

Shanghai Shenyi Investment Co Ltd  
10<sup>th</sup> Floor, No. 99 Huangpu Rd  
Shanghai 200080  
PRC

Feb 2018

Contact: Yanyan Lin, Chief Compliance Officer

[www.shenyitz.com](http://www.shenyitz.com)

This brochure provides information about the qualifications and business practices of Shanghai Shenyi Investment Co Ltd. If you have any questions about the contents of this brochure, please contact us at +86 21 6838 9111. 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.

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

Additional information about Shanghai Shenyi Investment Co Ltd is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Contents

1. Advisory Business.....	3
a. Side Letters .....	4
2. Fees and Compensation.....	4
a. Management Fee .....	4
b. Performance Fee.....	4
c. Other Types of Fees or Expenses .....	5
3. Performance-Based Fees and Side-by-Side Management.....	6
4. Types of Clients .....	6
5. Investment Strategies .....	6
a. Market Neutral Arbitrage .....	6
i. Pure Arbitrage .....	6
ii. Relative Value .....	7
iii. Event Driven.....	7
iv. Alpha Model.....	7
v. Cross Border.....	7
b. Volatility Arbitrage .....	7
i. Vega Long Short .....	7
ii. Smile Skew Arbitrage .....	7
iii. Kurtosis Arbitrage .....	7
iv. Cross Border Arbitrage.....	8
v. Volatility Term Structure Arbitrage.....	8
c. Index Enhancement .....	8
d. CTA.....	8
e. Third Party Ventures .....	8
f. Trading Vehicles .....	8
6. Risks .....	8
a. General Risks.....	9
b. Market risk .....	9
c. Currency risk .....	9
d. Volatility Risk.....	9
e. Liquidity Risk .....	9
f. Fraud .....	9

g.	Model Risk.....	10
h.	Operational Risk.....	10
i.	Credit Risk .....	10
j.	Settlement Risk .....	10
k.	Hedging Risk.....	11
l.	Risk Related to Third-Party Ventures.....	11
m.	Valuation Risk.....	11
7.	Other Financial Industry Activities and Affiliations.....	12
8.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	12
a.	Code of Ethics.....	12
b.	Personal Trading .....	13
9.	Brokerage Practices .....	13
a.	Best Execution.....	13
b.	Soft Dollar Benefits .....	14
c.	Allocation of Investment Opportunities and Orders .....	14
d.	Trading Errors.....	15
10.	Review of Accounts.....	15
a.	Review of Accounts.....	15
b.	Reports to Clients.....	15
11.	Client Referrals and Other Compensation .....	15
12.	Voting Client Securities .....	15
13.	Financial Information .....	16

## 1. Advisory Business

Shanghai Shenyi Investment Co Ltd (“the investment company”), is an alternative asset management firm incorporated in 2004. Mr. Shen Yi is the investment company’s founder and principal owner. The investment company provides investment management services on a discretionary basis to privately offered investment vehicles, and may also provide investment management services to separately managed accounts. The investment company does not currently provide management services to any managed account.

As of Dec 31, 2017, the investment company managed client assets with a net asset value of approximately 400 million USD, all on a discretionary basis.

The investment company currently manages multiple RMB denominated funds for a number of Chinese institutions and two Cayman funds (China Evergreen Acquisition Corp and China Arbitrage Fund)

denominated in USD. The RMB denominated funds are only open to the investor affiliated with the respective Chinese institutions. China Evergreen Acquisition Corp is the offshore leg of domestic RMB denominated fund while China Arbitrage Fund is a standalone fund open to all qualified investors.

#### a. Side Letters

The investment company has the discretion, to the extent permitted by applicable law, to waive or modify the application of, or grant special or more favorable rights with respect to, the terms or provisions applicable to investment in the fund. Such terms may relate to certain withdrawal rights, fees, portfolio level information rights or different participation in profits and losses of certain securities ("Favorable Rights"), or other matters. To effect such waivers or modifications or the grant of any special or more favorable terms, the Multi-Strat Funds may create additional classes, sub-classes, tranches or series of interests for certain investors that provide for these differing rights. Certain such waivers, modifications or grants of special or more favorable rights may also be effected through side letters.

Although certain investors may invest with different material terms, the investment company generally will only offer such terms if they believe other investors will not be materially disadvantaged. The investment company may create additional classes, sub-classes, tranches or series of interests and enter into side letters without notice to, or consent of, other investors.

## 2. Fees and Compensation

The investment company typically charges investors fees that are based upon a set percentage of assets under management and/or performance. These fees are deducted directly from the applicable account. Detailed disclosure about the fees and other expenses applicable to an investment in the funds is provided in the operative confidential private placement memorandum ("PPM") and related documents for the applicable fund. Those operative documents should be carefully reviewed prior to making an investment in the fund.

#### a. Management Fee

The investment company shall receive a management fee (the "Management Fee"), payable monthly by the investors, which is equal to 2/12 of 1% (2% per annum) of the Net Asset Value (before any reserves or accruals for the Management Fees for the current month or Performance Fee for the current year). The Management Fee is calculated monthly (based on the monthly Net Asset Value) and payable monthly in arrears on the last day of each month and will be allocated ratably to each class and series of Shares and for partial periods. Any new or existing Shareholder that subscribes for Shares at any time other than the first day of a month will be assessed a prorated portion of the Management Fee with respect to such subscription.

#### b. Performance Fee

The investment company shall receive a performance fee (the "Performance Fee") calculated and payable as of each fiscal year-end (and on a dealing day with respect to shares redeemed or transferred other than at year end), on a share-by-share basis, in an amount equal to 20% of the increase, if any, in the Net Asset Value of a Share, above the Net Asset Value thereof for the Fiscal Year (or any portion thereof) with respect to which a Performance Fee was most recently paid or, if no Performance Fee has been paid with respect to any such Shares, the increase, (if

any), in the Net Asset Value of such Shares since the issuance thereof, measured cumulatively from the original issuance of such Shares prior to any accrual of the Performance Fee attributable to such Shares for such Fiscal Year (or any portion thereof).

The investment company, in their discretion, may elect to reduce, waive or calculate differently both the Management and Performance Fee with respect to certain class of investors.

The investment company may enter into side letter arrangements with investors granting an investor preferred economic and other terms as compared to other investors.

#### c. Other Types of Fees or Expenses

Investors bear indirectly the fees and expenses charged to funds. These fees and expenses vary, but typically include, without limitation, the following:

Investment-related expenses (e.g., brokerage commissions, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, clearing and settlement charges, exchange fees, interest expenses and investment/research-related travel and travel-related expenses); research-related expenses, including, without limitation, research-related publications, data and news and quotation equipment and services and expenses for industry conferences, symposiums, meetings or similar gatherings (including travel-related and admission expenses); fees and expenses of the administrator and other third parties (including on and off-site contractors and consultants) providing administrative, accounting, operations and valuation services (including any valuation agent); legal expenses (including, without limitation, legal expenses relating to the offering of interests, investment activities, regulatory investigations and regulatory reporting and compliance costs; professional fees and expenses (including, without limitation, fees and expenses of consultants and experts); systems and technology expenses (including, without limitation, investment-related systems and accounting, operations, risk and valuation systems and technology to the extent that they support proprietary or vendor supplied investment and/or research-related systems and processes, such expenses to include, for the avoidance of doubt, the fees and expenses of consultants providing the foregoing and the cost of obtaining and storing data required for such systems and technology); accounting, auditing and tax preparation expenses; costs of preparing and mailing reports and notices; organizational expenses; expenses relating to obtaining insurance for members, officers and employees of The investment company; fees and expenses (including, without limitation, director registration fees); Management Fees; corporate licensing fees and other professional fees; bank service fees; withholding and transfer fees; entity-level taxes; other similar expenses related to the funds.

To the extent any of the foregoing expenses also benefit other Clients, they will be allocated among the various Clients in a manner determined by the investment company in its sole discretion.

The investment company may earn fees and other income ("Ancillary Fees") from services provided or related to portfolio investments or licensing technologies in connection with portfolio investments or prospective portfolio investments, such as, without limitation, advisory fees, due diligence fees, structuring fees, servicing fees, directors' fees, break-up fees or any similar fees. The investment company and its affiliates will keep any profits, commissions, fees

or other income earned by them in connection with any such activities. Neither Ancillary Fees nor other types of income earned by the investment company and its affiliates, will reduce the Performance Fee or Management Fee.

### 3. Performance-Based Fees and Side-by-Side Management

All the investment company clients are subject to payment of a performance-based fee. As a result, the investment company does not face the conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not others. However, to the extent performance-based fees paid by Clients vary, the investment company may have an incentive to favor one Client over another. The investment company addresses this possible conflict through its trade allocation policy, in which investment opportunities are allocated among clients according to each client's investment objectives, risk tolerance and guidelines in a fair and equitable manner.

### 4. Types of Clients

The investment company provides investment advice to private investment vehicles. The investment company provides investment advice directly to the funds and not individually to the fund investors. The fund investors generally consist of institutions (e.g., pension plans, endowments, trusts, estates, charitable organizations, foundations, insurance companies, banks, etc.), "funds of funds" and high net worth families and individuals.

### 5. Investment Strategies

The investment company's investment objective is to target traditional and non-traditional sources of alpha by employing a diverse set of catalyst-driven absolute return strategies that are intended to be uncorrelated to each other. The funds expect to hold both long and short positions in a broad range of debt and equity securities, derivatives and other financial instruments focusing mainly on greater China region. The funds may trade derivatives both for hedging and for investment purposes.

The investment company is continually developing new, and adapting and refining existing, trading and investment strategies.

The investment strategies can be classified into 4 main categories

- a. Market Neutral Arbitrage
- b. Volatility Arbitrage
- c. Index Enhancement
- d. CTA (Trend following)

#### a. Market Neutral Arbitrage

##### i. Pure Arbitrage

Pure arbitrage is the exploitation of an observable price inefficiency and, as such, pure arbitrage is considered riskless. The strategies employed can be split into the following board categories

ii. Relative Value

Relative value strategies seek to profit from the relative mispricing of related assets: e.g., convertible bonds and the underlying common stock, other options and futures and their underlying reference assets, debt instruments of the same issuer or of different issuers with different maturities or yields and the common stock of different issuers in the same industry sector. These strategies may be highly quantitative and based on theoretical or historical pricing relationships. Because they focus on capturing the value from the relative mispricing of related assets, relative value strategies can generate returns independent of overall movements in the global level of debt or equity prices, although many of these strategies in fact are constructed with a long or short equity or debt bias.

iii. Event Driven

Event-driven strategies concentrate on the profit potential created by major corporate events: e.g., mergers, acquisitions, restructurings, bankruptcies, liquidations, regulatory or legal developments and other events. Positions are taken which will be profitable if a particular event comes to pass, while a variety of techniques are used to mitigate the risk that the event does not occur.

iv. Alpha Model

Multi-factor models can be divided into three categories: macroeconomic models, fundamental models and statistical models. Macroeconomic models compare a security's return to such factors as employment, inflation and interest. Fundamental models analyze the relationship between a security's return and its underlying financials, such as earnings. Statistical models are used to compare the returns of different securities based on the statistical performance of each security in and of itself. The investment company uses a combination of fundamental and statistical factors.

v. Cross Border

With electronic communication networks and foreign exchanges make it possible to take advantage of "exchange arbitrage," the arbitraging of prices among different exchanges.

b. Volatility Arbitrage

i. Vega Long Short

When implied volatility is significantly higher than realized volatility, sell options and profit from long theta. When implied volatility is significantly lower than realized volatility, buy options and profit from long gamma.

ii. Smile Skew Arbitrage

When skewness of the volatility smile exceeds certain criteria, buy/sell wing calls and puts to make a profit

iii. Kurtosis Arbitrage

When skewness of the volatility smile exceeds certain criteria, buy/sell butterfly spreads to make a profit.

iv. Cross Border Arbitrage

Buy/sell options with similar underlyers across different markets to make a profit.

v. Volatility Term Structure Arbitrage

When volatility term structure exceeds certain criteria, buy/sell options across different expiration to make a profit.

c. Index Enhancement

Index Enhancement actively manages a portfolio which improves on the performance of the CSI300 and CSI500 Smallcap Indices. Index enhancement identifies a similar basket to the reference index constituents and maximizes the expected returns while minimizing the tracking error to the index. The portfolio is regularly rebalanced with a weekly frequency for the CSI300 and a daily frequency for the CSI500 Smallcap Index.

d. CTA

CTA is a short and medium systematic pattern/trend following strategy using all liquid commodity futures listed in China. The short-term strategy has a holding period of 1 to 2 days while the medium-term strategy has a holding period of 4 to 6 weeks. The investment company short term strategy relies on machine learning techniques to identify patterns by trawling through large sets of data. There is a low correlation between the assets in the portfolio.

e. Third Party Ventures

The investment company may enter into joint venture or co-investment arrangements with unaffiliated third parties, participate in private pooled investment vehicles (including other private investment funds, but specifically excluding, for purposes of the definition below of “Third Party Ventures”, (a) pooled investment vehicles that are publicly traded, such as mutual funds, and (b) pooled investment vehicles managed by The investment company and/or its affiliates) or invest capital in separately managed accounts with unaffiliated investment managers where The investment company determines that such arrangements complement The investment company’s expertise and/or enhance the company’s ability to access specific investment opportunities (collectively, “Third-Party Ventures”). When the investment company enters into a Third-Party Venture, the manager thereof may be paid fixed asset-based fees and/or performance-based fees. This is in addition to the Management and Performance Fees received by the investment company and/or an affiliate.

f. Trading Vehicles

There are no material restrictions on the strategies, leverage or markets which may be incorporated into the portfolio or the percentage of assets that may be committed to any particular strategy type, market or instrument. The composition of the portfolio, as well as the liquidity profile and the expected position duration of such portfolio, can be expected to change materially over time, as the strategies implement by the investment company continue to evolve.

## 6. Risks

Investing in securities involves risk of loss that investors should be prepared to bear. The following is a summary of some of the material risks associated with the strategies expected to account for a



significant portion of the company's investments. This summary does not attempt to describe all of the risks associated with an investment but a more comprehensive description can be found in the PPM document.

Risk management is a key part of the investment company's investment process. The company attempts to monitor the risk parameters of each portfolio and mitigate the risks by hedging at the position, strategy and/or portfolio level. Such attempts may not be entirely effective and hedging strategies themselves could add additional risks. The investment company generally does not attempt to hedge all market or other risks inherent in a portfolio.

#### a. General Risks

All investments are at risk to the loss of capital. No guarantee or representation is made that an investment strategy will be successful and investment results may vary substantially over time. The past performance is not necessarily indicative of their future results.

#### b. Market risk

Market risk is the risk that changes in market prices-such as interest rates, foreign exchange rates, equity prices and credit spreads will affect the portfolio's income or the fair value of its holdings of financial instruments. The portfolio's market risk is managed by the Investment Manager in accordance with the policies and procedures in place.

#### c. Currency risk

Currency risk is the risk that financial instruments denominated in a currency other than the portfolio's reporting currency, will fluctuate due to change in exchange rates that has an adverse effect on the fair value or future cash flows of the portfolio.

#### d. Volatility Risk

The prices of instruments traded may be subject to periods of excessive volatility. While volatility can create profit opportunities, it also can create the specific risk that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur losses. On the other hand, the lack of volatility can also result in losses for certain strategies that profit from price movements.

#### e. Liquidity Risk

Certain investment positions may be illiquid in the ordinary course of business, as well as experience periods of illiquidity despite generally being liquid. Lack of liquidity can make it economically unfeasible to recognize profits on open positions or to close out open positions against which the market is moving and could also adversely affect the ability to rebalance its portfolios. Illiquidity can also disconnect market values from the historical pricing indicators used in the investment company's investment analysis.

#### f. Fraud

Of paramount concern in investments is the possibility of material misrepresentation or omission on the part of a counterparty or an issuer. Such inaccuracy or incompleteness, among other things, may adversely affect the valuation of the collateral underlying an investment or cause funds to be misappropriated. The investment company relies upon the accuracy and

completeness of representations made by counterparties and issuers to the extent that it deems such representations to be reasonable, but cannot guarantee such accuracy or completeness.

#### g. Model Risk

Certain of the strategies require the use of quantitative models that the investment company has developed over time, as well as valuation models developed by third parties. As market dynamics shift over time, a previously highly successful model often becomes outdated or inaccurate, perhaps without the investment company recognizing that fact before substantial losses are incurred. There can be no assurance that the investment company will be successful in continuing to develop and maintain effective quantitative models. Models are subject to limitations, including, but not limited to, those caused by incorrect or unrealistic assumptions, computer herding, inapplicability of historical data, omission of key data, erroneous code, oversimplification and underpricing risk.

#### h. Operational Risk

The company has developed appropriate systems and procedures to control operational risk. These systems and procedures may not account for every actual or potential disruption of the operations. The business is dynamic and complex. As a result, certain operational risks are intrinsic to the operations. The investment company rely heavily on the financial, accounting and other data processing systems, prime brokers and administrators. Systemic failures in the systems employed by the investment company, prime brokers, the administrators and/or 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. These and other similar disruptions may cause financial loss, the disruption of its businesses, liability to third parties, regulatory intervention or reputational damage.

#### i. Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting a financial loss to the Company. It arises principally from derivative financial assets, cash, and balances due from and to brokers. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligor default risk, country risk and sector risk).

The Company's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the Company's prospectus and by taking collateral.

Credit risk relating to unsettled transactions is considered small due to short settlement period involved and the high credit quality of the brokers used. The Investment Manager monitors the financial conditions of the broker on a quarterly basis.

#### j. Settlement Risk

The Company's activities may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as

contractually agreed. The Company mitigates this risk by settling/paying for all transactions upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The Investment Manager monitors the overall credit risk on an ongoing basis through analysis of credit spreads and review of the financial conditions of the counterparties.

The maximum exposure to credit risk before any credit enhancements as at December 31, 2016 is the carrying amount of the Company's assets. At December 31, 2016, cash was held with a global financial institution, HSBC Bank of Bermuda Limited with a credit rating of A-. The Company continuously monitors the credit standing of its bank and brokers and does not expect any material losses.

#### k. Hedging Risk

While hedging transactions to seek to reduce risk, such transactions may not be fully effective in mitigating the risks in all market environments or against all types of risk, thereby incurring losses. In addition, such hedging transactions may result in a poorer overall performance if it had not engaged in any such hedging transactions. Hedging strategies themselves are subject to both significant transaction costs, as well as to path-dependent outcomes determined upon when hedging positions are applied, increased, reduced or eliminated and the correlation between such hedging positions and the directional positions that they are intended to hedge.

#### l. Risk Related to Third-Party Ventures

When a fund invests in Third Party Ventures, the fund must rely on the performance of third parties, thereby increasing the risk of manager misconduct or bad judgment, as well as limiting the investment company's control over, and knowledge of, the overall portfolio. The fund may not be able to redeem shares from a Third-Party Venture even in situations where such Third-Party Venture is deviating from announced strategies or risk control policies or has otherwise been materially adversely affected. Furthermore, a Third-Party Venture may deviate significantly from its announced strategies and/or risk control policies without the investment company's knowledge.

#### m. Valuation Risk

The administrator calculates the net asset value of the funds based on pricing information gathered. Such valuations will affect the Management and Incentive Fees received by the investment company and its affiliates.

The values of the positions are based, to the extent possible, on independent third-party pricing sources, which may include quotes provided by brokers and dealers. To the extent available, prices of securities will be obtained from certain independent pricing sources. Certain valuations cannot be made on the basis of third-party pricing sources. The fair market value of those investments for which a reliable third-party quote is not available is based on other relevant sources deemed reliable by the investment company, in their good faith judgment. Such valuations may be subject to material correction and/or restatement over time.

## 7. Other Financial Industry Activities and Affiliations

Certain investment company's officers, employees and/or their related persons may invest directly in certain of the funds, are not charged a management fee and/or incentive fee/allocation or may be subject to a reduced incentive fee/allocation.

As disclosed in the Funds' PPMs, The investment company and/or its affiliates (including its employees) are not restricted from forming additional investment funds, entering into other investment advisory relationships, investing their personal funds, or engaging in other business activities, even though such activities may substantially track, correlate to, mimic, conflict with or compete with the investment manager's fund and/or may involve substantial time and resources of the investment company and/or its affiliates.

The investment company does not believe that it and its employees/management persons have any current relationships or arrangements with other financial services companies that are material to its advisory business or to its Clients or that pose material conflicts of interest. In order to prevent any potential conflicts from arising, the investment company generally prohibits each of its employees and their related persons and entities from making or maintaining personal investments in entities with which such employee routinely causes the Clients to trade or co-invest. In addition, with certain limited exceptions relating primarily to volunteer activities, any the investment company employee seeking to participate in any outside business activity must obtain the approval of the investment company's Chief Compliance Officer in order to participate in such activity.

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

### a. Code of Ethics

High ethical standards are essential for the success of the investment company and to maintain the confidence of each Client. The investment company is of the view that its long-term business interests are best served by adherence to the principle that Clients' interests come first. In recognition of the investment company's fiduciary obligations to its Clients and the investment company's desire to maintain its high ethical standards, The investment company has adopted a Code of Ethics containing provisions designed to:

- (i) prevent improper personal trading by the investment company personnel;
- (ii) prevent improper use of material, non-public information about securities recommendations made by the investment company or securities holdings of Clients;
- (iii) identify conflicts of interest (including the establishment of policies concerning outside business interests and gifts and entertainment);
- (iv) provide a means to resolve any actual or potential conflict in favor of the Client; and
- (v) establish policies with respect to political contributions and compliance with the Foreign Corrupt Practices Act.

The Code of Ethics requires compliance with applicable federal and state securities laws. The Code of Ethics will be provided to any Client or Fund investor or potential Client or Fund investor upon request.

### b. Personal Trading

The investment company's employees and principals are permitted to invest in their personal trading accounts, subject to certain restrictions, and may in certain circumstances invest in the same or related securities as the investment company recommends to the Client accounts, although these circumstances will generally be very limited as set forth below. In order to reduce certain conflicts of interest that may arise between Client accounts and the personal trading activities of the investment company personnel, the investment company has adopted a personal trading policy (contained in the Code of Ethics). The personal trading policy, among other things, requires: (i) disclosure of all relevant securities accounts, holdings and transactions and (ii) preclearance of relevant securities transactions, prior to their execution, which is designed to prevent conflicts of interest between the investment company personnel and the investment company's Clients and to prevent the misuse of material, non-public information. The personal trading policy generally prohibits, with certain limited exceptions, the investment company employees from trading in the same or related securities as those held by the Client accounts.

## 9. Brokerage Practices

The investment company has complete authority over the selection of the brokerage firms used to execute and clear portfolio transactions on behalf of Clients and custody assets of Clients.

### a. Best Execution

Transactions for Clients will be allocated to broker-dealers for execution taking into consideration factors such as price; transaction costs; ability to effect the transactions; a broker-dealer's facilities, reliability and financial responsibility; commitment of capital; access to company management; quality of research; effectiveness of sales coverage; access to deal flow; the provision or payment by the broker-dealer of the costs of research; and other factors that are deemed appropriate to consider under the circumstances. In selecting broker-dealers, the investment company need not solicit competitive bids and has no obligation to seek the lowest available commission cost. The investment company does not always negotiate "execution only" commission rates and may, in its sole discretion, determine that the amount of commissions charged by a broker-dealer which is greater than the amount another broker-dealer might charge is reasonable in relation to the value of the brokerage and products or services provided by such broker-dealer. Accordingly, the commissions and other transaction costs (which may include dealer markups or markdowns) charged to Clients by broker-dealers in the foregoing circumstances may be higher than those charged by other broker-dealers that may not offer such products or services. Subject to the considerations described above, the selection of a broker-dealer (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services may be influenced by, among other things, the provision by the broker-dealer of the following: capital introduction, marketing assistance, and consulting with respect to technology, operations, equipment and office space. The investment company may have an incentive to select a broker-dealer based on its interest in receiving these services rather than on Clients' interest in achieving most favorable execution. However, as noted above, the investment company selects broker-dealers according to its fiduciary duty to seek best execution, taking into account all applicable considerations.

## b. Soft Dollar Benefits

As a matter of policy, the investment company does not enter into arrangements under which the investment company guarantees a broker-dealer a certain amount of business in exchange for products or services. However, the investment company may use certain broker-dealers that provide certain research or other products or services to their customers, even if such broker-dealers charge more than the lowest available commission available in the market for “execution only” services. The investment company may receive from such broker-dealers various research-related products or services, including access to the broker-dealers’ research websites, research mailed to the broker-dealers’ customers, attendance at industry and investor conferences (which may include management meetings and expert panel discussions), and access to management of securities issuers and industry experts. The investment company will take advantage of the products or services provided rather than producing or paying for them from another provider. In these situations, the investment company receives a benefit because it does not have to pay for the products or services, such as research.

## c. Allocation of Investment Opportunities and Orders

As a fiduciary, the investment company must allocate investment opportunities among its Clients in a fair and equitable manner.

The investment company may consider a number of factors in determining which investments to make on behalf of a Client, including, but not limited to, differences in risk tolerances, tax and/or regulatory status and investment objectives. As a result, there may be differences among Clients in invested positions and securities held. However, the investment company will not make any investment allocation decisions based upon account performance or applicable fee structures.

In situations where more than one Client invests in a common position, the investment company will generally aggregate orders unless aggregation is not consistent with the investment company’s duty to obtain best execution and the terms of the investment guidelines and restrictions of each pertinent Client. Aggregation describes a procedure whereby an adviser combines the orders of two or more clients into a single order for the purpose of obtaining better prices and lower execution costs. No Client will be favored over any other Client. Each Client that participates in an aggregated order will participate at the average price for all of the investment company’s transactions in that security on a given business day, with transaction costs shared pro rata. Brokerage commission rates are not reduced as a result of such aggregation. In some instances, average pricing may result in higher or lower execution prices than otherwise obtainable by a single Client.

In situations where different Client accounts invest in a common position or when an aggregated order is only partially filled, the investment company will allocate the investment opportunity or a partially filled order on a fair and equitable basis. In such a situation, orders will generally be allocated pro rata based on the size of the Client account. However, allocations may be made on a basis other than pro rata for a number of reasons, including, but not limited to, a Client’s investment guidelines and restrictions, available cash, liquidity requirements, tax, regulatory, or legal reasons, to avoid odd lots, or in cases in which such an allocation would result in a de minimis allocation.

#### d. Trading Errors

Trading errors are an intrinsic factor in any complex investment process, and will occur. The investment company (unless it otherwise determines) will treat all trading errors (including those which result in losses and those which result in gains) as for the account of the Client, unless they are the result of conduct by the investment company which is inconsistent with the standard of care set forth in the pertinent investment management agreement. Currently, all trading errors will be treated as for the client account absent of fraud, bad faith, gross negligence or willful misconduct of the investment company, its partners, affiliates, agents, officers or employees, unless such standard would be in violation of applicable law.

### 10. Review of Accounts

#### a. Review of Accounts

The investment company will review, as pertinent, each Client's portfolio holdings to determine that the investments held by each Client remain consistent with the pertinent offering documents and will generally review each Client's performance on an ongoing basis.

#### b. Reports to Clients

Fund investors receive unaudited performance information at least quarterly and audited financial statements on an annual basis. Some investors may be offered additional information and reporting that other investors may not receive, and such information may affect an investor's decision to request a withdrawal from its capital account.

### 11. Client Referrals and Other Compensation

The investment company does not currently have any arrangements with third parties whereby such third parties are compensated for client referrals.

In the event the investment company enters into compensation arrangements with third party solicitors for new advisory business, any such solicitation arrangements will comply with Rule 206(4)-3 under the Advisers Act.

### 12. Voting Client Securities

The investment company has voting authority and responsibility with respect to securities held and may in the future have voting authority with respect to securities held by other clients. The investment company's proxy voting policy is overseen by the Chief Compliance Officer and the Chief Operating Officer and such other persons as may be appointed from time to time. In voting proxies relating to securities held the investment company is guided by general fiduciary principles and votes in the manner it believes is consistent with efforts to achieve a Client's stated investment objectives. The investment company retains the discretion to take no action with respect to a proposed vote if it determines that doing so is in the best interests of a Client (for example, where the investment company determines that the cost of voting exceeds the expected benefit to the Client).

### 13. Financial Information

The investment company is not aware of any financial condition reasonably likely to impair its ability to meet contractual commitments to its Clients, and the investment company has not been the subject of a bankruptcy petition.