

Marto Capital LP

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This brochure provides information about the qualifications and business practices of Marto Capital LP. If you have any questions about the contents of this brochure, please contact Marto Capital LP's Chief Compliance Officer, Perry Poulos, at (646) 882-3776 or by email at perry@martocapital.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("**SEC**") or by any state securities authority. Additional information about Marto Capital Management LP is also available on the SEC's website at www.adviserinfo.sec.gov.

Any reference to Marto Capital LP as a "registered investment adviser" or as being "registered" does not imply a certain level of skill or training.

Item 2 - Material Changes

This brochure contains a material change to the Form ADV Part 2A filed by Marto Capital LP in January 2017. Effective July 1, 2017, Marto Capital LP changed its principal place of business to 70 East 55th Street, 24th Floor, New York, New York 10022.

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Item 4 - Advisory Business

Marto Capital LP (“**Marto**” or the “**Firm**”) is a Delaware limited partnership that was formed on June 27, 2016. Marto is controlled by its principal owner, Katina Stefanova (the “**Principal Owner**”). Marto provides investment advisory services to private funds via a master feeder structure, whereby Marto Capital Partners LP (the “**Domestic Feeder Fund**”) and Marto Capital International LTD (the “**Offshore Feeder Fund**”) invest substantially all of its assets in Marto Capital Master Fund LP (the “**Master Fund**”). Hereinafter unless otherwise specified, the Domestic Feeder Fund, the Offshore Feeder Fund and the Master Fund are each referred to as a “**Fund**” and collectively, as the “**Funds**”. Marto also advises separately managed accounts for institutional clients (the “**Managed Accounts**”). Unless otherwise stated, the Funds and Managed Accounts are referred to as a “**Client**” or collectively as the “**Clients**.”

The general partner for the **Domestic Feeder Fund** and the Master Fund is Marto Capital Partners GP LLC (the “**General Partner**”), a Delaware limited liability company formed on June 24, 2016. The General Partner has ultimate responsibility for the management, operations and investment decisions of the Funds.

Marto provides investment management services to its Clients pursuant to investment guidelines within the relevant organizational documents, limited partnership agreement, investment management agreement, offering memorandum and/or subscription agreements, as the case may be (each an “**Offering Document**”, and collectively, the “**Offering Documents**”). Marto does not tailor its services to the individual investors in the Funds, or provide investors with the right to specify, restrict, or influence the Funds’ investment objectives or any investment or trading decisions.

In advising the Clients, Marto utilizes a systematic global macro strategy with a discretionary overlay that uses a bottom-up and top-down fundamental approach to identify and exploit imbalances in global economies and asset prices. Marto’s investment objective in managing the Clients is to produce high risk-adjusted returns over the long term in a risk-controlled manner.

Marto seeks to achieve its investment objective by assessing investment and trading opportunities across global asset classes and allocating capital to opportunities based on the most attractive risk-adjusted returns.

Marto generally invests in a diversified portfolio of global interest rate products, credit instruments, currencies, commodities, equities, and their associated derivatives. Marto may utilize significant leverage in its investment program, and its portfolio includes both long and short positions. Investments may be made on exchanges, over-the-counter and in private transactions. Positions may be held in cash, as well as forward, futures, spot, index, options and swap markets. The foundation of Marto’s investment process is the development of a fundamentally based macroeconomic view. Marto uses bottom-up and top-down analysis to identify investment opportunities.

Marto does not participate in wrap fee programs.

As of January 18, 2017, Marto’s regulatory assets under management were \$30,000,000 all managed on a discretionary basis.

Item 5 - Fees and Compensation

Marto or its affiliates receive a management fee and performance-based compensation from Clients. Such compensation arrangements are set forth in the relevant Offering Document or investment management agreement with each Client.

The management fees paid by the Funds are generally equal to an annual rate of 1.0% - 2.0%, depending on the particular share class of the Funds and the investment management agreements with the Managed Accounts. The management fee paid by the Managed Accounts are also generally equal to an annual rate of 1.0% to 2.0%. The Firm or its affiliates may reduce, waive or calculate differently the management fee for certain investors or Clients, including members, employees and affiliates of the Firm.

The management fee paid by the Funds and Managed Accounts is deducted on a quarterly basis in advance. Any performance based fees or allocation are deducted annually at the end of each year for the Funds and charged to the Managed Accounts (see Item 6 below for a description of performance based fees).

The Management Fee will be prorated for any period that is less than a full quarter. Fees are deducted and allocations are made from each Funds' account.

Marto's fees are exclusive of brokerage commissions, transaction fees, custodial fees and other related costs and expenses which shall be incurred by Clients.

Marto expects that certain Funds will be responsible for investment-related expenses (including brokerage (see Item 12 below)), as well as for their organizational and offering expenses.

To the extent that Marto allocates Clients' capital to money market funds or exchange-traded funds, Clients will indirectly incur similar fees and expenses as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

Item 6 - Performance Fees and Side-by-Side Management

Marto or the General Partner may be entitled to a performance based fee or performance allocation with respect to each Client. Performance based fees are calculated based upon a percentage of the net capital appreciation of the relevant Client. The performance based fees or allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

Marto or its affiliates receive performance-based compensation from Clients, generally equal to 10% - 20% of the net profits for each Client (as well as depending on the net asset value of each particular share class of each investor in the Funds). Additional information regarding such compensation arrangements are set forth in the relevant Offering Document or investment management agreement with each Client. Marto or its affiliates may reduce, waive or calculate differently the performance-based compensation for certain investors or Clients, including members, employees and affiliates of the Firm.

The performance allocation is subject to a "high water mark." The "high water mark" feature prevents Marto from receiving a performance-based fee as to profits that simply restore previous losses and is intended to ensure that each performance allocation is based on the long-term performance of the Funds and Managed Accounts.

The terms of the performance-based compensation may differ among the Clients. This may result in a conflict of interest when allocating opportunities among Clients, as Marto may have an incentive to favor Clients that have higher performance-based compensation. To avoid such a conflict of interest, Marto has developed documented procedures for allocating opportunities among Clients in a fair and equitable manner.

As management fees and performance-based compensation are based directly on Clients' net asset values, Marto may have a conflict of interest in valuing the assets held in Client accounts. Marto follows documented valuation policies and consults with each Client's third-party administrator, as applicable, in order to mitigate this risk.

Item 7 - Types of Clients

Marto provides investment advice to the Funds and the Managed Accounts. The Managed Accounts are generally institutional clients.

Item 8 - Methods of Analysis, Investment Strategies, Risk of Loss

Investment Objective and Overview

Marto utilizes a global macro strategy that employs a discretionary overlay and uses a bottom-up and top-down fundamental approach to identify and exploit imbalances in global economies and asset prices. Marto's investment objective is to produce high risk-adjusted returns over the long term in a risk-controlled manner. The Firm seeks to achieve its investment objective by assessing investment and trading opportunities across global asset classes and allocating capital to opportunities based on most attractive risk-adjusted returns. The Firm generally invests in a diversified portfolio of global interest rate products, credit instruments, currencies, commodities, equities, and their associated derivatives. The Firm may utilize significant leverage in its investment program, and its portfolio includes both long and short positions. Investments may be made on exchanges, over-the-counter and in private transactions.

Investment Strategies

The foundation of Marto's investment process is the development of a fundamentally based macroeconomic view. The Firm uses bottom-up and top-down analysis to identify investment opportunities.

The bottom-up analysis is based on a highly systematic process that generates investment indicators across all markets potentially traded by Marto. Marto's indicators are designed to predict movements in asset prices tied to global macroeconomic factors. Investment indicators are derived based on, among other factors:

- Fundamental changes in global economic conditions, in particular growth acceleration/deceleration, slack and changing inflation levels. These measures capture changes to the conditions relative to what is priced in;
- Flows of capital into and out of countries and respective asset classes. These measures estimate pressures on participants who buy and sell assets. The estimates sum all the forward quantities of money that will come into the asset in the near future (Marto uses a time horizon

of approximately three months, though it may be shorter or longer as circumstances warrant) and map that to a change in the asset price;

- Relevant social and political dynamics on the country and global level that can be observed but may not immediately manifest in the economic reports; and
- Estimated changes in the asset price values.

Marto's models may be exclusively flow-based, exclusively fundamental, or a combination of both.

The top-down macroeconomic view is used to formulate broad investment themes that the investment team uses to develop a market viewpoint over a longer period of time. Those themes are formed based on qualitative analysis of broad economic, political and social trends. Views of the investment themes are used to augment Marto's bottom-up analysis and provide a discretionary overlay over the systematically generated bottom-up view.

The combination of the top-down and bottom-up approaches calibrates conviction strength, which may lead to greater precision of risk allocation and ultimately portfolio construction. The Firm believes that dynamic risk allocation based on its approach is likely to produce a portfolio with a positively asymmetric return profile.

The major asset classes the Firm may generally trade include, but are not limited to, global interest rate products, credit instruments, currencies, commodities and equities. The Firm may utilize both cash and derivative instruments to express directional and/or relative value themes, across and within asset classes. The securities and derivative instruments which the Firm may trade include, without limitation:

- Global interest rate products, such as options, treasuries, swaps, swaptions, futures, inflation protected securities, and floating rate notes;
- Credit instruments, such as corporate bonds, corporate indices, credit default swaps, index tranches, agency mortgages, agency pools, and options;
- Currencies, such as spot markets, swaps, forwards, futures, and options;
- Commodities, such as ETFs, futures, swaps, forwards, and options; and
- Equities, such as stocks, equity indices, ETFs, total return swaps, options, and dividend swaps.

Marto may also implement other strategies or take advantage of investment opportunities in sectors not previously mentioned that arise out of factors including, but not limited to, market turbulence, liquidations or anomalous pricing. Additional strategies may include, but are not limited to, volatility, distressed assets, special situations and risk arbitrage. The Firm also intends to engage in the research and development of additional strategies, which may lead to further opportunities.

Investment Process

The investment process consists of developing a fundamental bottom-up macroeconomic view, with discretionary top-down analysis of global economic, political and social trends to formulate investment themes that guide in the construction of a "high conviction" diversified portfolio of diversified trading strategies. To do so, the Firm seeks to identify both long-term and transient relationships between macroeconomic and financial variables. The goal is to find attractive risk-adjusted return trades in many markets that are individually derived based on their unique drivers and collectively express the core views of the investment team while offering a degree of diversification. In addition to individual risk-return profiles, correlations among trades are studied to determine optimal sizing designed to allow the Clients to achieve the best risk-adjusted returns given the investment outlook.

Investment views that are expressed via portfolio are reviewed by the Investment Committee. The process focuses on:

- Review of top-down major macro themes that are expected to drive changes to the global asset prices.
- Review of the portfolio exposures and sensitivity to the transpiring of the global economic developments as well as political and social trends and events.
- Risk discipline, i.e., setting and monitoring appropriate markers for portfolio risk parameters. Marto may employ certain draw-down guidelines at the Fund level.
- Correlation and diversification analysis among trades to determine optimal sizing to achieve expected risk-adjusted returns given the fundamental investment outlook.

General Investment Considerations

Excess funds may be invested in money market instruments, overnight repurchase transactions or other cash equivalents as deemed appropriate by Marto. Any income, including interest earned from such investments, is reinvested in accordance with each Client's investment program.

Marto has not adopted a particular policy with any Client with respect to portfolio turnover. From time to time, one Client's portfolio turnover may exceed the portfolio turnover of other Clients or investment vehicles since Marto's investment strategies employed by Marto on behalf of the Clients generally includes active trading of the portfolio and short sales.

For investors in the Funds, it is important to understand that each Fund may be deemed to be a speculative investment. It is not intended as a complete investment program. It is designed only for sophisticated investors who are able to bear the risk of the complete loss of an investment in the particular Fund.

In managing the Clients, Marto has generally been given broad investment parameters because the Firm believes that in seeking profitable investment opportunities it is important to have maximum flexibility. Over time, markets change and the Firm must be able to capitalize on attractive opportunities wherever they might be. The Firm has taken advantage of opportunities in the area of options and futures and may do so with respect to any other synthetic or derivative instruments that are not presently contemplated for use by the Clients

or that are not currently available but that may be developed to the extent such opportunities are both consistent with each Client's investment objective and are legally permissible.

Although the Firm currently expects that the above-described strategies will continue to be the predominant focus of Marto in managing the Clients, Marto is not generally restricted to the use of only the above described strategies. The Firm's investment program is speculative and entails substantial risks. There can be no assurance that the investment objectives of the Clients will be achieved, or that investment results might not vary substantially on a monthly, quarterly or annual basis. In fact, the use of leverage, options, forward contracts, futures and derivatives and the limited diversification of a Client's portfolio can, in certain circumstances, maximize the adverse impact to which a Client's investment portfolio may be subject. Marto's activities could result in substantial losses for Clients under certain circumstances. (See "Certain Risk Factors".)

Certain Risk Factors

Investing in securities involves risk of loss that Clients and investors in the Funds should be prepared to bear. The following explanation of certain risks is not exhaustive, but rather highlights some of the more significant risks involved in Marto's investment strategy. For a more complete list of expected risk factors, prospective Fund investors should review each Fund's offering documents.

Legal and Regulatory Environment for Private Investment Funds and their Managers. The legal, tax and regulatory environment worldwide for private investment funds (such as the Funds) and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Funds to pursue their investment programs and the value of investments held by the Funds. There has been an increase in scrutiny of the private investment fund industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of the Funds to pursue their investment programs or employ brokers and other counterparties could have a material adverse effect on the Funds and the investors' investments therein. In addition, Marto may, in its sole discretion, cause the Funds to be subject to certain laws and regulations if the Firm believes that an investment or business activity is in the Funds' interest, even if such laws and regulations may have a detrimental effect on one or more investors.

Dodd-Frank Act. The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") was enacted in July 2010. The Dodd-Frank Act has resulted in extensive rulemaking and regulatory changes that affect private fund managers, the funds that they manage and the financial industry as a whole. Under the Dodd-Frank Act, the U.S. Commodity Futures Trading Commission and the SEC have mandated (and will mandate) new recordkeeping, reporting, central clearing and trading on electronic facilities requirements for investment advisers, which add costs to the legal, operational and compliance obligations of Marto and the Clients and increase the amount of time that Marto spends on non-investment-related activities. The Dodd-Frank Act affects a broad range of market participants with whom the Clients interact or may interact, including banks, non-bank financial institutions, rating agencies, mortgage brokers, credit unions, insurance companies, payday lenders and broker dealers, which may change the way in which the Firm conducts business with its counterparties. It may take years to understand the impact of the Dodd-Frank Act on the financial industry as a whole, and therefore, the continued uncertainty may make markets more volatile and may make it difficult for Marto to execute the investment strategy of the Clients.

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

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

Assumption of Business, Terrorism and Catastrophe Risks – Marto and the Clients may be subject to the risk of loss arising from exposure that it may incur, indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Clients and the investments.

Risks Related to Management - Limited Operating History. Marto, the General Partner and the Funds are newly formed entities and do not have any operating history upon which prospective Clients or investors can evaluate their anticipated performance. The investment professionals of the Firm have been using investment strategies similar to the investment strategies described herein in other private investment funds for several years. However, there can be no assurance that the Firm will achieve results comparable to those that the investment professionals have achieved in the past.

Dependence on Service Providers. Marto is dependent upon its counterparties and the businesses that are not controlled by the Firm that provide services to the Fund and Clients (the "**Service Providers**"). Examples of Service Providers include the administrator, a prime broker, the custodian, legal counsel and the auditors. Errors are inherent in the business and operations of any business, and although the Firm will adopt measures to prevent and detect errors by, and misconduct of, counterparties and Service Providers, and transact with counterparties and Service Providers it believes to be reliable, such measures may not be effective in all cases. Errors or misconduct could have a material adverse effect on the Funds, Managed Accounts and/or the investors' investments therein.

Retention and Motivation of Key Employees. The success of the Firm is dependent upon the talents and efforts of highly skilled individuals employed by the Firm and Marto's ability to identify and willingness to provide acceptable compensation to attract, retain and motivate talented investment professionals and other employees. There can be no assurance that Marto's Principal Owner and other investment professionals will continue to be associated with the Firm throughout the life of the Firm, and the failure to attract or retain such investment professionals could have a material adverse effect on Clients' investments therein. Competition in the financial services industry for qualified employees is intense and there is no guarantee that, if lost, the talents of certain of Marto's Principal Owner and other investment professionals could be replaced.

Investment and Due Diligence Process. Prior to making investments, the Firm will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment, which facts and circumstances will include without limitation the time available to make an investment decision, the costs of such due diligence, the size of the investment and the experience of Marto. The amount of due diligence conducted will vary materially from investment to investment. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of an investment.

Increased Regulatory Oversight - Increased regulation and regulatory oversight of private investment funds and their managers may impose administrative burdens on Marto, including, without limitation, responding to examinations and other regulatory inquiries and implementing policies and procedures. Such administrative burdens may divert Marto's time, attention and resources from portfolio management activities to responding to inquiries, examinations and enforcement actions (or threats thereof).

Systems and Operational Risks Generally - Certain of Marto's activities will be dependent upon systems operated by third parties, including prime brokers, the administrator, market counterparties and other service providers, and the Firm may not be in a position to verify the risks or reliability of such third-party systems. Failures in the systems employed by Marto, prime brokers, the administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for.

Cybersecurity Risk. As part of its business, the Firm processes, stores and transmits large amounts of electronic information, including information relating to the transactions of the Clients and personally identifiable information of the investors in the Funds and Managed Accounts. Similarly, service providers of Marto and the Funds, especially the administrator to the Funds, may process, store and transmit such information. The Firm has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to the Firm may be susceptible to compromise, leading to a breach of Marto's network. Marto's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Breach of Marto's information systems may cause information relating to the transactions of the Clients and personally identifiable information of investors in the Funds and/or the Clients to be lost or improperly accessed, used or disclosed.

The service providers of Marto, the Funds and Managed Accounts are subject to the same electronic information security threats as Marto. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Clients and personally identifiable information of the Clients or the investors in the Funds may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Marto's or the Clients' proprietary information may cause the Firm or the Clients to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Clients' investments.

Valuation of Securities. The value of a security determined in accordance with the Valuation Policy may differ materially from the value that could have been realized in an actual sale or transfer for a variety of reasons, including the timing of the transaction and liquidity in the market. Uncertainties as to the valuation of portfolio positions could have an impact on client assets, and the net asset value of the Clients, if the judgments of the Firm regarding the appropriate valuation should prove to be incorrect.

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

Litigation Risk. Some of the tactics that the Firm may use involve litigation. The Master Fund or Managed Accounts could be a party to lawsuits either initiated by it, or by a company in which the Master Fund or Managed Accounts invests, other shareholders of such company, or U.S. federal, state and non-U.S. governmental bodies. There can be no assurance that any such litigation, once begun, would be resolved in favor of the Master Fund or Managed Accounts.

Exposure to Material Non-Public Information. From time to time, the Firm may receive material non-public information with respect to an issuer of publicly traded securities. In such circumstances, the 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. The lack of liquidity caused by Marto's possession of material non-public information may inhibit the Clients' ability to react to market changes impacting certain of its investments. Because it is often difficult to determine whether or not information is material non-public information, there may be instances where the Firm restricts its trading activities when it is not technically required to do.

Currency Exchange Exposure. Marto, on behalf of the Clients, may invest in securities denominated in currencies other than the U.S. Dollar. The Firm however, values its securities in U.S. Dollars. Marto may or may not seek to hedge its non-U.S. currency exposure by entering into currency hedging transactions. There can be no guarantee that securities suitable for hedging currency or market shifts will be available at the time when the Firm wishes to use them, or that hedging techniques employed by the Firm will be effective. Furthermore, certain currency market risks may not be fully hedged or hedged at all. To the extent unhedged, the value of the Firm's positions denominated in currencies other than the U.S. Dollar 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.

Marto may utilize forward currency contracts, swaps and options to hedge against currency fluctuations which might affect the assets of the Firm, but there can be no assurance that such hedging transactions will be effective. Risks noted under "Non-U.S. Investments" may also have a material impact on the Firm's currency exposure.

Risks Related to Investment Strategies

Risk of Loss. No guarantee or representation is made that Marto's investment program, including, without limitation, Marto's investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred.

Global Macro. The success of Marto's global macro investment strategy depends upon Marto's ability to identify and exploit perceived fundamental, economic, financial and political imbalances that may exist in and between markets throughout the world. Identification and exploitation of such imbalances involves significant uncertainties. There can be no assurance that Marto will be able to locate investment opportunities or to exploit such imbalances.

Equity Securities Generally. The value of equity securities of public and private, listed and unlisted companies and equity derivatives generally varies with the performance of the issuer and movements in the equity markets. As a result, the Clients may suffer losses if Marto causes them to invest in equity instruments of issuers whose performance diverges from Marto's expectations or if equity markets generally move in a single direction and Marto has not caused the Clients to hedge against such a general move. The Clients also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Long/Short. The success of Marto's long/short investment strategy depends upon the Firm'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 Marto'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 the Clients' positions were to fail to converge toward, or were to diverge further from values expected, the Clients may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Clients to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with Marto's long/short strategies may become outdated and inaccurate as market conditions change.

Short Selling. The success of Marto's short selling investment strategy depends upon the Firm'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 Clients of buying those securities to cover the short position. There can be no assurance that the Clients will be able to maintain the ability to borrow securities sold short. In such cases, the Clients 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 Clients 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 Marto causes the Clients

to secure a "good borrow" of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Clients 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 Clients.

Long Term. The success of Marto's long-term investment strategy depends upon the Firm's ability to identify and purchase securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, Marto may cause the Clients to forego value in the short-term or temporary investments in order to be able to avail the Clients of additional and/or longer-term opportunities in the future. Consequently, the Clients may not capture maximum available value in the short-term, which may be disadvantageous, for example, for investors in a Fund who withdraw all or a portion of their capital accounts before such long-term value may be realized by the particular Fund.

Derivative Instruments Generally. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives are 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 Marto may cause Clients to participate is evolving, and changes in the regulation or taxation of such securities may have a material adverse effect on the Clients.

Relative Value. The success of Marto's relative value investments depends upon Marto's ability to identify and exploit perceived inefficiencies in the pricing of securities, financial products, or markets. Identification and exploitation of such inefficiencies involve uncertainty. There can be no assurance that the Firm will be able to locate investment opportunities or to exploit pricing inefficiencies in the securities markets. Mispricings, even if correctly identified, may not be corrected by the market, at least within a timeframe over which it is feasible for the Firm to maintain a position. Even pure arbitrage positions can result in significant losses if the Firm is not able to maintain both sides of the position until expiration/maturity. A reduction in the pricing inefficiency of the markets in which the Firm seeks to invest will reduce the scope for the Firm's investment strategies. In the event that the perceived mispricings underlying the Firm's positions were to fail to converge toward, or were to diverge further from, relationships expected by Marto, the Firm may incur losses. Even if the Firm's relative value investments are successful, they may result in high portfolio turnover and, consequently, high transaction costs.

Commodity Sensitivity. The Clients may have investments that are exposed to fluctuations in the value of certain commodities. The values of commodities which underlie or impact the securities, commodity futures contracts and other types of financial instruments held by the client are generally 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, the level of exploration and development success, weather and climate conditions, natural disasters, acts of terrorism, technological developments, changes in interest rates, rates of inflation, currency devaluations and revaluations, embargoes, tariffs, regulatory developments (whether local, national or global), governmental, agricultural, trade, fiscal, monetary and exchange control programs and policies, political events (whether local, national or global) 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. Marto has no control over the factors that affect the price of commodities. Accordingly, the value of the Clients' investments could change substantially and in a rapid and unpredictable manner.

Lack of Control. Marto may invest in debt instruments and equity securities of companies that it does not control, which the Firm may acquire through market transactions or through purchases of securities directly from the issuer or other shareholders. Such securities will be subject to the risk that the issuer may make business, financial or management decisions with which the Firm does not agree or manner that does not serve the Clients' interests.

Risks Related to Leverage, Borrowing, Concentration and Volatility

Leverage for Investment Purposes. The use of leverage will allow Marto to make additional investments on behalf of the Clients, thereby increasing such Clients' exposure to assets, such that a Client's total assets may be greater than its 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 a Client, which would be greater than if such Client were not leveraged.

Volatility Risk. In advising the Clients, Marto's investment program may involve the purchase and sale of relatively volatile securities and/or investments in volatile markets. Fluctuations or prolonged changes in the volatility of such securities and/or markets can adversely affect the value of investments held by the Clients.

Diversification and Concentration. Marto may select investments that are concentrated in a limited number or types of securities. In addition, the Clients' portfolios may become significantly 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 the Clients to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such securities.

Hedging Transactions. In advising the Clients, Marto may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Clients' investment portfolios resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Clients' unrealized gains in the value of its investment portfolios; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Clients' portfolios; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Clients' securities; (vii) protect against any increase in the price of any securities the Clients anticipate purchasing at a later date; or (viii) act for any other reason that Marto deems appropriate. The Clients will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. Marto may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to cause a Client to attempt to hedge against it. While the Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Clients than if it had not engaged in any such hedging transaction. Moreover, the Clients' portfolios will always be exposed to certain risks that cannot be hedged.

Risks Related to Market Conditions Generally

General Economic and Market Conditions. The success of Marto'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 the Firm's 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 the Firm's investments. Volatility or illiquidity could impair the client's profitability or result in losses. The Firm may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

Governmental Interventions. Extreme volatility and illiquidity in markets has in the past led to, and may in the future lead to, extensive governmental interventions in equity, credit and currency markets. Generally, such interventions are intended to reduce volatility and precipitous drops in value. In certain cases, governments have intervened on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, these interventions have typically been unclear in scope and application, resulting in uncertainty. It is impossible to predict when these restrictions will be imposed, what the interim or permanent restrictions will be and/or the effect of such restrictions on the Marto's strategies.

Potential Interest Rate Increases. The United States is experiencing historically low interest rate levels. However, the continued recovery of the U.S. economy and recent and potential future changes in U.S. government policy, including the tapering of the U.S. Federal Reserve Board's quantitative easing program, increase the risk that interest rates will rise in the near future. Any future interest rate increases may result in periods of volatility and cause the value of the fixed income securities held by the client to decrease.

Current Economic Conditions in European Countries. Certain European countries, including Greece, Ireland, Italy, Portugal and Spain, are currently experiencing varying degrees of financial distress. Risks from the debt crisis in Europe could result in a disruption of the financial markets, which could have a detrimental impact on global economic conditions.

Risks Related to Specific Investments

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

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

Prepayment Risk. The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on debt instruments will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay

their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

The adverse effects of prepayments may impact portfolios in two ways. First, particular investments may experience outright losses, as in the case of an interest-only instrument in an environment of faster actual or anticipated prepayments. Second, particular investments may underperform relative to hedges that the Firm may have constructed for these investments, resulting in a loss to the overall portfolio. In particular, prepayments (at par) may limit the potential upside of many instruments to their principal or par amounts, whereas their corresponding hedges often have the potential for unlimited loss.

Rated or Unrated Debt Securities. Investments in rated and unrated debt securities and such rated debt securities will include both investment grade and non-investment grade debt securities. Investment grade debt securities are securities that have received a rating from at least one nationally recognized statistical rating organization (the "**NRSRO**") in one of the four highest rating categories or, if not rated by any NRSRO, have been determined by the Firm to be of comparable quality. Non-investment grade debt securities (typically called "junk bonds") are securities that have received a rating from a NRSRO of below investment grade or have been given no rating, and are considered by the NRSRO or the Firm to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.

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

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

Marto may invest in obligations of issuers that are generally trading at significantly higher yields than had been historically typical of the applicable issuer's obligations. Such investments may include debt obligations that have a heightened probability of being in covenant or payment

default in the future or that are currently in default and are generally considered speculative. The repayment of defaulted obligations is subject to significant uncertainties. Defaulted obligations might be repaid only after lengthy workout or bankruptcy proceedings, during which the issuer might not make any interest or other payments. Typically, such workout or bankruptcy proceedings result only in partial recovery of cash payments or an exchange of the defaulted security for other debt or equity securities of the issuer or its affiliates, which may in turn be illiquid or speculative.

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

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

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

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

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

Sovereign Debt. Several factors may affect (i) the ability of a government, its agencies, instrumentalities or its central bank to make payments on the debt it has issued ("**Sovereign Debt**"), including securities that the Firm believes are likely to be included in restructurings of the external debt obligations of the issuer in question. Significant ongoing uncertainties and exposure to adverse conditions may undermine the issuer's ability to make timely payment of interest and principal, and issuers may default on their Sovereign Debt.

Derivative Instruments Generally. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk. The value of derivatives can also be materially impacted by changes in volatility, changes in dividend policies (including tax laws), time decay and changes in interest rates. Derivatives traded over-the-counter may not have an authoritative source of valuation and the models used to value such derivatives are subject to change.

Derivatives Regulation. Since the introduction of the Dodd-Frank Act in 2010, the CFTC has promulgated many final rules related to derivatives and such regulations may negatively affect the Master Fund or Managed Accounts. Parties that act as dealers in swaps, for example, are subject to extensive business conduct standards, additional "know your counterparty" obligations, recordkeeping, reporting, portfolio reconciliation, documentation standards and capital requirements and, when regulations are finalized, will become subject to margin requirements. Similar rules related to security-based swaps will soon be implemented. Requirements such as these will raise the costs of entering into derivative transactions, and these increased costs will likely be passed on to clients.

Call Options. The seller (writer) of a call option which is covered (i.e., 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 less the premium received, 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 securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. The seller (writer) of a put option which is covered (i.e., 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 sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls 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 below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

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 the Clients will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the security market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular securities.

Index Futures. The price of index futures contracts may not correlate perfectly with the movement in the underlying index because of certain market distortions. First, all participants in the futures market are subject to margin deposit and maintenance requirements. Rather than meeting additional margin deposit requirements, participants may close futures contracts through offsetting transactions that would distort the normal relationship between the index and futures markets. Second, from the point of view of speculators, the deposit requirements

in the futures market are less onerous than margin requirements in the securities market. Therefore, increased participation by speculators in the futures market also may cause price distortions. Successful use of index futures contracts by the Marto on behalf of the Clients also is subject to Marto's ability to correctly predict movements in the direction of the market.

Swaps. Whether the Clients' use of swap agreements or swaptions will be successful will depend on Marto's ability to select appropriate transactions for the Clients. Swap agreements and options on swap agreements ("**swaptions**") can be individually negotiated and 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 the holder's exposure to, for example, equity securities, long-term or short-term interest rates, non-U.S. currency values, credit spreads or other factors. Swap agreements can take many different forms and are known by a variety of names. Swap transactions may be highly illiquid and may increase or decrease the volatility of a portfolio. Moreover, the Master Fund or Managed Accounts bear the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. The Master Fund and Managed Accounts will also bear the risk of loss related to swap agreements, for example, for breaches of such agreements or the failure of the Master Fund to post or maintain required collateral. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Master Fund's and Managed Accounts' ability to terminate swap transactions or to realize amounts to be received under such transactions.

Credit Default Swaps. Credit default swaps can be used to implement Marto's view that a particular credit, or group of credits, will experience credit improvement or deterioration. Credit default swaps can also be used by the Firm as direct or indirect hedges for individual investments, groups of investments, strategies or the portions of the portfolio. In the case of expected credit improvement, the Master Fund may sell credit default protection in which it receives a premium to take on the risk. In such an instance, the obligation of the Master Fund and Managed Accounts to make payments upon the occurrence of a credit event creates leveraged exposure to the credit risk of the referenced entity. Marto may also buy credit default protection for the Clients with respect to a referenced entity if, in Marto's judgment, there is a likelihood of credit deterioration. In such instance, the Master Fund and Managed Accounts will pay a premium regardless of whether there is a credit event. The credit default swap market varies materially for different types of securities. For instance, the maturity of the market and liquidity is greater for more seasoned and liquid investment-grade securities than it is for newly-issued, off-the-run and/or high-yield securities. These latter credit default swaps may also suffer from increased illiquidity and/or price deterioration in times of market stress making it potentially more difficult to exit or enter into a particular transaction.

Futures Contracts. The value of futures contracts depends upon the price of the instruments, such as commodities, underlying them. The prices of futures contracts are highly volatile, and price movements of futures contracts can be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, as well as national and international political and economic events and policies. In addition, investments in futures contracts are also subject to the risk of the failure of any of the exchanges on which the Clients' positions trade or of its clearing houses or counterparties. Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." 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 particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent Marto on behalf of the Clients from promptly liquidating unfavorable positions and subject the Clients to substantial

losses or prevent it from entering into desired trades. Also, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. In extraordinary circumstances, a futures exchange or the CFTC could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

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

Forward Contracts. Marto on behalf of the Clients may enter into forward contracts and options thereon, including non-deliverable forwards, which are currently not traded through clearinghouses, although this is expected to change. In its forward trading, the Clients will be subject to the risk of the failure of, or the inability or refusal to perform with respect to its forward contracts by, the principals with which the Firm trades. Client assets on deposit with such principals will also generally not be protected by the same segregation requirements imposed on certain regulated brokers in respect of customer funds on deposit with them. Marto may order trades for the Clients in such markets through agents. Accordingly, the insolvency or bankruptcy of such parties could also subject the clients to the risk of loss.

Contracts for Differences. Contracts for differences ("**CFDs**") are privately negotiated contracts between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. A CFD is usually terminated at the buyer's initiative. As is the case with owning any financial instrument, there is the risk of loss associated with buying a CFD. There may be liquidity risk if the underlying instrument is illiquid because the liquidity of a CFD is based on the liquidity of the underlying instrument. A further risk is that adverse movements in the underlying security will require the buyer to post additional margin. CFDs also carry counterparty risk, i.e., the risk that the counterparty to the CFD transaction may be unable or unwilling to make payments or to otherwise honor its financial obligations under the terms of the contract. If the counterparty were to do so, the value of the contract may be reduced. Entry into a CFD transaction may, in certain circumstances, require the payment of an initial margin and adverse market movements against the underlying stock may require the buyer to make additional margin payments. CFDs may be considered illiquid. To the extent that there is an imperfect correlation between the return on the Clients' obligation to its counterparty under the CFDs

and the return on related assets in its portfolio, the CFD transaction may increase the Clients' financial risk.

Failure to Enter into Offsetting Trade. To the extent Marto invests in a futures contract or long option, unless an offsetting trade is made, the Firm or client would be required to take physical delivery of the commodity underlying the future or option. To the extent Marto fails to enter into such offsetting trade prior to the expiration of the contract, the Client may suffer a loss since neither the client nor the Firm has the operational capacity to accept physical delivery of commodities.

Currencies. A principal risk in trading currencies is the rapid fluctuation in the market prices of currency contracts. Prices of currency contracts traded by the Firm will generally be affected by relative interest rates, which in turn will be influenced by a wide variety of complex and difficult to predict factors such as money supply and demand, balance of payments, inflation levels, fiscal policy, and political and economic events. In addition, governments intervene from time to time, directly and by regulation, in these markets, with the specific effect, or intention, of influencing prices which 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.

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

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

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

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

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

Bankruptcy Claims. Marto may invest Clients' assets in the debt and equity of financially distressed companies. In the event that the issuer files for bankruptcy protection, the Clients will likely be unable to sell its claims without realizing a significant loss and may be unable to recover current interest on such claims during the course of the bankruptcy case.

Marto, on behalf of Clients, may elect to serve on creditors' committees, equity holders' committees or other groups to ensure preservation or enhancement of the Clients' positions as a creditor or equity holder. A member of any such committee or group may owe a fiduciary duty and be subject to certain obligations to all members the committee represents and/or to other similarly situated parties. Marto may resign from that committee or group for any reason, including, for example, if Marto concludes that its obligations owed to the other parties as a committee or group member conflict with its duties owed to its Clients. In such case, the Clients may not realize the benefits, if any, of participation on the committee or group.

Repurchase and Reverse Repurchase Agreements. In a reverse repurchase transaction, the client "buys" securities issued from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by the client, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the client involves certain risks. For example, the seller defaults on its obligation to repurchase the underlying securities, as a result of its bankruptcy or otherwise, seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, or, seller may default on its obligation to repurchase securities under a reverse repurchase agreement.

When-Issued and Forward Commitment Securities. The purchase of securities on a "when-issued" basis involves a commitment by the client to purchase or sell securities at a future date (typically one or two months later). No income accrues on securities that have been purchased on a when-issued basis prior to delivery to the client account. When-issued securities may be sold prior to the settlement date. If the client disposes of the right to acquire a when-issued security prior to its acquisition, it may incur a gain or loss. In addition, there is a risk that securities purchased on a when-issued basis may not be delivered to the client. In such cases, the client may incur a loss.

Distressed Obligations. Among the risks inherent in investments in troubled entities is the risk that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate, recharacterize debt as equity or disenfranchise particular claims.

Exchange-Traded Funds. 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 the Firm's advisory fee, Clients may also indirectly bear similar expenses of an ETF.

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.

Convertible Securities. A convertible security, as with many other debt and preferred securities, 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 the Clients is called for redemption, the Clients will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on the Clients' ability to achieve its investment objective. Convertible securities are also subject to many of the previously described risks with respect to debt investments.

Illiquid Securities. Marto may invest in and hold illiquid securities on behalf of the Clients from time to time. In addition to direct investments in illiquid securities or in securities that subsequently become illiquid, the Clients may receive an illiquid security as partial consideration for a merger arbitrage transaction, restructuring transaction, reorganization transaction or other event. Certain securities may be illiquid because, for example, they are subject to legal or other restrictions on transfer or there is no liquid market for such securities. Valuation of such securities may be difficult or uncertain because there may be limited information available about the issuers of such securities. The market prices, if any, for such securities tend to be volatile and may not be readily ascertainable, and the Clients may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of restricted and illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. The Clients may not be able to readily dispose of such illiquid investments and, in some cases, may be contractually or legally prohibited from disposing of such investments for a specified period of time. As a result, the Clients may be required to hold such securities despite adverse price movements. Even those markets which the Firm expects to be liquid can experience periods, possibly extended periods, of illiquidity. Occasions have arisen in the past, and are likely to continue to occur, where previously liquid investments rapidly become illiquid.

Restricted Securities. Restricted securities cannot be sold to the public without registration under the Securities Act. Unless registered for sale, restricted securities can be sold only in privately negotiated transactions or pursuant to an exemption from registration (e.g., under Rule 144A of the Securities Act). Although these securities may be resold in privately negotiated transactions, because there is often little liquidity for these securities, they may be difficult and take a substantial amount of time to sell, and the prices realized from these sales could be less than those originally paid. Restricted securities may involve a high degree of business and financial risk which may result in substantial losses.

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

Unlisted Securities. Unlisted securities are often highly illiquid and may involve higher risks than listed securities. Because of the absence of any trading market for unlisted securities, it may take longer to liquidate, or it may not be possible to liquidate, positions in unlisted securities than would be the case for publicly traded securities. Companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

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, inability to hedge, 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 a portfolio.

New Issues. Investments in newly issued securities, including equity, debt, preferred securities and convertible securities have many of the same risks associated with initial public offerings such as unseasoned trading, unknown market reaction to the newly issued securities, inability to hedge and an often small window to analyze the terms and conditions of such securities. Further, the price volatility of newly issued securities often tends to be high, and the Clients may receive a materially higher or lower allocation of such securities than expected.

Risks Related to Non-U.S. Investments and Non-U.S. Jurisdictions

Non-U.S. Exchanges. Marto may trade on exchanges or markets located outside the U.S. Trading on such exchanges or markets is not regulated by the SEC and the CFTC and may, therefore, be subject to more risks than trading on U.S. exchanges, such as the risks of exchange controls, expropriation, burdensome taxation, moratoria and political or diplomatic events. Risks in investments in non-U.S. securities may also include reduced and less reliable information about issuers and markets, less stringent accounting standards, illiquidity of

securities and markets, higher brokerage commissions, more reliance upon swap and derivative structures, less stable counterparties and higher custody fees.

Non-U.S. Investments. Investing in the securities of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in securities of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains, other income or gross sale or disposition proceeds, limitations on the removal of assets and general social, political and economic instability; the relatively 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; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Marto's investment opportunities on behalf of the Clients.

Dependence on Developing Countries. The level of commodity prices can fluctuate widely due to supply and demand disruptions in major producing or consuming regions. In particular, recent growth in industrial production and gross domestic product has made many developing countries, particularly China, disproportionately large users of commodities and has increased the extent to which commodity prices are dependent on the markets of those developing countries. Political, economic and other developments that affect these developing countries may affect the level of certain commodities and, thus, the value of the client's investments. Because certain commodities may be produced in a limited number of countries and may be controlled by a small number of producers, political, economic and supply-related events in those countries could have a disproportionate impact on the prices of commodity futures contracts and other types of financial instruments in which the Firm will invest. Events affecting the prices of commodities tend to affect prices worldwide, regardless of the location of the event.

Item 9 - Disciplinary Information

There have been no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of Marto's advisory business or the integrity of Marto's management.

Item 10 - Other Financial Industry Activities and Affiliations

The management of multiple Clients may result in conflicts of interests when Marto or its related persons allocate their time and investment opportunities among Clients. In addition, the compensation earned by Marto and its related persons from each of Client may differ from one another.

The Principal Owner (and/or other related persons) may have a greater portion of her personal assets invested in a Fund(s). As a result, Marto may have a conflict of interest in allocating investment opportunities among the Clients.

In light of the foregoing, Marto has established procedures for allocating opportunities among Clients in a fair and equitable manner.

Item 11 - Code of Ethics, Participation/Interest in Client Transactions, Personal Trading

Code of Ethics

Marto has adopted a Code of Ethics (the “**Code of Ethics**”), which is designed to ensure that it conducts its business in accordance with all applicable laws and regulations and in an ethical and professional manner. The Code of Ethics applies to all Marto employees. In addition, Marto recognizes that it has a fiduciary duty to its Clients, and that all of its employees need to conduct their business on Marto’s behalf in a manner that enables Marto to fulfill this fiduciary duty. In this regard, Marto has developed policies and procedures in the Code of Ethics that are premised on the fundamental principles of openness, integrity, honesty and trust. Employees are provided with a copy of the Code of Ethics and are annually required to sign and acknowledge that they will comply with its provisions. Marto will provide a copy of the Code of Ethics to any Client or prospective Client upon request.

Personal Trading

Under the Code of Ethics, Marto employees (and members of their immediate households) are permitted to invest in single name equity securities, options on equities, bonds, or commodities, however they, must obtain written pre-approval from Marto’s Chief Compliance Officer (the “**CCO**”) prior to executing an order in any such instruments. The spirit of the Code of Ethics is to discourage frequent trading in employee personal accounts.

In addition, employees are prohibited from participating in any initial public offering and must obtain written pre-approval from the CCO to buy or sell securities in a private placement. Employees must also obtain written pre-approval from the CCO before engaging in any outside business activities. When the activities of the CCO require pre-approval, that written pre-approval must be obtained from the Principal Owner.

All employees must provide duplicate copies of brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

Participation and Interest in Client Transactions

Subject to applicable law, Marto may effect transactions between Client accounts whereby one Client account will purchase securities from or sell securities to another account. Marto does not currently intend to engage in such activity. Nonetheless, if it plans on effecting such transactions in the future, it will develop documented procedures for doing so, including requiring pre-approval from the CCO.

Item 12 - Brokerage Practices

Selection of Brokers

In placing portfolio transactions for Clients, Marto seeks to obtain the best execution for the Clients’ accounts, which may take into account a number of the following factors, among others: price, timeliness of execution, the availability of financing, the financial stability and reputation of a broker, the value of research, brokerage and other services provided, the

responsiveness of a broker-dealer, a broker-dealer's financial resources, counterparty credit risk, and access to liquidity for certain less liquid products.

Marto has established a Brokerage Committee (consisting of the Principal Owner, the COO, the Head of Research, the Head of Risk and the CCO), which meets on a quarterly basis to review the execution performance of the broker-dealers Marto uses to execute Client transactions. The committee also reviews commissions paid to brokers, soft dollar arrangements and certain conflicts of interest.

Research and Other Soft Dollar Benefits

Marto may enter into soft dollar arrangements with brokers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker in return for directing Client securities transactions to the broker. Soft dollar arrangements may pose a conflict of interest for Marto in that such arrangements may allow Marto to pay with Client commissions expenses that would otherwise be borne by Marto. If Marto uses Client brokerage commissions (or markups or markdowns) to obtain research or other products or services, it will receive a benefit because it will not have to produce or pay for the research, products or services. Marto may have an incentive to select a broker based on Marto's interest in receiving the research or other products or services offered by such broker, rather than on Clients' interests in receiving most favorable execution.

To the extent that it engages in soft dollar transactions, Marto will comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising its discretionary authority to select or arrange for the selection of brokers for execution of transactions for Clients, and, subject to its duty to obtain best execution, Marto may consider the value of research and brokerage products and services (collectively, "**Research**") provided by such brokers. Research may include, among other things, proprietary research from brokers, which may be written or oral, databases and quotation services, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants. Accordingly, if Marto determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, a Client may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research provided by such brokers may be used to service all Clients and not exclusively in connection with the management of the Client(s) that generated the particular soft dollar credits.

When a product or service obtained with Client commission dollars provides both research and non-research assistance to Marto, Marto will make a reasonable allocation of the cost which may be paid for with Client commission dollars.

Marto executes securities transactions on behalf of Clients with broker-dealers that provide Marto with access to proprietary research reports (such as standard investment research and credit reports). To Marto's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. These bundled services are made available to Marto on an unsolicited basis and without regard to the rates of commissions

charged or paid by Clients or the volume of business that Marto directs to such broker-dealers.

Capital Introduction

From time to time, brokers (including the prime brokers) may assist the Funds in raising additional funds from investors or introducing a Managed Account(s) client. Additionally, brokers may provide capital introduction and marketing assistance services, and representatives of the Firm may speak at conferences and programs sponsored by the brokers, for investors interested in investing in private investment funds. Through such events, prospective investors in the Funds may encounter representatives of the Firm. Brokers may also provide other services, including, without limitation, consulting services relating to technology and office space. Although neither Marto nor the Funds compensate brokers for such assistance, events or services, or for any investments ultimately made by prospective investors attending such events, such activities may influence Marto in deciding whether to use such brokers in connection with brokerage, financing and other activities of the Funds. Subject to its obligation to seek best execution, the Firm may consider referrals of investors to the Funds in determining its selection of brokers. However, the Firm will not commit to an investor or a broker to allocate a particular amount of brokerage in any such situation.

Aggregation of Orders

To the extent that Marto aggregates Client orders, it is Marto's policy to allocate all investment opportunities among the Clients in a manner that is considered fair and equitable to all the Clients, considering all factors potentially applicable to each Client. Among the factors that we may consider in allocating trades among the Clients are: investment policies; guidelines or restrictions applicable to each Client; tax considerations; cash availability; liquidity requirements for payment of redemptions or other purposes; risk tolerances; restrictions under ERISA or other applicable laws or regulations; available credit lines; counterparty arrangements; and hedging objectives and activity. However, we will have no obligation to purchase, sell or exchange any security for one Client which Marto may purchase, sell or exchange for another Client if Marto believes in good faith at the time the investment decision is made that such investment would be unsuitable, impractical or undesirable for a particular Client.

Cross Trades

The Firm may determine that it would be in the best interests of one Client and one or more other Clients to transfer a security from one Client account to another (each such transfer, a "**Cross Trade**") for a variety of reasons, including, without limitation, tax purposes, liquidity purposes, to rebalance the portfolios of the Client accounts, or to reduce transaction costs that may arise in an open market transaction. If Marto decides to engage in a Cross Trade, Marto will determine that the trade is in the best interests of both of the Client accounts involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Client accounts. The Firm generally intends to execute Cross Trades, if at all, with the assistance of a broker-dealer that executes and books the transaction at the close of the market on the day of the transaction. Alternatively, a cross transaction between two Clients may occur as an "internal cross", where Marto instructs the custodian for the Client accounts to book the transaction at the price determined in accordance with the Valuation Policy. If Marto effects an internal cross, Marto will not receive any fee in connection with the completion of the transaction.

Principal Transactions

To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the Advisers Act) due to the ownership interest in the Funds by the General Partner, Marto or its personnel, the General Partner and Marto will comply with the requirements of Section 206(3) of the Advisers Act. In connection with principal transactions, Cross Trades, related-party transactions and other transactions and relationships involving potential conflicts of interest, the General Partner (in its capacity as general partner of the Fund and the Master Fund) is authorized to select one or more persons who are not affiliated with Marto (such as an independent director of the Offshore Fund) to serve on a committee (the "**Advisory Committee**"), the purpose of which is to consider and, on behalf of the investors in the Funds, approve or disapprove, to the extent required by applicable law or deemed advisable by the General Partner, such transactions and conflicts of interest. The Advisory Committee may approve such transactions prior to or contemporaneous with, or ratify such transactions subsequent to, their consummation. In no event will any such transaction be entered into unless it complies with applicable law. The member(s) of the Advisory Committee may be exculpated and indemnified by the Funds. Any decision of the Advisory Committee will be binding on all investors in the Funds.

Trade Errors

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

Item 13 - Review of Accounts

The Principal Owner and Head of Risk review the Clients' accounts continually for overall adherence to the investment strategy and investment guidelines. The Firm engages in active management of the Clients' accounts and accordingly reviews transactions, positions and cash balances on a daily basis.

Marto provides Fund investors with annual audited financial statements and additional periodic reporting (see item 15).

Item 14 - Client Referrals and Other Compensation

Other than the products and services that Marto receives from broker-dealers (described above under Item 12), Marto does not currently and does not expect to receive any economic benefits from third parties in connection with the provision of investment advice to Clients. Additionally, other than considerations regarding capital introduction programs (described

above under Item 12), Marto does not currently (although Marto reserves the right in the future) compensate any person for investor referrals.

Item 15 - Custody

Marto will comply with the requirements of the Rule 206(4)-2 of the Advisers Act with regards to Marto's custody of the Funds' assets. Marto is deemed to have custody of the Funds because it has the authority to obtain the funds or securities of the Funds, for example, by deducting advisory fees from the Funds custodial account or otherwise withdrawing funds from the Funds.

Marto does not expect to be required to comply (or expects to be 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 (i) 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, (ii) each Fund's audited financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), and (iii) each Fund distributes its audited financial statements to all investors within 120 days of the end of its fiscal year.

Marto does not deem itself to have custody of the Managed Accounts. However, Marto will confirm on a periodic basis that each Managed Account is receiving a brokerage statement directly from each relevant custodian of such Managed Account, on at least a quarterly basis.

Item 16 - Investment Discretion

Marto has discretionary authority to manage securities accounts on behalf of the Clients, which includes the authority to determine, without obtaining specific consent, the securities to be bought or sold, the amount of securities to be bought or sold, the broker-dealer to be used and the commission rates to be paid. The investors in the Funds generally will not have the ability to place any limits on Marto's authority beyond the limitations set forth in the Offering Documents of the applicable Fund.

Item 17 - Voting Client Securities

Marto has established proxy voting policies and procedures (the "**Proxy Voting Policy**") designed to ensure that proxies are voted in the best interest of the Clients.

The Proxy Voting Policy requires Marto, when voting proxies, to follow procedures designed to identify and address material conflicts that may arise between its interests and those of its Clients. Accordingly, prior to voting any proxy, the CCO will determine whether a material conflict of interest exists and will either resolve the conflict or refer the proxy vote to an outside service provider for its independent consideration.

In the absence of a material conflict, Marto will follow the voting guidelines set forth in its Proxy Voting Policy to determine whether and how to vote a proxy.

Upon request by a Client, Marto will disclose to such Client how it voted securities owned by such Client. Clients may also contact Marto via e-mail or telephone to request a copy of its Proxy Voting Policy.

Item 18 - Financial Information

Marto has no financial commitment that impairs the Firm's ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.