("**RMBS**") bear various risks, including credit, market, interest rate, structural and legal risks. RMBS represent interests in pools of residential mortgage loans secured by one- to four-family residential mortgage loans. Such loans may be prepaid at any time. Residential mortgage loans are obligations of the borrowers thereunder only and are not typically insured or guaranteed by any other person or entity, although such loans may be securitized by government agencies and the securities issued are guaranteed. The rate of defaults and losses on residential mortgage loans will be affected by a number of factors, including general economic conditions and those in the geographic area where the mortgaged property is located, the terms of the mortgage loan, the borrower's "equity" in the mortgaged property and the financial circumstances of the borrower. If a residential mortgage loan is in default, foreclosure of such residential mortgage loan may be a lengthy and difficult process, and may involve significant expenses. Furthermore, the market for defaulted residential mortgage loans or foreclosed properties may be very limited.

Investments in RMBS may experience losses or reduced yield if, for example, (i) the borrower of an underlying residential mortgage loan defaults or is unable to make payments, (ii) the underlying residential mortgage loans are prepaid, (iii) there is a general decline in the housing market, or (iv) violations of particular provisions of certain U.S. federal laws by an issuer of RMBS limit the ability of the issuer to collect all or part of the principal of or interest on the related underlying loans.

Energy. The Investment Adviser may make investments on behalf of a Client in the energy sector. The energy sector is affected by changes in supply and demand, geo-political dynamics and other factors. Currently, the energy sector is suffering from a major decline in energy prices, resulting in a significant loss of value. There can be no assurance that weakness in the energy sector will not continue for a protracted period, or that a recovery will not be temporary. In addition, the energy sector is highly regulated and companies operating in the industry are subject to significant regulation of nearly every aspect of their operations by federal, state and local governmental agencies. Examples of governmental regulations which impact companies operating in the energy sector include, without limitation, regulation of the construction, maintenance and operation of facilities, environmental regulation, worker safety regulation, labor regulation, trade regulation and the regulation of the prices charged for products and services. Compliance with these regulations is enforced by numerous governmental agencies and authorities through administrative, civil and criminal penalties. Stricter laws or regulations or stricter enforcement policies with respect to existing regulations would likely increase the costs of regulatory compliance and could have an adverse effect on the financial performance of companies operating in the energy sector.

Companies operating in the energy sector are subject to many dangers inherent in the production, exploration, management, transportation, processing and distribution of natural gas, natural gas liquids, crude oil, refined petroleum and petroleum products and other hydrocarbons. These dangers include leaks, fires, explosions, damage to facilities and equipment resulting from natural disasters, inadvertent damage to facilities and equipment and terrorist acts. These dangers give rise to risks of substantial losses as a result of the following: loss or destruction of commodity reserves; damage to or destruction of property, facilities and equipment; pollution and environmental damage; and personal injury or loss of life. Any occurrence of such catastrophic events could bring about a limitation, suspension or discontinuation of the operations of companies operating in the energy sector. Companies operating in the energy sector may not be fully insured against all risks inherent in their business operations and, therefore, accidents and catastrophic events could adversely affect such companies' financial conditions and ability to service debt obligations.

Industrials. The Investment Adviser may cause its Clients to invest in natural resource companies involved in the mining and extraction of iron ore, coal, steel, scrap steel and other related commodities. Industrial-related companies are particularly affected by political events, strikes, natural disasters, exploration and development success or failure in terms of production and are affected by cyclical economic conditions and political events in terms of demand. Any of these events could adversely affect such companies' financial conditions and ability to service debt obligations.

Preferred Securities. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure and therefore will be subject to greater credit risk than those debt instruments. Preferred securities generally will decline in price or fail to make dividend payments when due because the issuer of the security experiences a decline in its financial status. Certain preferred securities carry

provisions that allow an issuer under certain circumstances to skip distributions (in the case of “non-cumulative” preferred securities) or defer distributions (in the case of “cumulative” preferred securities). In certain circumstances, an issuer may redeem its preferred securities prior to a specified date in the event of certain tax or legal changes or at the issuer’s call, and the investor may not be able to reinvest the proceeds at comparable rates of return. Preferred securities typically do not provide any voting rights, except in cases where dividends are in arrears for a specified number of periods.

Convertible Securities. Convertible securities generally offer lower interest or dividend yields than non-convertible fixed-income securities of similar credit quality because of the potential for capital appreciation. The market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. In the event of a liquidation of the issuing company, holders of convertible securities would be paid before that company’s common stockholders. As a result, an issuer’s convertible securities generally entail less risk than its common stock. However, convertible securities rank below debt obligations of the same issuer in order of preference or priority in the event of a liquidation or reorganization and are typically unrated or rated lower than such debt obligations. Different types or subsets of convertible securities may carry further risk of loss.

Energy Securities. Energy and natural resources companies are especially affected by developments in the commodities markets, the supply of and demand for specific resources, products and services, the price of oil and gas, exploration and production spending, government regulation, economic conditions, international political developments, energy conservation efforts and the success of exploration projects.

Investment Companies and Private Funds. The Clients may invest in the securities of SEC-registered investment companies, which can include open-end funds, closed-end funds and unit investment trusts, subject to limits that may apply to those types of investments, in private investment funds that are not registered with the SEC, or in managed accounts. These investments can be managed or not by the same manager (including the Investment Adviser) and will be subject to additional management and performance fees that are charged at the level of these investments. As with any investment, there can be no assurance that it will be profitable and, in a worst case scenario, significant or total loss may be incurred by a Client.

The Clients may invest in exchange traded funds, or ETFs, which may be formed in the United States (and registered with the SEC) or outside of the United States. Investing in another investment company may involve the payment of substantial premiums above the value of such investment company’s portfolio securities. As a shareholder of a fund, the Clients would be subject to their ratable share of that fund’s expenses, including its advisory and administration expenses. An investor in a private investment fund that is not SEC-registered does not benefit from most protections of the U.S. federal securities laws. The Clients also may sell ETF shares short, which involves the risks of short selling described above in this section of the Memorandum.

Small-Capitalization and Mid-Capitalization Companies. The Investment Adviser’s investments on behalf of a Client in small- and mid-capitalization companies involve greater risk and portfolio price volatility than investments in larger capitalization stocks. Among the reasons for greater price volatility of these investments are the less certain growth prospects of smaller firms and the lower degree of liquidity in the markets for such securities. Small- and mid-capitalization companies may be thinly traded and may have to be sold at a discount from current market prices or in small lots over an extended period of time.

In addition, these securities are subject to the risk that during certain periods the liquidity of particular issuers or industries, or all securities in particular investment categories, will shrink or disappear suddenly and without warning as a result of adverse economic or market conditions, or adverse investor perceptions whether or not accurate. In connection with the lack of market liquidity, a Client may incur losses if required to effect sales at a disadvantageous time and only then at a substantial drop in price. Small- and mid- capitalization companies include “unseasoned” issues that do not have an established financial history; often have limited product lines, markets or financial resources; may depend on or use a few key personnel for management; and may be susceptible to losses and risks of bankruptcy. Small- and mid-capitalization companies may be operating at a loss or have significant variations in operating results; may be engaged in a rapidly changing business with products subject to a substantial risk of obsolescence; may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position; and may have substantial borrowings or may otherwise have a weak financial condition. In addition, these companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing, and other capabilities, and a larger number of qualified and managerial personnel. Transaction costs for these investments are often higher than those of large capitalization companies. Investments in small- and mid-capitalization companies may be more difficult to price precisely than other types of securities because of their characteristics and lower trading volumes.

ITEM 9
DISCIPLINARY INFORMATION

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

ITEM 10
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

A. Broker-Dealer Registration Status

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

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

The Investment Adviser is registered with the CFTC as a Commodity Pool Operator and is a member of the National Futures Association. The Investment Adviser relies on the CFTC Rule 4.13(a)(3) *de minimis* exemption with respect to the Funds. The Investment Adviser is exempt from registration with the CFTC as a commodity trading advisor. Antonio Quintella and Felipe Niemeyer are registered as associated persons with the CFTC.

C. Material Relationships or Arrangements with Industry Participants

We do not have any material relationships or arrangements with industry participants.

D. Material Conflicts of Interest Relating to Other Investment Advisers

We do not recommend or select other investment advisers for our clients.

ITEM 11

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

A. Code of Ethics

We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, we have adopted a Code of Ethics (the “Code”). The Code incorporates the following general principles that all employees are expected to uphold:

- employees must at all times place the interests of clients first;
- all personal securities transactions must be conducted in a manner consistent with the Code and the Investment Adviser (and all of its employees) will seek to identify and mitigate any conflicts of interest;
- employees must not take any inappropriate advantage of their positions and employees are prohibited from abusing their position of trust and responsibility;
- information concerning the identity of securities and financial circumstances of the Funds, including the Funds’ investors, must be kept confidential; and
- independence in the investment decision-making process must be maintained at all times.

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

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

1. Cross Trades

The Investment Adviser may determine that it would be in the best interests of certain clients to transfer a security from one client to another (each such transfer, a “**Cross Trade**”) for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the clients, or to reduce transaction costs that may arise in an open market transaction. If the Investment Adviser decides to engage in a Cross Trade, the Investment Adviser will determine that the trade is in the best interests of each client involved in it and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

The Investment Adviser generally executes Cross Trades with the assistance of a broker-dealer who executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a Cross Trade between two clients may occur as an “internal cross”, where the Investment Adviser instructs the custodian for the clients to book the transaction at the price determined in accordance with the Investment Adviser’s valuation policy. If the Investment Adviser effects an internal cross, the Investment Adviser will not receive any fee in connection with the completion of the transaction.

2. Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions due to the ownership interest in a client by the Investment Adviser or its personnel, the Investment Adviser will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such a client and approved or disapproved by (i) an advisory board comprised of representatives of such investors or (ii) a committee consisting of one or more persons selected by the Investment Adviser (or its affiliate), and any valuation approved by such a committee will be determined by an independent third party that has appropriate experience in providing such valuations.

To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the Advisers Act) due to the ownership interest by the Investment Adviser or its personnel, the Investment Adviser will comply with the requirements of Section 206(3) of the Advisers Act.

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

The Code places restrictions on personal trades by employees, including that they disclose their personal securities holdings and transactions to the Investment Adviser on a periodic basis, that employees are permitted to only utilize certain specified brokers, and requires that employees pre-clear certain types of personal securities transactions. The Investment Adviser, its affiliates and its employees may invest on behalf of themselves in securities and other instruments that would be appropriate for, held by, or may fall within the investment guidelines of clients.

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

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

D. Conflicts of Interest Created by Contemporaneous Trading

The Investment Adviser manages investments on behalf of a number of clients. Certain clients have investment programs that are similar to or overlap and may, therefore, participate with each other in investments. If the Investment Adviser or any of its affiliates determines that it would be appropriate for one or more clients to participate in an investment opportunity, the Investment Adviser will seek to execute orders for all of the participating accounts on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments or net asset value, as applicable, and the investment programs and portfolio positions of the clients and the other accounts for which participation is appropriate. Orders may be combined for all such clients, and if any order is not filled at the same

price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which the Investment Adviser or its affiliates consider equitable. The Investment Adviser's trade allocation policy is in accordance with applicable laws, in particular CVM Rule n° 555, dated December 17, 2014, as amended.

ITEM 12

BROKERAGE PRACTICES

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

As noted previously, we have full discretionary authority to manage the Funds and Managed Accounts, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid. The Investment Adviser's authority is limited by its own internal policies and procedures and each Fund's and/or Managed Account's investment guidelines.

Portfolio transactions for each client will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to us and/or certain clients, but not beneficial to all clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, we may consider, among other things, the following:

- the ability of the brokers and dealers to effect the transaction;
- the brokers' or dealers' facilities, reliability and financial responsibility; and
- the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the commission rates (or dealer markups and markdowns) charged to the Funds and Managed Accounts by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers who may not offer such services. The Investment Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Investment Adviser nor the Funds separately compensate any broker or dealer for any of these other services.

If the Investment Adviser decides, based on the factors set forth above, to execute over-the-counter transactions on an agency basis through Electronic Communications Networks ("ECNs"), it will also consider the following factors when choosing to use one ECN over another:

- the ease of use;
- the flexibility of the ECN compared to other ECNs; and
- the level of care and attention that will be given to smaller orders.

We maintain policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

1. Research and Other Soft Dollar Benefits

From time to time, a Client may pay broker commissions (or markups or markdowns with respect to certain types of riskless principal transaction) for effecting transactions in excess of that which another broker might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker. To the extent the Investment Adviser receives such services with soft dollars, it may reduce the Investment Adviser's obligations to pay for such products and services with its own assets and therefore the Investment Adviser may have an incentive to select a broker based on the Investment Adviser's receipt of such products and services. The Investment Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended. Consistent with Section 28(e), research services obtained with "soft dollars" generated by a Client may be used by the Investment Adviser to service one or more other Clients, including Clients that may not have paid for the soft dollar benefits. The Investment Adviser does not seek to allocate soft dollar benefits to Client accounts in proportion to the soft dollar credits the client accounts generate. Nonetheless, the Investment Adviser believes that such investment information provides Clients with benefits by supplementing the research otherwise available to such Clients.

Soft dollar credits generated in respect of futures, currency and derivatives transactions and principal transactions (that are not riskless principal transactions) do not generally fall within the safe harbor created by Section 28(e) and will be utilized only with respect to research-related services for the benefit of a Client.

Where a service obtained with soft dollars provides both research and non-research assistance to the Investment Adviser (*e.g.*, a "mixed use" item), the Investment Adviser will make a reasonable allocation of the cost which may be paid for with soft dollars.

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

In the past year, the Investment Adviser has utilized soft dollars for (i) research reports and (ii) market data.

2. Brokerage for Client Referrals

Neither the Investment Adviser nor any related person receives client referrals from any broker-dealer or third party. However, as discussed above, subject to best execution, the Investment Adviser may consider, among other things, capital introduction and marketing assistance with respect to investors in the Funds in selecting or recommending broker-dealers for the Funds.

3. *Directed Brokerage*

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

B. Order Aggregation

If the Investment Adviser determines that the purchase or sale of a security is appropriate with regard to multiple clients, the Investment Adviser may, but is not obligated to, purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating client will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each client's participation in the order (or allocation in the event of a partial fill) as determined by the Investment Adviser. In the event of a partial fill, allocations may be modified on a basis that the Investment Adviser deems to be appropriate, including, for example, in order to avoid odd lots or *de minimis* allocations.

ITEM 13

REVIEW OF ACCOUNTS

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

We perform various daily, weekly, monthly, quarterly and periodic reviews of each client's portfolio of the Macro Strategy. Such reviews are conducted by the members of the Investment Adviser's investment team, portfolio managers and research associates.

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

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

C. Content and Frequency of Account Reports to Clients

We generally provide annual audited financial statements to its clients within 120 days of the applicable client's fiscal year end.

ITEM 14
CLIENT REFERRALS AND OTHER COMPENSATION

A. Economic Benefits for Providing Services to Clients

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

B. Compensation to Non-Supervised Persons for Client Referrals

Neither we nor any of our related persons directly or indirectly compensates any person who is not a supervised person, including placement agents, for client referrals. However, the Investment Adviser has entered into a placement agreement with Park Hill Group LLC (the “**Placement Agent**”), dated as of October 19, 2016, as amended, pursuant to which the Placement Agent has agreed to introduce potential investors to the Credit Funds.

ITEM 15

CUSTODY

The Investment Adviser is deemed to have custody of client funds and securities because it has the authority to obtain client funds or securities. Account statements related to the clients are sent by qualified custodians to the Investment Adviser. The Investment Adviser generally does not have custody with respect to the funds and securities of Managed Accounts.

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

ITEM 16

INVESTMENT DISCRETION

The Investment Adviser serves as the management company with discretionary trading authority to each Fund. In addition, to the extent that the Investment Adviser advises Managed Accounts, the Investment Adviser will serve as the investment adviser with discretionary trading authority and also provide discretionary advisory services for the Managed Accounts.

Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its offering documents. Similarly, our investment decisions and advice with respect to each Managed Account are subject to each client's investment objectives and guidelines, as set forth in the client's investment management agreement, as well as any written instructions provided by the client to us.

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

ITEM 17

VOTING CLIENT SECURITIES

A. Policies and Procedures Relating to Voting Client Securities

In compliance with Advisers Act Rule 206(4)-6, the Investment Adviser has adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, “**Proxies**”) in a prudent and diligent manner that will serve the applicable client’s best interests and is in line with each client’s investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

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

In limited circumstances, the Investment Adviser may refrain from voting Proxies where we believe that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its clients. Generally, clients may not direct our vote in a particular solicitation.

Conflicts of interest may arise between the interests of the clients on the one hand and us or our affiliates on the other hand. If we determines that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures. Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

ITEM 18
FINANCIAL INFORMATION

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