

**ITEM 1**  
**Cover Page**

---

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

**HONEYCOMB ASSET MANAGEMENT LP**

**March 2016**

---

**Honeycomb Asset Management LP**  
**1345 Avenue of the Americas, 28<sup>th</sup> Floor**  
**New York, NY 10105**  
**Tel: 646-883-1105**

*This brochure provides information about the qualifications and business practices of Honeycomb Asset Management LP. If you have any questions about the contents of this brochure, please contact us at 646-883-1105 or [compliance@honeycombam.com](mailto:compliance@honeycombam.com). The information in this brochure (the “Brochure”) has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.*

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

*Registration with the SEC does not imply a certain level of skill or training.*

**ITEM 2**  
**Material Changes**

This is the first version of Honeycomb Asset Management LP's Brochure. Accordingly, there are no prior versions of the Brochure and no material changes to be noted.

**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 .....	4
Item 5 Fees and Compensation .....	7
Item 6 Performance-Based Fees and Side-By-Side Management .....	9
Item 7 Types of Clients.....	10
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9 Disciplinary Information .....	28
Item 10 Other Financial Industry Activities and Affiliations .....	29
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..	30
Item 12 Brokerage Practices .....	33
Item 13 Review of Accounts.....	35
Item 14 Client Referrals and Other Compensation.....	36
Item 15 Custody .....	37
Item 16 Investment Discretion.....	38
Item 17 Voting Client Securities.....	39
Item 18 Financial Information .....	40

## **ITEM 4**

### **Advisory Business**

#### Advisory Firm

Honeycomb Asset Management LP (“Honeycomb” or “Investment Manager”) expects to commence investment management activities on or about May 1, 2016. Mr. David Fiszal, the Founder and Chief Investment Officer of Honeycomb, is the principal owner of Honeycomb. As a newly formed entity that has not yet commenced investment management activities, the description of Honeycomb’s advisory business set forth herein is based on Honeycomb’s expectations regarding the nature of such activities.

#### Investment Strategies and Types of Investments

The investment objective of Honeycomb is to seek superior risk-adjusted returns with a focus on long and short positions in publicly traded equity and equity-related securities (including options, futures, swaps and other derivatives). Honeycomb expects to invest globally across industries and sectors, including, without limitation, in technology, media, telecommunications and consumer-related investments. While Honeycomb expects to focus the investment program on equity securities, it may take long or short positions in other assets and financial instruments (including, without limitation, corporate debt, loans, commodities and convertible and preferred securities) based on its assessment of the highest and best use of capital for investors and the availability of market opportunities across the public and private spectrum.

Honeycomb has a one-team collaborative approach to conducting research and analysis for both public and private investments. This approach typically includes developing an investment thesis for potential investment opportunities, refining and challenging the underlying assumptions behind the thesis, and initiating and sizing investments in an effort to maximize risk-adjusted returns.

As a primary avenue for idea generation, Honeycomb utilizes the investment experience of Mr. David Fiszal and the firm’s team of analysts in seeking to identify market and company-specific trends. Honeycomb believes that many companies have a few key discrete drivers that could significantly impact future value. For long ideas, Honeycomb may seek to identify companies benefitting from value drivers such as, among other things, secular growth trends, best-in-class management teams, misunderstood earnings power trajectories, strong industry positioning, recovering margin expansion, or accelerating growth profiles. For short ideas, Honeycomb may seek to identify companies that are hindered by, among other things, secularly declining cash flows, new technologies or products in the marketplace that threaten their businesses, little or no barriers to entry despite significant embedded growth, and inflated multiples due to excessive M&A or other corporate activity.

For private investments, Honeycomb focuses on companies it believes offer value creation not generally available in the public markets. Honeycomb endeavors to evaluate the highest and best use of investor capital and to implement a disciplined, patient approach to private company

investing. Honeycomb believes its rigorous analytical approach to evaluating public companies is critical in helping it assess the projected trajectory of potential private company investments. Similarly, Honeycomb believes knowledge about private companies and the technologies, products and services they produce better positions itself with respect to public market investing.

From time to time, Honeycomb may acquire certain assets or securities which it believes either may not have a readily assessable market value or should be held until the resolution or occurrence of an event or circumstance (each, a “Special Investment”). Upon admission to the Funds (as defined below), each investor may elect not to participate in Special Investments.

Honeycomb reserves the right to alter or modify the investment strategies of the Funds in light of available investment opportunities or to take advantage of changing market conditions when it concludes that alterations or modifications are consistent with the Funds’ investment objectives. Honeycomb has broad investment discretion and is not subject to limitations with respect to the level of leverage it uses or the portion of the Funds’ portfolio that may be invested in any particular asset, financial instrument, investment, region, industry or sector (including various industries and sectors in addition to technology, media, telecom and consumer). All investments risk the loss of capital.

#### Advisory Services

Honeycomb expects to provide discretionary investment advisory services to pooled investment vehicles (the “Funds”), which include: Honeycomb Partners LP, a Delaware limited partnership (the “Onshore Feeder”) that invests all or substantially all of its assets in Honeycomb Master Fund LP, an exempted company incorporated under the laws of the Cayman Islands (the “Master Fund”); and Honeycomb Offshore Fund Ltd., an exempted company incorporated under the laws of the Cayman Islands (the “Offshore Feeder”) which invests its assets in Honeycomb Intermediate Fund LP (the “Intermediate Fund”), an exempted limited partnership organized under the laws of the Cayman Islands, which, in turn, also invests all or substantially all of its assets in the Master Fund. As used herein, the term “client” or “clients” refers to one or more of the Funds referenced above. Honeycomb intends to manage each client based on the investment objectives and restrictions as set out in the relevant client’s offering materials.

Honeycomb Advisors, LLC (the “General Partner”), a limited liability company organized under the laws of the state of Delaware and controlled by Mr. David Fiszal serves as the general partner of the Onshore Feeder and Mr. David Fiszal serves as one of three directors for the Offshore Feeder.

It should be noted that Honeycomb may in the future provide trading advisory or investment management services to separately managed accounts, investment funds, or other investment vehicles for investors interested in investment programs that differ from the ones used by the Funds or for investors that do not wish to invest in the pooled investment vehicles referenced above. The investment terms for each such other client would be negotiated by Honeycomb and the relevant parties and may differ from the terms of an investment in the Funds, including with respect to fees.

Lastly, it should be noted that Honeycomb may also enter into separate, written agreements with investors in respect of their investment in a Fund (each, a “Side Letter”), primarily to accommodate an investor’s particular legal, tax or regulatory requirements, which grant rights to such investor that differ from the rights set out in such Fund’s offering documents. However, except as specifically set forth in the Fund’s offering materials (e.g., with respect to Honeycomb, its officers, employees and certain of their associated persons), no Side Letter will grant incentive compensation and management fee rates, redemption rights, or transparency rights that Honeycomb considers more favorable than the terms set forth herein.

#### Assets Under Management

At the time of this Brochure, Honeycomb has discretionary authority (i.e., the authority to decide which securities to purchase and sell) for all of its clients and has zero assets under management (calculated on a net basis). It is anticipated that Honeycomb will meet the assets under management threshold to maintain registration with the SEC within 120 days of its registration.

## **ITEM 5**

### **Fees and Compensation**

The fee schedules for the Funds are described in detail in each of the respective Fund's offering memorandum. As a general matter, with respect to each Fund and for each investor therein, Honeycomb or its affiliate deducts an asset-based fee (i.e., Management Fee) in advance on a quarterly basis, including the fair value, as determined by Honeycomb, of any Special Investments in which such investor has an interest. In addition, Honeycomb or its affiliates will be entitled to performance-based compensation (i.e., Incentive Allocation) at the end of each fiscal year based on the net capital appreciation of each investment in the Fund made by an investor (taking into account, as applicable, gains and losses realized or deemed realized with respect to Special Investments allocated during such fiscal year, and after reducing such amount by the amount of the Management Fee debited to such investor during such fiscal year). Any unrealized net capital appreciation upon which the calculation of the Incentive Allocation is based will be reduced to the extent of any unrecovered balance remaining in any loss recovery account maintained for each such investment (i.e., Incentive Allocation will be taken subject to a "high water mark", if any). If an investor in a Fund withdraws its interest in the Onshore Feeder or redeems its shares in the Offshore Feeder prior to the end of a calendar year, such investor's performance-based compensation, with respect to the portion withdrawn or redeemed, will be deducted at the time of such withdrawal or redemption.

The Management Fee will be prorated for any period that is less than a full quarter and will be adjusted for contributions and withdrawals/redemptions made during the quarter.

Honeycomb reserves the right to elect to reduce, waive or calculate differently the Management Fee and/or Incentive Allocation with respect to an investor including employees or partners of Honeycomb, the General Partner or their affiliates, or their respective family members or trusts or estate planning vehicles of such persons.

Honeycomb deducts applicable fees from each investor's account. Investors do not have the ability to choose to be billed directly for fees incurred.

Each Fund bears its own operating and other expenses and its *pro rata* share of the Master Fund's expenses, including, but not limited to, investment-related expenses (e.g., brokerage commissions and transaction costs, clearing and settlement charges, custodial fees, interest expense, and third party trading-related software (including trade order management software)); research-related expenses (e.g., third-party research, advisers and consultants, and news and quotation equipment and services (including fees for providers of market and portfolio data and software)); legal and compliance expenses (e.g., investment-related legal expenses (including document negotiation and review and legal advice), formal and informal inquiries, indemnification expenses, and expenses associated with regulatory filings relating to the Funds and for their respective portfolios); insurance costs incurred in connection with each Fund's business (e.g., acquiring and maintaining D&O and/or E&O insurance for the Funds, Honeycomb, the General Partner and their respective employees and affiliates); third party valuation, accounting, audit and tax preparation and consulting expenses; legal and other

expenses relating to the offer and sale of the interests in the Funds (including, without limitation, negotiating terms with, reporting to, and developing offering and related materials for, investors or prospective investors); entity-level taxes; fees and expenses of the directors of the Offshore Feeder, auditor and administrator; and expenses related to the maintenance of the Funds' registered office, corporate licensing, extraordinary expenses and other similar expenses.

Expenses of the Funds, other than the Management Fee, certain investor-related taxes and any expenses which Honeycomb determines in its sole discretion should be allocated to a particular investor, generally will be shared by all investors *pro rata* provided, however, that any expense relating specifically to a Special Investment will be charged against the investors participating in such Special Investment in proportion to their respective participating percentage interests therein. Additionally, if any of the above expenses are incurred jointly for the account of a Fund (and/or the Master Fund) and any other investment funds, client accounts and proprietary accounts sponsored by Honeycomb, such expenses will be allocated among the Fund (and/or the Master Fund) and such other accounts based on relative assets under management, *pro rata* based on participation in a particular transaction or in such other manner as Honeycomb considers fair and reasonable.

The Funds may also pay for research with "soft" or commission dollars if Honeycomb has determined such research is within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended. Refer to Item 12 – Brokerage Practices for further information.

**It is critical that investors refer to the relevant confidential private offering memorandum and other governing documents for a complete understanding of how Honeycomb is compensated, a complete understanding of the Funds' expenses and their withdrawal/redemption rights. The information contained herein is a summary only and is qualified in its entirety by such documents.**



**ITEM 6**  
**Performance-Based Fees and Side-By-Side Management**

All clients are charged performance-based compensation in addition to asset-based fees.

As of the date of this Brochure, Honeycomb's only clients are the Funds. The Domestic Feeder and the Offshore Feeder will directly or indirectly invest substantially all of their assets in the Master Fund and the Master Fund is allocated all investment opportunities. In the future, Honeycomb could face a conflict of interest to the extent that it receives different levels of performance-based compensation from different clients. In such cases, Honeycomb may have an incentive to favor a client, or take increased investment risk on behalf of a client, for which it receives greater performance-based compensation. Prior to the establishment of any other client accounts, Honeycomb will develop policies and procedures to address this conflict of interest including those designed to ensure allocation of trades among clients on a fair and equitable basis.

Additionally, it should be noted that because performance-based compensation is calculated on a basis that includes unrealized appreciation of the Funds' assets, the performance-based compensation may be greater than if it were based solely on realized gains. Investors are provided with additional disclosure in applicable Fund documents as to how the performance-based compensation is charged.

## **ITEM 7**

### **Types of Clients**

Honeycomb expects to provide discretionary investment advisory services to clients that consist of Funds offered to investors on a private placement basis. In order to invest in the Funds, a prospective investor is required to make certain representations as to suitability and legal requirements of the respective Fund. Investors in the Domestic Feeder and U.S. investors in the Offshore Feeder must be “accredited investors” as that term is defined in Rule 501 of Regulation D of the Securities Act of 1933 and “qualified purchasers” within the meaning of Section 2(a)(51) and Rule 2a51-1 under the Investment Company Act of 1940.

The minimum initial capital contribution is \$5,000,000. Thereafter, the minimum additional capital contribution is \$500,000. The minimum investment amounts are subject to waiver, but in the case of the Offshore Feeder, the minimum initial investment amount will not be reduced below \$100,000.

In addition, as noted in Item 4, Honeycomb may in the future provide trading advisory or investment management services to separately managed accounts, investment funds, or other investment vehicles for investors interested in investment programs that differ from the ones used by the Funds or for investors that do not wish to invest in the pooled investment vehicles referenced above.

## **ITEM 8**

### **Methods of Analysis, Investment Strategies and Risk of Loss**

Honeycomb's investment objective is to seek superior risk-adjusted returns with a focus on long and short positions in publicly traded equity and equity-related securities (including options, futures, swaps and other derivatives). Honeycomb expects to invest globally across industries and sectors, including, without limitation, in technology, media, telecommunications and consumer-related investments. While Honeycomb expects to focus the investment program on equity securities, it may take long or short positions in other assets and financial instruments (including, without limitation, corporate debt, loans, commodities and convertible and preferred securities) based on its assessment of the highest and best use of capital for investors and the availability of market opportunities across the public and private spectrum. Honeycomb may employ leverage as part of its investment strategy, in accordance with the investment guidelines and restrictions applicable with respect to a particular client.

Honeycomb's investment process is typically data-driven and process-oriented and generally includes in-depth research and due diligence on potential investment opportunities along with ongoing monitoring of investments.

Honeycomb's initial due diligence process generally includes gathering and assessing publicly available information on potential investment opportunities, including industry and company-specific data. This data may include regulatory filings, research reports, earnings information, discussions with management, and analyst commentary. After evaluating such information, Honeycomb will generally develop financial models to determine its estimate of the company's intrinsic value and key potential drivers that could impact future value. For core investment ideas, Honeycomb may also require a more formal research write-up. In addition to the analyses set forth above, Honeycomb also seeks to meet and maintain relationships with company management in order to develop a more informed investment perspective.

Prior to initiating an investment, Honeycomb may establish investment targets for the investment, including price targets, investment horizon, and potential catalysts for generating positive performance. These targets will be reviewed and may be updated on a periodic basis.

A core part of Honeycomb's investment process is ongoing monitoring of portfolio investments. This ongoing analysis may include, without limitation, the following:

- an assessment of the extent to which a particular investment is correlated to other investments in the portfolio;
- measuring the risk/reward potential of a particular investment;
- a reassessment of the investment targets discussed above and potential entry/exit points;
- an evaluation of position sizing based on Honeycomb's conviction regarding the investment thesis and to avoid potential "thesis drift";
- any potential changes to hedging strategies; and
- a review of potential catalysts to drive value.

The descriptions set forth in this Brochure of specific advisory services that Honeycomb offers or may offer to clients, and investment strategies pursued and investments made by Honeycomb on behalf of its clients, should not be understood to limit in any way Honeycomb's investment activities. Honeycomb may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Honeycomb considers appropriate, subject to each client's investment objectives and guidelines.

**The investment strategies Honeycomb 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.**

#### Risk Factors Related to Investment Strategies and Particular Types of Securities

The following risk factors do not purport to be a complete list or explanation of the risks involved in investments made by clients advised by Honeycomb. These risk factors include only those risks Honeycomb believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by or expected to be employed by Honeycomb on behalf of its clients.

*Risks of Investments Generally.* An investment in any client involves significant risks, including the risk that the entire amount invested may be lost. Clients invest in and actively trade securities and other financial instruments using investment techniques with certain risk characteristics, including, without limitation, risks arising from the volatility of the equity markets and the potential illiquidity of securities and other financial instruments and the risk of loss from counterparty defaults. No guarantee or representation is made that a client's investment objective will be achieved.

*Risks of Illiquid Investments.* Client investments will also include privately-held securities or other financial instruments which are generally less liquid than publicly-traded securities. Such investments may require a significant amount of time from the date of initial investment before disposition and any investments in such privately-held securities are not subject to redemption. To the extent valuations are obtained for privately-held securities, there can be no assurance that the valuations assigned to such securities will ever be realized. In addition, such privately-held securities may be of early stage companies with little or no profit or significant losses which create substantial uncertainties with regards to the performance of such securities.

*General Economic and Market Conditions.* The success of a client's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of 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 client investments. Volatility or illiquidity could impair profitability or result in losses. Clients may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

*Investment and Due Diligence Process.* Before making investments, Honeycomb will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, Honeycomb 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, Honeycomb will rely on the resources reasonably available to it, which in some circumstances whether or not known to Honeycomb 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. Honeycomb may make investment decisions based on incomplete or limited information and based on assumptions that may not be accurate.

*Long/Short.* The success of Honeycomb's long/short investment strategy depends upon Honeycomb's ability to identify and purchase securities that are undervalued and identify and sell short securities that are overvalued. The identification of investment opportunities in the implementation of a client's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying client positions were to fail to converge toward, or were to diverge further from values expected by Honeycomb, a client may incur a loss. In the event of market disruptions, significant losses can be incurred which may force a client to close out one or more positions. Furthermore, the financial and valuation models and assumptions used to determine whether a position presents an attractive opportunity consistent with Honeycomb's long/short strategies may become outdated and inaccurate as market conditions change.

*Diversification and Concentration.* Honeycomb is not subject to any diversification or concentration limits with respect to its management of clients. As a result, Honeycomb may select investments that are highly concentrated in a very limited number or type of securities. In addition, a client's portfolio may become highly concentrated in securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose a client to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

*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 client investments may not adequately compensate for the business and financial risks assumed.

*Investing in Emerging Growth Companies.* Companies in rapidly changing fields face special risks. Neither Honeycomb nor the companies in which the clients invest have any significant control over the pace of developments. Among other things, a company may fail to acquire or develop necessary technology or products, it may acquire the rights to or develop a technology or product that is rendered obsolete by other developments or its product or service may not prove to be commercially successful. Some industries may be subject to greater governmental

regulation than other areas and changes in governmental policies and the need for regulatory approvals may materially and adversely affect these industries.

*Investing in Technology Companies.* Investing in securities and other instruments of technology companies involves substantial risks. These risks include: the fact that certain companies in a client's portfolio may have limited operating histories; rapidly changing technologies and products which may quickly become obsolete; cyclical patterns in information technology spending which may result in inventory write-offs, cancellation of orders and operating losses; scarcity of management, engineering and marketing personnel with appropriate technological training; the possibility of lawsuits related to technological patents; changing investors' sentiments and preferences with regard to technology sector investments (which are generally perceived as risky) with their resultant effect on the price of underlying securities; and volatility in the U.S. stock markets affecting the prices of technology company securities, which may cause the performance of clients to experience substantial volatility.

*Investing in Other Investment Vehicles.* Honeycomb may invest in other pooled investment vehicles. A client will typically have limited rights pursuant to which it may withdraw, transfer or otherwise liquidate its investments in such investment vehicles including, but not limited to, other hedge funds. Investments in other investment vehicles are not themselves marketable and, therefore, clients may not be able to readily dispose of their interests in other investment vehicles. Under the terms of the governing documents of the other investment vehicles, the ability of a client to withdraw any amount invested therein may be subject to certain restrictions and conditions, including restrictions on the withdrawal of interests for an initial period, restrictions on the amount of withdrawals and the frequency with which withdrawals can be made (including permitting withdrawals only upon realization of investments), and investment minimums which must be maintained. Other investment vehicles typically charge management fees and/or incentive fees or allocations. As a result, an investor will indirectly bear multiple management fees, incentive fees or allocations and other expenses imposed by other investment vehicles, as well as directly bear the Management Fee, Incentive Allocation and expenses of the clients.

*Short Selling.* Clients engage in short selling. Short selling involves selling securities which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which a client may engage in short sales will depend upon Honeycomb's ability to identify and sell short securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the client of buying those securities to cover the short position. There can be no assurance that a client will be able to maintain the ability to borrow securities sold short and the cost of borrowing securities sold short may be significant. In such cases, the client can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be

implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the client may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though a client secures a “good borrow” of the securities sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the client to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the client.

*Leverage; Margin.* The use of leverage has attendant risks and can substantially increase the adverse impact to which a client’s investment portfolio may be subject. Honeycomb will use leverage as part of its investment strategy and the level of leverage could be substantial. The use of leverage will allow clients to make additional investments, thereby increasing exposure to assets, such that total assets may be greater than capital. However, leverage will also magnify the volatility of changes in the value of a client’s portfolio. The effect of the use of leverage by a client in a market that moves adversely to its investments could result in substantial losses to the client, which would be greater than if the client were not leveraged. In addition, any leverage used by a client is subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, any use by a client of short-term margin borrowings results in certain additional risks. For example, should the securities pledged to brokers to secure the portfolio’s margin accounts decline in value, the portfolio could be subject to a “margin call”, pursuant to which the portfolio must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the portfolio’s assets, the portfolio might not be able to liquidate assets quickly enough to pay off its margin debt.

In the futures and forward markets, margin deposits are typically low relative to the value of the futures contracts purchased or sold. Such low margin deposits are indicative of the fact that any futures or forward contract trading is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small price movement in a contract may result in immediate and substantial losses to the investor.

To the extent a client purchases an option in the U.S., there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on non-U.S. exchanges may be paid for on margin. Whether any margin deposit will be required for over-the-counter options and other over-the-counter instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

*Lending of Portfolio Securities.* Clients may lend securities on a collateralized and an uncollateralized basis from their portfolios to creditworthy securities firms and financial

institutions. While a securities loan is outstanding, a client will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially.

*Lack of Control of Portfolio Companies.* Clients invest in securities of companies that they do not control, which clients may acquire through market transactions or through purchases of securities directly from the issuer. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which clients do not agree or that the majority stakeholders or the management of the issuer may take risks or otherwise act in a manner that does not serve client interests.

*Hedging Transactions.* Honeycomb is not required to, and may not attempt to, hedge market risks or other risks inherent in client positions, including Special Investments. In addition, Honeycomb may not anticipate a particular risk so as to hedge against it or successfully hedge against it even if such risk is anticipated.

Clients, however, may 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, among other things: (i) protect against possible changes in the market value of the investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect the unrealized gains in the value of the investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in the portfolio; (v) hedge the interest rate or currency exchange rate on any of the liabilities or assets; (vi) protect against any increase in the price of any securities they anticipate purchasing at a later date; or (vii) for any other reason that Honeycomb deems appropriate.

The success of Honeycomb's hedging is subject to its 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 Honeycomb hedges portfolio positions is also subject to Honeycomb's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While Honeycomb may enter into certain hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance than if they had not engaged in any such hedging transactions. For a variety of reasons, Honeycomb may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent clients from achieving the intended hedge or expose clients to risk of loss. Hedging and risk management transactions requires skills complementary to those needed in the selection of portfolio holdings and there can be no guarantee that Honeycomb's hedging transactions, if any, will be successful.



*Fundamental Analysis.* Honeycomb's investment process is based on, among other things, 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 clients' trading strategies, Honeycomb may not be able to realize its investment goals. In addition, fundamental market information is subject to interpretation. To the extent that Honeycomb misinterprets the meaning of certain data, a client may incur losses.

*Analytical and Financial Model Risks.* Honeycomb employs certain strategies which depend upon the reliability, accuracy and analysis of its analytical models. To the extent such models (or the assumptions underlying them) do not prove to be correct substantial losses could result. All models ultimately depend upon the judgment of Honeycomb 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.

*Necessity for Counterparty Trading Relationships; Counterparty Risk.* Honeycomb expects to establish relationships to obtain financing, derivative intermediation and prime brokerage services that permit clients to trade in any variety of markets or asset classes over time; however, there can be no assurance that Honeycomb will be able to maintain such relationships or establish such relationships. An inability to establish or maintain such relationships would limit client trading activities, and could create losses, preclude clients from engaging in certain transactions, financing, derivative intermediation and prime brokerage services and prevent 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 before Honeycomb establishes additional relationships could have a significant impact on client business due to such client's reliance on such counterparties.

Some of the markets in which clients may effect transactions are not "exchanged-based", including "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. The lack of evaluation and oversight of over-the-counter markets exposes clients to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing clients to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a client has concentrated its transactions with a single or small group of counterparties. Generally, clients are not restricted from dealing with any particular counterparties. Honeycomb's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of client counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses.

*Execution of Orders.* Honeycomb's investment strategies and trading strategies depend on its ability to establish and maintain an overall market position in a combination of financial instruments selected by Honeycomb. Trading orders may not be executed in a timely and efficient manner due to various circumstances, including, without limitation, trading volume

surges or systems failures attributable to a client, Honeycomb, client counterparties, brokers, dealers, agents or other service providers. In such event, clients might only be able to acquire or dispose of some, but not all, of the components of such position, or if the overall position were to need adjustment, clients might not be able to make such adjustment. As a result, such client would not be able to achieve the market position selected by Honeycomb, which may result in a loss. In addition, clients rely heavily on electronic execution systems (and may rely on new systems and technology in the future), and such systems may be subject to certain systemic limitations or mistakes, causing the interruption of trading orders made by clients.

*Litigation.* With regard to certain investments, it is a possibility that Honeycomb and/or one of its clients may be plaintiffs or defendants in civil proceedings. The expense of prosecuting claims, for which there is no guarantee of success, and/or the expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would be borne by clients and would reduce net assets or may, pursuant to applicable law, require investors to return distributed capital and earnings.

*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. Honeycomb 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.* Client assets may be held in one or more accounts maintained for the client by counterparties, including its prime brokers. There is a risk that any of such counterparties could become insolvent. The insolvency of counterparties is likely to impair the operational capabilities or the assets of clients. Although Honeycomb regularly monitors the financial condition of the counterparties it uses, if one or more of the 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 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, clients may 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 client 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 clients and their assets. Investors should assume that the insolvency of any client counterparty would result in a loss, which could be material.

*Competition; Availability of Investments.* Certain markets in which clients may invest are extremely competitive for attractive investment opportunities. As a result, there can be no assurance that Honeycomb will be able to identify or successfully pursue attractive investment opportunities in such environments.

*Significant Positions in Securities; Regulatory Requirements.* In the event a client acquires a significant stake in certain issuers of securities and such stake exceeds certain percentage or value limits, such client may be subject to regulation and regulatory oversight that may impose notification and filing requirements or other administrative burdens on the client and Honeycomb. Any such requirements may impose additional costs on the client and may delay the acquisition or disposition of the securities or the client's ability to respond in a timely manner to changes in the markets with respect to such securities.

In addition, "position limits" may be imposed by various regulators that may limit Honeycomb's ability to effect desired trades. Position limits are the maximum amounts of gross, net long or net short positions that any one person or entity may own or control in a particular issuer's securities. All positions owned or controlled by the same person or entity, even if in different accounts, may be aggregated for purposes of determining whether the applicable position limits have been exceeded. To the extent that the client position limits were aggregated with an affiliate's position limits, the effect on such client and resulting restriction on its investment activities may be significant. If at any time positions managed by Honeycomb were to exceed applicable position limits, Honeycomb would be required to liquidate positions, to the extent necessary to come within those limits. Further, to avoid exceeding any position limits, a client might have to forego or modify certain of its contemplated trades.

In addition, if a client, acting alone or as part of a group, acquires beneficial ownership of more than 10% of a certain class of securities of a public company or places a director on the board of directors of such a company, under Section 16 of the Securities Exchange Act of 1934, as amended, such client may be subject to certain additional reporting requirements and may be required to disgorge certain short-swing profits arising from purchases and sales of such securities. Furthermore, in such circumstances the client will be prohibited from entering into a short position in such issuer's securities, and therefore limited in its ability to hedge such investments. Similar restrictions and requirements may apply in non-U.S. jurisdictions.

*Exposure to Material Non-Public Information.* From time to time, Honeycomb may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, clients may be prohibited, by law, policy or contract, for a period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. These restrictions will limit Honeycomb's flexibility to manage client investments and could result in significant losses.

*Information Sources.* Honeycomb selects positions for clients in part based on information filed by the issuers of securities with the SEC and other regulatory authorities, or made available to Honeycomb by the issuers or by others. Honeycomb cannot confirm the completeness,

genuineness or accuracy of such information, and, in some cases, complete and accurate information is not readily available.

*Currency Exchange Exposure.* Clients may invest in securities denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. Clients, however, value their securities in U.S. dollars. Honeycomb may or may not seek to hedge non-U.S. currency exposure by entering into currency hedging transactions, such as treasury locks, forward contracts, futures contracts and cross-currency swaps. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when a client wishes to use them, or that hedging techniques employed by a client will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of client positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as with the price changes of the investments in the various local markets and currencies. Such fluctuations may result in a loss.

Furthermore, clients may incur costs in connection with conversions between various currencies. 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 a client at one rate, while offering a lesser rate of exchange should the client desire immediately to resell that currency to the dealer. Honeycomb will conduct 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 non-U.S. currencies. Most of the clients' currency exchange transactions occur at the time non-U.S. investments are purchased and are executed through the local broker or custodian acting for a client.

*Initial Public Offerings.* Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of client interests.

*Restricted Investments.* Clients may 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 a client may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

*Non-U.S. Investments.* Clients may invest in companies outside the United States. Investing in the financial instruments of companies in non-U.S. countries involves certain considerations not usually associated with investing in financial instruments 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, gross sale or disposition proceeds or other income; the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict client investment opportunities. 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, clients may be unable to structure transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce client 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 Commodity Futures Trading Commission, the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the clients under such laws and regulations are unavailable for transactions on non-U.S. exchanges and with non-U.S. counterparties.

*Discretion to Employ New Strategies and Techniques.* Honeycomb has considerable discretion in the types of financial instruments which clients may trade and has the right to modify the trading strategies or techniques of a Fund without the consent of investors. Any of these new trading strategies or techniques may not be thoroughly tested in the market before being employed and may have operational or theoretical shortcomings which could result in unsuccessful trades and, ultimately, losses. In addition, any new trading strategy or technique developed by Honeycomb may be more speculative than earlier techniques and may increase the risk of an investment.

#### Risks Related to Specific Investments

*Equity Securities.* Client investment portfolios include equity and equity-related securities of U.S. and non-U.S. companies. 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, clients may suffer losses if they invest in equity instruments of issuers whose performance diverges from Honeycomb's expectations or if equity markets generally move in a single direction and a client has not hedged against such a general move.

*Preferred Stock.* Investments in preferred stock involve risks related to priority in the event of bankruptcy, insolvency or liquidation of the issuing company and how dividends are declared. Preferred stock ranks junior to debt securities in an issuer's capital structure and, accordingly, is subordinate to all debt in bankruptcy. Preferred stock generally has a preference as to dividends. Such dividends are generally paid in cash (or additional shares of preferred stock) at a defined rate, but unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Dividends on preferred stock may be cumulative, meaning that, in the event the issuer fails to make one or more dividend payments on the

preferred stock, no dividends may be paid on the issuer's common stock until all unpaid preferred stock dividends have been paid. Preferred stock may also be subject to optional or mandatory redemption provisions.

*Derivative Instruments Generally.* Clients will enter into derivative transactions. 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 clients may 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 of 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 a client 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 clients also is subject to Honeycomb's ability to correctly predict movements in the direction of the market.

*Futures Contracts.* Clients may 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 clients from promptly liquidating unfavorable positions and subject clients to substantial losses. In addition, a client 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.

*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 a client 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 Honeycomb would otherwise recommend, to the possible detriment of clients. Market illiquidity or disruption could result in major losses to clients.

*Swap Agreements.* Clients will likely 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. A client is not limited to any particular form of swap agreement if consistent with the client's investment objective.

Whether a client's use of swap agreements will be successful depends on Honeycomb's ability to select appropriate transactions for the client. Swap transactions may be highly illiquid and may increase or decrease the volatility of a client's portfolio. Moreover, a client bears 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 Honeycomb to post or maintain required collateral. 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 a client's ability to terminate existing swap transactions or to realize amounts to be received under such transactions.

*Other Derivative Instruments.* Clients will enter into swaps and/or other derivative instruments. They may take advantage of opportunities with respect to certain other derivative instruments that are not currently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of a client and believed by Honeycomb to be legally permissible. Special risks may apply to instruments that are invested in by a client in the future that cannot be determined at this time or until such instruments are developed or invested in by the client. 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.

*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. Client portfolios are also subject to the risk of the failure of any exchanges on which their positions trade or of their clearinghouses.

*Currencies.* Clients 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 a client. 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 client exposure with respect to its investment to changes in the value of the currency it will deliver and increases client exposure to changes in the value of the currency it will receive for the duration of the contract.

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 if it is unable to deliver or receive currency or funds 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, a client may either make delivery of the currency, or terminate its 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 a client engages in an offsetting transaction, it may later enter into a new forward currency contract to sell the currency. If a 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.

*Exchange Traded Funds.* ETFs are publicly traded unit investment trusts, open-end funds or depository receipts that seek to track the performance and dividend yield of specific indexes or companies in related industries. These indexes may be either broad-based, sector, or international. However, ETF shareholders are generally subject to the same risk as holders of the underlying securities they are designed to track. ETFs are also subject to certain additional risks, including, without limitation, the risk that their prices may not correlate perfectly with changes in the prices of the underlying securities they are designed to track, and the risk of trading in an ETF halting due to market conditions or other reasons, based on the policies of the exchange upon which the ETF trades. Generally, each shareholder of an ETF bears a *pro rata* portion of the ETF's expenses, including management fees. Accordingly, in addition to bearing their proportionate share of client expenses (*e.g.*, Management Fees and operating expenses), investors may also indirectly bear similar expenses of an ETF.

*Commodities.* The values of commodities that underlie commodity futures contracts and other types of financial instruments in which clients may invest generally are affected by, among other factors, the cost of producing commodities, changes in consumer demand for commodities, the hedging and trading strategies of producers and consumers of commodities, speculative trading in commodities by commodity pools and other market participants, disruptions in commodity supply, weather and climate conditions, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments, governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political and other global events and global economic factors. In addition, governments from time to time

intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in certain markets and this intervention may cause these markets to move rapidly. Honeycomb has no control over the factors that affect the price of commodities. Accordingly, the value of client investments could change substantially and in a rapid and unpredictable manner.

*Fixed Income Instruments.* Clients may invest in fixed income instruments (including debt, bonds, notes and credit-related derivatives). The value of fixed income instruments in which clients may invest will change in response to fluctuations in interest rates. 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 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. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed income instruments generally can be expected to rise. Conversely, when interest rates rise, the value of fixed income instruments generally can be expected to decline. In addition, the value of certain fixed income instruments can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Valuations of other fixed income instruments may fluctuate in response to changes in the economic environment that may affect future cash flows.

*Convertible Securities.* Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

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

security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

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 a client's ability to achieve its investment objective.

**ITEM 9**  
**Disciplinary Information**

Neither Honeycomb nor its management persons are subject to legal or disciplinary events that are material to a client's or prospective client's evaluation of Honeycomb's advisory business or the integrity of Honeycomb's management.

**ITEM 10**  
**Other Financial Industry Activities and Affiliations**

Honeycomb and its management persons have material relationships with each of the Funds to which Honeycomb provides investment management services. As described in Item 4, an affiliate of Honeycomb serves as the general partner to the Onshore Feeder and David Fiszal serves as one of three directors for the Offshore Feeder.

While the Funds and the Master Fund may trade commodity interests, Honeycomb (and its affiliates) are exempt from registration with the Commodity Futures Trading Commission (the “CFTC”) as a commodity pool operator pursuant to CFTC Rule 4.13(a)(3).

## ITEM 11

### Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

#### Code of Ethics

As a registered investment adviser, Honeycomb will be adopting a code of ethics (the “Ethics Code”) under Advisers Act Rule 204A-1 which sets forth standards of business conduct for its partners and employees (together, the “Employees”). The Ethics Code may also apply to other persons that are designated by the Chief Compliance Officer (“CCO”). The Ethics Code is based on the fundamental principle that Honeycomb stands in a position of trust and confidence with respect to its clients and has a fiduciary duty to place the interests of its clients before its own interests or those of its Employees.

The major areas that will be covered in the Ethics Code are summarized below.

*Personal Trading.* Personal accounts that hold or have the ability to hold “reportable securities” in which an Employee has a beneficial ownership must be reported at the start of employment and annually to the CCO. Trading in reportable securities is generally prohibited, except for limited instruments or in limited circumstances, each with pre-approval of the CCO.

*Outside Interests.* Outside interests of an Employee and members of his or her household and immediate family must be reported at the start of employment and annually. In addition, Employees must obtain permission before engaging in certain activities, including but not limited to, receiving compensation, taking a management or executive position, or providing advice about investments and/or trading.

*Gifts and Entertainment.* Gifts and entertainment that are received or given and that have a certain fair market value must be reported to the CCO. Gifts of cash and cash equivalents are strictly prohibited. Gifts and entertainment to any government officials (including foreign government officials) or their families, any political party or official or candidate for political office (including any foreign political party or official or candidate for political office) are prohibited without prior approval of the CCO.

*Compliance with Federal Securities Laws.* Employees are required to comply with applicable federal securities laws.

*General; Administration of the Ethics Code.* The Ethics Code will be administered by the CCO. Employees are required to report any violation of the Ethics Code to the CCO. Exceptions to the Ethics Code may be granted by the CCO under limited circumstances provided that certain conditions are met. Violations of the Ethics Code may result in disciplinary action and any sanctions will be determined by the CCO in consultation with the Chief Investment Officer. The CCO maintains records of violations of the Ethics Code and any action taken as a result.

*Clients and prospective clients may request to review the Ethics Code in its entirety by contacting [compliance@honeycombam.com](mailto:compliance@honeycombam.com).*

### Investing in Securities that Honeycomb Recommends to Clients

As explained above, Honeycomb serves as investment manager to the Funds, an affiliate of Honeycomb serves as the general partner to the Onshore Feeder, and David Fiszal serves as one of three directors for the Offshore Feeder and managing member and majority owner of the general partner entities. As of the date of this Brochure, Honeycomb's only clients are the Funds.

Honeycomb, its Employees or their related persons will invest directly or indirectly in the Funds. The fact that Honeycomb, its affiliates, its Employees or their related persons have a financial ownership interest in the Funds creates a potential conflict in that it could cause Honeycomb to make different investment decisions than if they did not have such a financial ownership interest.

Complete fee disclosures are provided to investors in the governing fund documents of the Funds and should be carefully reviewed by prospective investors. Further, Honeycomb's Ethics Code sets forth a standard of business conduct that takes into account Honeycomb's status as a fiduciary and requires Employees to place the interests of the Funds and their investors above their own interests. Honeycomb further addresses these potential conflicts through, among other things, disclosure of potential conflicts of interests and risks in offering documents provided to prospective investors and required suitability criteria for investors.

### Conflicts Caused by Contemporaneous Trading

As noted above, as of the date of this Brochure, Honeycomb's only clients are the Funds and all trading activity is expected to occur at the Master Fund. Prior to the establishment of any other client accounts, Honeycomb will develop a procedure to address conflicts associated with contemporaneous trading among client accounts.

Honeycomb and its related persons may from time to time, purchase, sell, or otherwise enter into transactions for themselves in securities. Prior to, simultaneously with or subsequent to such transactions, Honeycomb may, for the account of a client, purchase, sell, or otherwise enter into transactions involving any of these same securities or other related securities. Such trading could create potential conflicts of interest because Honeycomb's decision to buy or sell a security for a client can affect the value of that security or a related security held by Honeycomb and its related persons, and Honeycomb and its related persons' decision to buy or sell a security for themselves can affect the value of that security or related security held by a client. Therefore, any such transaction for the accounts of Honeycomb and its related persons will be entered into only if the transaction is consistent with Honeycomb's fiduciary duties to its clients and its applicable internal procedures then in effect. Except in the cases of treasury bills or other widely traded securities, Honeycomb and its related persons do not generally transact for their own accounts when transactions in the same securities are being made or are under consideration for clients. However, in certain circumstances (e.g., when Honeycomb determines that a particular investment opportunity is too large for a client), Honeycomb or its affiliates may co-invest in an opportunity with a client.

### Other Activities

Honeycomb and its respective members, partners, officers, employees and affiliates will devote as much of their time to the activities of clients as they deem necessary and appropriate. Honeycomb and its respective affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships (including, without limitation, managed accounts or other vehicles held by single investors) or from engaging in other business activities, even though such activities may be in competition with clients and/or may involve substantial time and resources. These activities could be viewed as creating a conflict of interest in that the time and effort of Honeycomb their affiliates and their officers and employees will not be devoted exclusively to the business of a particular client, but will be allocated between the business of multiple clients and other potential businesses of Honeycomb.

### Allocation of Investment Opportunities

As of the date of this Brochure, Honeycomb's only clients are the Funds. The Domestic Feeder and the Offshore Feeder invest substantially all of their assets in the Master Fund and Honeycomb maintains one trading account for the Master Fund, to which it allocate all investment opportunities. Prior to the establishment of any other client accounts, Honeycomb will develop a procedure to address the aggregation and allocation of investment opportunities among client accounts.

### Co-Investment Opportunities

Honeycomb and its affiliates may, from time to time, offer one or more clients, investors in such clients and/or other third-party investors the opportunity to co-invest in particular investments. Honeycomb is not obligated to arrange co-investment opportunities, no investor will be obligated to participate in such an opportunity, and Honeycomb may offer co-investment opportunities only to certain of the persons referenced above in its sole discretion. Honeycomb and its affiliates have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular investor and may allocate co-investment opportunities only to certain investors, certain clients or to third parties. If Honeycomb determines that an investment opportunity is too large for a client, it or its affiliates may, but will not be obligated to, make proprietary investments therein. Honeycomb and its affiliates may receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by other clients. Other terms and rights applicable to such co-investors (including without limitation, withdrawal rights, information rights and the terms related to the particular structure of any co-investment vehicle) may also differ from the terms and rights applicable to clients as well as among co-investors.



## **ITEM 12**

### **Brokerage Practices**

#### Brokerage Practices

Honeycomb will seek to obtain best execution for clients. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions Honeycomb may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: price quotes; the size of the transaction; the nature of the market for the security; the timing of the transaction; the difficulty of execution; the broker or dealer's expertise in the relevant market or sector; the extent to which the broker or dealer makes a market in the security or has access to such market; the broker or dealer's skill in positioning the relevant market; the broker or dealer's facilities, reliability, promptness and financial stability; the broker or dealer's reputation for diligence and integrity (including in correcting errors); confidentiality considerations; the quality and usefulness of research products and services and investment ideas presented by the broker or dealer; and other factors deemed appropriate by Honeycomb. Honeycomb need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread.

Honeycomb will enact policies and procedures to review the quality of executions, including periodic reviews by its investment professionals to evaluate the qualitative execution performance of brokers executing Honeycomb's trade orders.

#### Soft Dollar Usage

It is Honeycomb's policy to use client brokerage commission dollars ("soft dollars") to pay only for products and services that qualify as eligible "research and brokerage services" and that fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Also, consistent with Section 28(e), research and brokerage services obtained with soft dollars generated by one or more clients may be used by Honeycomb to service one or more other clients, including clients that may not have paid for the soft dollar benefits. Honeycomb does not seek to allocate soft dollar benefits to clients in proportion to the soft dollar credits such clients generate.

Although soft dollars are expressly permitted under the Exchange Act, their use gives rise to a number of potential conflicts of interest. For example, investment advisers using soft dollars may not have the same interest in controlling the expense of research or brokerage services as they would if they were paying for such services directly. Investment advisers using soft dollars may also have an incentive to trade more frequently than reasonably necessary in order to generate soft dollars to pay for research or brokerage services. Finally, investment advisers using soft dollars may have an incentive to route a particular trade order to a participating soft dollar broker over a venue that may offer better trade execution for that particular order. In order to mitigate these potential conflicts of interest, professionals of Honeycomb meet periodically to evaluate the qualitative execution performance of brokers executing Honeycomb's trade orders.

including the use and allocation of brokerage commissions and the firm's spending on research and brokerage services.

#### Client and Investor Referrals

One or more of the prime brokers for the Funds may provide Honeycomb with capital introduction services whereby Honeycomb may be afforded the opportunity to make a presentation regarding its services to clients of the prime broker. While the prime brokers generally provide such services at no additional cost, Honeycomb (and not the Funds) may be the principal or sole beneficiary of those services, which could present a potential conflict of interest between the Funds and Honeycomb, because Honeycomb is responsible for selecting prime brokers and negotiating brokerage, margin and other fees that are paid by the Funds. Although these arrangements may include broker-dealers, Honeycomb would not take into consideration these arrangements when using its discretion in selecting executing brokers for client orders.

#### Directed Brokerage

Honeycomb does not currently have any directed brokerage arrangements in place.

#### Order Aggregation

Because Honeycomb may advise multiple clients in the future, it may be appropriate at such time for Honeycomb to aggregate orders for the purchase or sale of securities on behalf of multiple clients. In such a case, if Honeycomb determines that the purchase or sale of a financial instrument is appropriate with regard to multiple client accounts, Honeycomb may, but is not obligated to, purchase or sell such a financial instrument on behalf of such accounts with an aggregated order 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 account will receive the average price, with transaction costs generally allocated *pro rata* based on the size of each account's participation in the order (or allocation in the event of a partial fill) as determined by Honeycomb. In the event of a partial fill, allocations may be modified on a basis that Honeycomb deems to be appropriate, including, for example, in order to avoid odd lots or de minimis allocations. When orders are not aggregated, trades generally will be processed in the order that they are placed with the broker or counterparty selected by Honeycomb. As a result, certain trades in the same financial instrument for one account (including an account in which Honeycomb and its personnel may have a direct or indirect interest) may receive more or less favorable prices or terms than another account, and orders placed later may not be filled entirely or at all, based upon the prevailing market prices at the time of the order or trade. In addition, some opportunities for reduced transaction costs and economies of scale may not be achieved.

**ITEM 13**  
**Review of Accounts**

Client accounts will be reviewed on a daily basis by the Chief Investment Officer, Head Trader and other members of Honeycomb's staff. These reviews include an assessment to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held and the performance of clients. Further, the Chief Compliance Officer, periodically reviews trading to ensure consistency with applicable laws and regulations.

Investors receive periodic performance reports and an annual financial report audited by the Funds' independent auditors. Additional information is available to all investors in the Funds upon request.

**ITEM 14**  
**Client Referrals and Other Compensation**

As described in Item 12, one or more of the prime brokers for the Funds may provide Honeycomb with capital introduction services whereby Honeycomb may be afforded the opportunity to make a presentation regarding its services to clients of the prime broker. While the prime brokers generally provide such services at no additional cost, Honeycomb (and not the Funds) may be the principal or sole beneficiary of those services, which could present a potential conflict of interest between the Funds and Honeycomb, because Honeycomb is responsible for selecting prime brokers and negotiating brokerage, margin and other fees that are paid by the Funds. Although these arrangements may include broker-dealers, Honeycomb would not take into consideration these arrangements when using its discretion in selecting executing brokers for client orders.

## **ITEM 15**

### **Custody**

Honeycomb is deemed to have custody of assets of clients that are Funds because it has the authority to obtain client funds or securities, for example, by deducting performance-based compensation from a client's account or otherwise withdrawing funds from a client's account.

Honeycomb 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**

Honeycomb has discretionary authority to manage investments of its clients.

Any limitation on Honeycomb's discretionary authority is contained in the relevant documents for the particular Fund (i.e., offering memorandum, investment management agreement, subscription documents, limited partnership agreement for the Onshore Feeder or memorandum of association and articles of association for the Offshore Feeder).

## **ITEM 17**

### **Voting Client Securities**

Honeycomb has discretionary authority to vote proxies for its clients. Honeycomb expects to retain the proxy research and voting services of Institutional Shareholder Services Inc. (“ISS”) to assist Honeycomb in voting proxies in the best interests of its clients. ISS is an independent proxy voting firm that specializes in analyzing shareholder voting matters, issuing research reports on such matters, and making voting recommendations intended to maximize shareholder value. ISS provides Honeycomb with analytical summaries and final vote recommendations for domestic and foreign proxy matters.

As a general matter, Honeycomb believes that ISS is in the best position to make proxy vote recommendations that are in the best interests of clients in light of the dedicated resources and expertise of ISS. Honeycomb also believes that ISS is a more cost effective alternative to handle proxy voting (e.g., conducting research and analysis on proxy matters as well as mechanically voting proxies and retaining records) and is the best way to protect clients against potential conflicts of interest between Honeycomb and its clients. Notwithstanding the foregoing, however, Honeycomb does retain the right to override ISS vote recommendations where Honeycomb believes it is important to do so (e.g., when an ISS vote recommendation is at odds with a client's investment objectives).

Records of proxy materials and proxy votes are maintained in Honeycomb's offices and/or by ISS.

*Clients may request to review Honeycomb's proxy voting policies and procedures in its entirety by contacting [compliance@honeycombam.com](mailto:compliance@honeycombam.com).*

**ITEM 18**  
**Financial Information**

Honeycomb 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.