

# RANGER

## ADVISORS

### ADVISER BROCHURE

Form ADV Part 2A

#### **Ranger Advisors, L.P.**

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Dallas, Texas 75201  
(214) 871-5200

March 31, 2020

This Brochure provides information about the qualifications and business practices of Ranger Advisors, L.P. If you have any questions about the contents of this Brochure, please contact us at (214) 871-5200. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Ranger Advisors, L.P. is registered with the United States Securities and Exchange Commission (the “SEC”) in accordance with the Investment Advisers Act of 1940 (the “Advisers Act”). Registration with the SEC as an investment adviser does not imply any level of skill or training.

Additional information about Ranger Advisors, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about persons who are both affiliated with Ranger Advisors, L.P. and registered as investment advisers with the SEC.

**REFERENCES AND DISCLOSURES RELATING TO MULTI-STRATEGY FUND PRESENTED HEREIN, INCLUDING BUT NOT LIMITED TO: (I) THE INVESTMENT OBJECTIVE, STRATEGIES, RESTRICTIONS AND MANAGEMENT OF A FUND, (II) RISKS AND CONFLICTS OF INTEREST ASSOCIATED WITH AN INVESTMENT IN A FUND, (III) DESCRIPTIONS OF SECURITIES PERMISSIBLE FOR INVESTMENT BY A FUND, AND (IV) TERMS FOR INVESTMENT WITHIN A FUND, ARE QUALIFIED IN THEIR ENTIRETY BY AND SHOULD BE READ IN CONJUNCTION WITH SUCH FUND’S OFFERING DOCUMENTS AND OPERATING AGREEMENTS, INCLUDING WITHOUT LIMITATION, ANY PRIVATE PLACEMENT MEMORANDUM, LIMITED PARTNERSHIP AGREEMENT, MEMORANDUM AND ARTICLES OF ASSOCIATION, INVESTMENT MANAGEMENT AGREEMENT OR SUBSCRIPTION AGREEMENT. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO REVIEW OFFERING DOCUMENTS AND OPERATING AGREEMENTS CAREFULLY, AND CONSULT THEIR INDIVIDUAL FINANCIAL, LEGAL OR TAX ADVISORS PRIOR TO MAKING AN INVESTMENT. INFORMATION ABOUT WHAT OFFERING DOCUMENTS AND OPERATING AGREEMENTS ARE AVAILABLE FOR REVIEW BY A PROSPECTIVE INVESTOR, ALONG WITH APPLICABLE COPIES OF SUCH DOCUMENTS, IS AVAILABLE BY CONTACTING THE FIRM AT (214) 871-5200 OR [INFO@RANGERCAP.COM](mailto:INFO@RANGERCAP.COM)**

## Item 2 – Material Changes

SEC rules require Ranger Advisors, L.P. (“Ranger” or the “Firm”), and other registered investment advisers, to provide its Clients with a copy of its Form ADV 2 within 120 days of the close of its fiscal year, as well as on an ongoing basis when material changes make such disclosures necessary. The Firm’s Form ADV 2 is intended to provide its Clients with a clearly written and meaningful disclosure, in plain English, about the Firm’s business practices, conflicts of interest and advisory personnel.

The Firm’s Form ADV 2 is divided into two parts, *Part 2A* and *Part 2B*. *Part 2A* of the Form ADV (the “Brochure”) provides information about a variety of topics relating to the Firm’s business practices and conflicts of interest. *Part 2B* of the Form ADV (the “Brochure Supplement”) provides information about certain Ranger advisory personnel.

This section of the Brochure addresses “material changes” that have taken place since the last annual update and will be posted on the SEC’s public disclosure website (IAPD). Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

The effective date of this Brochure is March 31, 2020, and updates the Brochure dated March 31, 2019. A summary of the material revisions made to the previous version of the Firm’s Brochure is as follows:

1. **Item 4 – Advisory Business.** Item 4 was updated to reflect its current investment advisory services and underlying investments and was modified to further reaffirm the firm does not foresee using leverage in the future.
2. **Item 5 – Fees and Compensation.** Description of the Ranger Multi-Strategy Fund classes offered by the Firm was updated.
3. **Item 6 – Performance-Based Fees and Side-By-Side Management.** Modified description of fee structure to reflect accounts currently being advised.
4. **Item 8 - Methods of Analysis, Investment Strategies & Risk of Loss.** Risk Factors applicable to the Ranger Multi-Strategy Fund’s current investments were updated and expanded.
5. **Item 10 – Other Financial Industry Activities and Affiliates.** Description of the Firm’s affiliates was updated to include new affiliated registered investment advisors.

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## Item 4 – Advisory Business

Ranger Advisors, L.P. (“Ranger” or the “Firm”) is an investment adviser founded in 2000. In January 2006, the Firm registered with the United States Securities and Exchange Commission (the “SEC”), in accordance with the Investment Advisers Act of 1940. The Firm was organized as a Texas limited partnership by Ranger Management, L.L.C., a Texas limited liability company which serves as its general partner. Ranger Management, L.L.C. is controlled by Ranger Capital Group Holdings, L.P., a Texas limited partnership which serves as its managing member.

As of December 31, 2019, the Firm managed approximately \$17,619,453 in discretionary assets under management. The Firm is permitted, but not required, to employ leverage on behalf of certain enhanced classes of interests or shares in pooled investment vehicles. However, as of the date hereof, leverage is not currently being employed by the enhanced classes of shares or interests and does not foresee deploying leverage within the foreseeable future. Classes of interest or shares which are not designated as enhanced are not authorized to employ leverage at the portfolio level advised by the Firm.

### Investment Advisory Services

The Firm provides investment advisory services to the Ranger Multi-Strategy Fund, Ltd. (“Ranger Multi-Strategy Fund” or the “Client”). The Ranger Multi-Strategy Fund is an exempted company incorporated in the Cayman Islands and regulated as a mutual fund under the Mutual Funds Law (2009 Revision) of the Cayman Islands.

**THE RANGER MULTI-STRATEGY FUND IS CURRENTLY CLOSED TO NEW OR ADDITIONAL INVESTORS; AND THE FIRM DOES NOT SOLICIT NEW INVESTORS FOR THE FUND.** However, to the extent that shares in the Fund are offered on a future date, such offering will be made on a private placement basis, only to persons who are either not “U.S. Persons,” as defined under Regulation S of the Securities Act of 1933, U.S tax-exempt entities, or U.S. Persons who meet the definition of “Accredited Investors”, as defined in Rule 501 of Regulation D of the Securities Act of 1933 and/or “Qualified Persons” as defined in Rule 2a51-1 of the Investment Company Act of 1933. In addition, current and prospective investors should ensure that they are capable of evaluating the merits and risks of an investment in the Ranger Multi-Strategy Fund prior to initiating or maintaining an investment. To obtain a current version of the Ranger Multi-Strategy Fund’s private placement memorandum, current and prospective investors are encouraged to contact the Firm at (214) 871-5200.

### Investment Program Summary

The Ranger Multi-Strategy Fund’s investment strategy focuses primarily on “fund of funds” investment portfolio, wherein a portfolio invests in private funds and/or separate accounts advised primarily by investment advisers which are affiliated with the Firm (each, a “Portfolio Investment”), within a set of investment strategies. The Ranger Multi-Strategy Fund may, but is not required to, invest in Portfolio Investments that are not affiliated with Ranger.

Ranger affiliated investment advisers which currently serve as Portfolio Investments and a brief description of the strategies they manage, include:

- Ranger Investment Management, L.P. manages investment portfolios which consist of long only U.S. exchange traded equity securities of primarily micro, small and SMID capitalization growth oriented companies. As of March 31, 2020, the Ranger Multi-Strategy Fund maintains exposure to Ranger Investment's micro and small cap strategies pursuant to an investment in the Ranger Small Cap Mutual Fund and the Ranger Micro Cap Fund. Prospectuses and/or Private Placement Memorandums for each of these funds are available upon request by contacting the Firm at (214) 871-5200.
- Ranger International Management, LP manages investment portfolios composed of long-only global income and growth, and international equity strategies. As of March 31, 2020, the Ranger Multi-Strategy Fund maintains exposure to each of these strategies pursuant to an investment in the Ranger International Fund, LP's Income and Growth Class and International Class. Private Placement Memorandums for each of these Funds are available upon request by contacting the Firm at (214) 871-5200.
- Ranger Alternative Management II, LP manages investment portfolios which consist of secured and unsecured consumer and business loans originated by direct lending sources. As of March 31, 2020, the Ranger Multi-Strategy Fund maintains exposure to this strategy pursuant to an investment in the Ranger Specialty Income Fund. The Ranger Specialty Income Fund is currently in liquidation and cash distributed from the Ranger Specialty Income Fund is invested in the remaining Portfolio Investments. Private Placement Memorandums for the Ranger Specialty Income Fund is available upon request by contacting the Firm at (214) 871-5200.

The Ranger Multi-Strategy Fund does not currently invest in products and advisory services of non-affiliated investment advisors, but maintains the discretion to do so in the future.

The Portfolio Investments and strategies mentioned above may be subject to change at the discretion of the Firm. Additional information regarding any Portfolio Investment may be obtained by contacting the Firm at (214) 871-5200 or on-line at [www.rangercap.com](http://www.rangercap.com).

#### Leverage Facilities

The Ranger Multi-Strategy Fund maintains classes of shares which have the authority, but not the obligation, to employ leverage (the "Leverage Feature") at either the portfolio or underlying investment level (the "Enhanced Classes") and classes of shares which do not have the authority to employ leverage at either the portfolio level or underlying investment level (the "Non-Enhanced Classes"). The Enhanced Classes may implement leverage by employing credit facilities, swap agreements, structured products, or margin leverage.

**NOTWITHSTANDING THE ABOVE, THE FIRM DOES NOT CURRENTLY DEPLOY LEVERAGE WITH RESPECT TO ITS ENHANCED CLASSES AND DOES NOT INTEND TO DEPLOY LEVERAGE WITHIN THE FORESEEABLE FUTURE.**

To the extent that the Enhanced Classes intend to use leverage in the future, it will provide existing Enhanced Classes of shareholders with sufficient advance written notice to fully redeem from the Ranger Multi-Strategy Fund prior to the effective date of any leverage.

#### Separate Account Management

The Firm may also serve as investment adviser to investors who have opened separately managed accounts (“Separate Accounts”) with full power & authority to supervise and direct investments, on a discretionary basis, on behalf of such Separate Accounts. The Firm’s investment decisions and advice with respect to Separate Accounts shall be in accordance with an investor’s investment objectives and guidelines, as set forth within the investor’s Investment Advisory Agreement, as well as any written instructions provided by the investor to the Firm.

Although subject to change without advance notice, the Firm is neither currently serving as an investment advisor to any Separate Accounts nor soliciting or accepting new Separate Account Clients.

### **Item 5 – Fees and Compensation**

#### Ranger Multi-Strategy Fund

Investors in the Ranger Multi-Strategy Fund are generally charged advisory fees in accordance with the advisory fee schedule set forth in the applicable offering documents of the Ranger Multi-Strategy Fund. However, at the Firm’s sole discretion, advisory fees between the Ranger Multi-Strategy Fund and a shareholder of such fund may be negotiable based on specific circumstances and on a case by case basis, including without limitation due to the relative size of an investor’s account, an investor’s affiliation to the Firm, and/or an investor’s status as an early investor. Accordingly, advisory fees incurred by investors may vary substantially.

Advisory Fees are generally deducted from investor assets, with the exception of certain Separate Accounts, which may request that fees be billed to and paid directly by the investor.

Investors in the Ranger Multi-Strategy Fund may be subject to two forms of advisory fees: (i) fees which are charged as a fixed percentage of assets under management by the Firm (“Management Fees”), and (ii) fees which are charged as a percentage of the appreciation of the net asset value of an investor’s account (“Performance Fees” and together with Management Fees, the “Advisory Fees”).

Management Fees are generally referenced at an annual rate but are calculated and charged in advance on a quarterly basis, based on the assets under management attributable to the investor as of the first day of such applicable quarter. Management Fees with respect to the Enhanced Classes are charged as a percentage of (i) the net asset value of such Enhanced Classes, and (ii) any capital attributable to leverage on behalf of such Enhanced Classes, and (iii) the notional value of derivatives and/or structured products employed by the Enhanced Classes. As such, Management Fees will correlate to gross assets under management by the Firm, the amount of which is increased in proportion to the leverage employed by the Enhanced Classes and/or the notional value of any structured product. To the extent that an investor in a Separate Account or the Ranger Multi-

Strategy Fund redeems its investment, all fees paid in advance for dates subsequent to such applicable redemption date shall be promptly refunded by the Firm.

Performance Fees are generally referenced, calculated and charged on an annual basis (or upon the full or partial redemption of an investor's account). Performance Fees may be subject to "high water marks", which only permit the payment of Performance Fees to the extent that appreciation in an account's net asset value exceeds the net asset value of such account as of such time as when a prior Performance Fee was charged (or the date in which an investor's account was opened). Performance Fee calculations may also be subject to a "Performance Hurdle Rate" whereby a Performance Fee percentage or the underlying appreciation of an investor's account appreciation may be reduced by a variable percentage correlating to the average of the annual coupon equivalent yield on 3-Month U.S. Treasury Bills and 5-Year U.S. Treasury Notes prevailing at the close of the public market on the last business day of the immediately preceding fiscal year. The Performance Hurdle Rate is subject to a floor of three percent (3%) and a ceiling of six percent (6%).

With respect to the Ranger Multi-Strategy Fund, the Firm generally charges (i) an annual Management Fee of between one percent (1%), and (ii) an annual Performance Fee in an amount between five percent (5%) and ten percent (10%), with the latter Performance Fee being subject to the Performance Hurdle. Currently, all shareholders in the Ranger Multi-Strategy Fund are in Class B; and therefore, subject to a one percent (1%) Management Fee and a Performance Fee in an amount equal to five percent (5%) above any highwater mark.

Advisory Fees are generally calculated and withdrawn from the Ranger Multi-Strategy Fund on a quarterly basis by the Firm.

Standard Fee Schedule for Ranger Multi-Strategy Fund

Private Fund	Annual Management Fee	Performance Allocation or Fee
<u>Ranger Multi-Strategy Fund, Ltd.</u>		
Class A	One Percent (1.00%)	Ten Percent (10.00%) above Performance Hurdle
Class B	One Percent (1.00%)	Five Percent (5.00%)
Class A Enhanced	One Percent (1.00%)	Ten Percent (10.00%) above Performance Hurdle
Class B Enhanced	One Percent (1.00%)	Five Percent (5.00%)

*\* Subscriptions to the Ranger Multi-Strategy Fund is subject to material terms and conditions, each of which is detailed in the Ranger Multi-Strategy Fund's private placement memorandum and operative agreements (the "Operative Documents"). A copy of the Operative Documents for the Ranger Multi-Strategy Fund (on a class by class basis) may be obtained by contacting the Firm at (214) 871-5200.*



## Enhanced Shares

**THE FIRM DOES NOT CURRENTLY DEPLOY LEVERAGE WITH RESPECT TO ITS ENHANCED CLASSES AND DOES NOT INTEND TO DEPLOY LEVERAGE WITHIN THE FORESEEABLE FUTURE.**

To the extent that the Firm employs leverage on behalf of the Enhanced Shares in the future, assets under management attributable to the Enhanced Shares increase, thereby increasing the Management Fees to which an investor is subject in direct proportion to the amount of leverage employed, including any leverage embedded in the notional value of structured products. For example, the Firm's use of 100% leverage on a \$1,000 investment increases the amount of capital invested to \$2,000. Accordingly, Management Fees are charged on the \$2,000 leveraged capital amount instead of the original \$1,000 investment. With respect to structured products, if the Enhanced Shares are invested in a structured product with \$1,000 in margin but with a \$2,000 notional value, Management Fees are charged on the \$2,000 notional value of the structured product.

While the Firm has discretionary use of leverage on behalf of the Enhanced Shares ranging between zero and up to 200%, it is currently not employing leverage (and does not intend to employ leverage within the foreseeable future) and would otherwise generally target leverage of up to 100% or below. To the extent that the Firm employs Leverage on behalf of shares, or on behalf of a separately managed account, it shall do so upon the instructions of such client and indicated within the applicable subscription agreement or separately managed account agreement.

## Multiple Layers of Fees and Expense

**AN INVESTMENT IN THE RANGER MULTI-STRATEGY FUND OR A SEPARATE ACCOUNT MANAGED BY THE FIRM IS SUBJECT TO MULTIPLE LAYERS OF FEES AND EXPENSES.** Advisory Fees paid to the Firm are separate and non-inclusive of advisory fees paid to the investment advisers of Portfolio Investments undertaken by the Ranger Multi-Strategy Fund or Separate Accounts, most or all of which are advised by Affiliates of the Firm, each of which are entitled to management fees and performance fees for their services. Unaffiliated underlying investment advisers are typically, but not exclusively, entitled to an annual management fee ranging from one percent (1%) to two percent (2%) and a performance fee of up to twenty percent (20%). Affiliated underlying investment advisers are typically entitled to an annual management fee of one percent (1%) and performance fees of up to ten percent (10%). In addition, Portfolio Investments are subject to expense reimbursements similar to expense reimbursements to which an investor is entitled to with respect to the Ranger Multi-Strategy Fund.

Investors are encouraged to carefully consider the multiple layers of fees incurred by an investment in the Ranger Multi-Strategy Fund or a Separate Account. **Private placement memorandums and brochures are available for each of the Firm's underlying portfolio investments by contacting the Firm at (214) 871-5200.**



The Ranger Multi-Strategy Fund and Separate Accounts invest in affiliates of the Firm. To the extent that an investment is made in such affiliate, the terms of such investment may not be at arm's length.

#### Advisory Fees Exclusive of Expenses

Advisory Fees are exclusive of expenses associated with investments in the Ranger Multi-Strategy Fund and/or Separate Accounts. Although the Firm is responsible for its general overhead expenses, Separate Accounts and Ranger Multi-Strategy Funds bear the costs attributable to their investment activities and operations, including without limitation, expenses associated with trading and operations. Such expenses may include: (i) expenses incurred in connection with the evaluation, acquisition or disposition of a Portfolio Investment, including brokerage fees, due diligence expense, travel costs, taxes, legal, accounting, consulting, information services and professional fees; (ii) expenses incurred in connection with the carrying or management of investments, including custodial, trustee, record keeping and other administration fees; (iii) fees relating to the administration of a Separate Account or the Ranger Multi-Strategy Fund, including fees of a third party administrator; (iv) fees and expenses associated with and/or paid to Portfolio Investments and their investment advisers, including management and performance fees; (v) expenses incurred in connection with the Ranger Multi-Strategy Fund's financial statements and/or tax returns; (vi) attorneys' and accountants' fees and disbursements; (vii) taxes and other governmental charges or fees levied against the Ranger Multi-Strategy Fund, including registration or filing fees; (viii) insurance (including in respect of errors or omissions of the Firm, its Affiliates and related entities, and any other persons acting on behalf of the Ranger Multi-Strategy Fund), regulatory or litigation expenses (and damages), including regulatory expenses of the Firm; and (ix) interest on debit balances (including due to the use of leverage facilities) provided that expenses relating to leverage facilities shall be charged to the class of shares or interest utilizing such facilities.

Item 12 (Brokerage Practices) further describes the factors that the Firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions).

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

The Ranger Multi-Strategy Fund charges a Performance Fee. Performance-based fee arrangements may create an incentive for the Firm to invest in securities which may be riskier or more speculative than the securities it would invest in under a different fee arrangement. In addition, performance fee arrangements may create an incentive for the Firm to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Firm employs procedures designed to ensure all clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among clients.

Please see **Item 5 - Fees and Compensation** for further description on performance fees.

## Item 7 – Types of Clients

The Firm generally provides investment advisory services to qualified and accredited individuals or entities. Such advisory services may be provided directly through a Separate Account, or indirectly through investment in the Ranger Multi-Strategy Fund, each of which are deemed Clients of the Firm.

Investors in the Ranger Multi-Strategy Fund are generally required to make minimum initial investments of one million dollars (\$1,000,000.00) to subscribe for interest or shares in the Ranger Multi-Strategy Fund and twenty million dollars (\$20,000,000.00) for a separately managed account. However, the Firm may accept lesser amounts at its sole discretion.

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

The Firm's investment strategy focuses primarily on "fund of funds" investment portfolios, wherein a portfolio invests in private funds and/or separate accounts advised primarily, but not exclusively, by affiliated investment advisers (each, a "Portfolio Investment"), within a variety of investment strategies.

### **RISK FACTORS**

**AN INVESTMENT IN THE RANGER MULTI-STRATEGY FUND OR A SEPARATELY MANAGED ACCOUNTS ENTAILS A SIGNIFICANT DEGREE OF RISK, INCLUDING THE POTENTIAL FOR LOSS OF ALL OR A PORTION OF AN INVESTMENT. THEREFORE, ONLY INVESTORS CAPABLE OF EVALUATING AND BEARING THE RISKS SHOULD UNDERTAKE AN INVESTMENT IN THE RANGER MULTI-STRATEGY FUND OR SEPARATE ACCOUNT. THERE CAN BE NO ASSURANCE THAT SUCH AN INVESTMENT WILL BE ABLE TO ACHIEVE ITS OBJECTIVE, REALIZE A POSITIVE RETURN OR AVOID LOSSES. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS IN CONNECTION WITH OPENING AN INVESTMENT ACCOUNT WITH THE FIRM. PLEASE NOTE THAT THE FOLLOWING LIST IS NOT A COMPLETE LIST OF ALL RISKS INVOLVED IN CONNECTION WITH AN INVESTMENT IN THE RANGER MULTI-STRATEGY FUND OR SEPARATE ACCOUNT ADVISED BY THE FIRM. WITH RESPECT TO THE RANGER MULTI-STRATEGY FUND, ADDITIONAL RISK DISCLOSURES MAY BE FOUND IN THE PRIVATE PLACEMENT MEMORANDUM OF THE RANGER MULTI-STRATEGY FUND, A COPY OF WHICH MAY BE OBTAINED BY CONTACTING THE FIRM AT (214) 871-5200 OR AT [INFO@RANGERADVISORS.COM](mailto:INFO@RANGERADVISORS.COM).**

### **INVESTMENT AND TRADING RISKS:**

**For purposes of the below risk disclosures, the term "Portfolio Investment" shall mean the Ranger Multi-Strategy Funds and any Separate Account, and each underlying fund or**

**separate account in which either the Ranger Multi-Strategy Fund or such Separate Account invests.**

Concentration of Investments. A majority if not all the Ranger Multi-Strategy Fund's assets will be allocated to a small number of pooled investment vehicles affiliated with the Firm. As such, an investment in the Ranger Multi-Strategy Fund may not provide for the same level of diversification among investment strategies, managers and securities as would exist if the Firm invested in a greater number of non-affiliated pooled investment vehicles and/or separate accounts. In addition, there can be no assurance that the Managers of Portfolio Investments will not take substantial positions in the same security at the same time. Such concentration may tend to result in more rapid changes in the portfolio, upward or downward, than would be the case with greater diversification, with the result that a loss in any such position could have a material adverse impact on the Ranger Multi-Strategy Fund's capital. Such Managers may also make similar market timing decisions and asset allocation decisions between equity securities and cash equivalents or some combination of these and other strategies.

Risk Management. Because the Firm invests solely in a small number of pre-established and affiliated Portfolio Investments, the Firm will itself will not be effective in controlling or mitigating the risks inherent in the Portfolio Investments. Categorically, past returns may not forecast future performance, and there can be no assurances regarding the reliability of the Managers of Portfolio Investments attempts to construct portfolios with low forecast risk, since the technique relies on historical data and subjective evaluations by such Managers. In addition, the Portfolio Investment returns are potentially subject to rare and unforeseen economic events or shocks that are inherently unpredictable and outside the Managers' control. Therefore, the Portfolio Investments are exposed to risk of loss of capital arising from the unpredictable nature of economics and capital markets.

Potential Loss of Investment. There is a risk that an investment in a Portfolio Investment will be lost entirely or in part. An investment in a Portfolio Investment is not a complete investment program and should represent only a small portion of an investor's portfolio management strategy. Each prospective investor must have enough knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in a potentially risky investment like a Portfolio Investment, whose performance may be highly volatile. No guarantee or representation is made that the investment strategy of a Portfolio Investment will be successful, that the targeted return or risk will be achieved or maintained, or that the various investment strategies utilized or investments made through a Portfolio Investment will have low correlation with each other or with the markets generally.

Overall Investment Risk. All security investments risk the loss of capital. The nature of the securities purchased and traded by the Portfolio Investment Managers and the investment techniques and strategies employed in order to increase returns may increase this risk. While each Portfolio Investment Manager will devote its best efforts to the management of investment portfolios, many unforeseeable events, including but not limited to actions by various government agencies, the Federal Reserve Board, and/or domestic and international political events, may cause

sharp market fluctuations which may negatively impact the investment strategies managed by each Portfolio Investment Manager.

A Manager's Trading Strategies may not be Successful. There can be no assurance that the trading strategies employed by the Manager of a Portfolio Investment will be successful. For example, the proprietary models used by a Manager may not function as anticipated during unusual market conditions. While each Manager who will invest on behalf of the Portfolio Investments has a performance record reflecting his or her prior experience in using the strategies that will be applied to trading for the Portfolio Investments, this performance cannot be used to predict future profitability. There can be no assurance that the Ranger Multi-Strategy Fund will not incur losses

Use of Multiple Managers is No Assurance of Success. No assurance is given that the Portfolio Investments' Managers' collective performance will result in profitable returns for the Ranger Multi-Strategy Fund as a whole under all or any conditions. The possibility exists that good performance achieved by one or more Managers may be neutralized by poor performance experienced by other Managers.

Cybersecurity Risks Ranger Multi-Strategy Fund and each Portfolio Investment, their service providers, counterparties and other market participants on whom each Portfolio Investment Manager relies increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect shareholders, despite the efforts of the Firm and each Portfolio Investment, its service providers, its counterparties and other market participants on whom such Portfolio Investment Manager relies to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Firm and each Portfolio Investment. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of or prevent access to the systems of the Firm and each Portfolio Investment, their service providers, their counterparties and other market participants on whom the Firm and each Portfolio Investment relies or data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of systems to disclose sensitive information in order to gain access to the Firm and each Portfolio Investment's data or that of its investors. A successful penetration or circumvention of the security of the Firm and each Portfolio Investment Manager's systems or the systems of the Firm or such Portfolio Investment Manager's service providers, counterparties or other market participants on whom the Firm or such Portfolio Investment Manager relies could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause Clients, the Firm, a Portfolio Investment Manager, their service providers, their counterparties and other market participants on whom the Firm or such Portfolio Investment Manager relies to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for many underlying investments in a Portfolio Investment, which could have material adverse consequences for such investments, and may cause the Clients' investments to lose value.

Legal, Regulatory and Political Uncertainties. Portfolio Investments are subject to a variety of governmental regulations in the United States and other jurisdictions that may result in additional compliance costs and other burdens and otherwise impact the performance of a Portfolio Investment. It is difficult to predict what changes in regulations may be instituted in the future, in addition to those changes already proposed or adopted in the United States or other jurisdictions.

The legal, tax and regulatory environment for alternative investment funds, investment advisers, the instruments they utilize and the markets in which they trade are continuously evolving. In addition to legal, regulatory and tax changes, there may be other unanticipated changes, including political developments. Such uncertainty may be detrimental to the efficient functioning of the financial markets and the success of certain products and strategies. Any changes to current regulations or any new regulations could have a material adverse effect on a Portfolio Investment (including by reducing the attractiveness of an applicable investment strategy, imposing material costs on a Portfolio Investment, reducing investment opportunities, or requiring a significant restructuring of the manner in which a Portfolio Investment, Portfolio Investment Manager or its affiliates are organized or operated).

Dependence Upon Personnel. The success of a Portfolio Investment is significantly dependent upon the expertise of certain investment or support personnel and any future unavailability of their services could have an adverse impact on a Portfolio Investment's performance. The success of a Portfolio Investment is also significantly dependent upon the ability of its Portfolio Investment Manager to hire talented investment and support personnel. No assurances can be given that each Portfolio Investment Manager will be able to attract or retain necessary personnel.

**The prior investment performance of a Portfolio Investment may not be indicative of the future results.**

## **RISKS ASSOCIATED WITH EQUITY INVESTMENT STRATEGIES**

Equity Securities. Portfolio Investments may invest in long positions in equity securities. Equity securities fluctuate in value, often based on factors unrelated to the value of the issuer of the securities. The market price of equity securities may be affected by general economic and market conditions, such as a broad decline in stock market prices or in the prices of issuers in a particular market, geographic or industry sector, or by conditions affecting specific issuers, such as changes in earnings forecasts.

Security Selection and Market Risk. Security selection risk is defined as the risk that a Portfolio Investment Manager may not select and size positions appropriately within the portfolio. An associated market risk arises from the influence of the movements of the overall market, or the value of the individual securities in the Investment Portfolio. The profitability of a significant portion of each Portfolio Investment Manager's investment program depends to a great extent upon correctly assessing the future course of price movements and/or the general value of securities and other investments. There can be no assurance that a Portfolio Investment Manager will be able to accurately predict these price movements or future valuation; nor can assurance be

given that such Portfolio Investment Manager's investment portfolios will generate income or appreciate in value. With respect to each Portfolio Investment Manager's investment strategies, there is also a degree of market risk. For these reasons, the Investment Portfolio may also incur losses.

Concentration Risk. Portfolio Investments invest in significantly fewer holdings than that represented by the index benchmarks each Portfolio Investment Manager uses for comparison purposes. Accordingly, each Portfolio Investment Manager's investment strategies may therefore be subject to more rapid changes in value than would be the case if these strategies maintained wide diversification among companies, securities, and types of securities.

Portfolio Turnover. Portfolio Investments are not restricted in effecting transactions by any specific limitations with regard to the Portfolio Investment turnover rate. Market conditions or other unforeseen events may result in substantial Portfolio Investment turnover, which may result in an increase in expense for the investors and/or enhanced volatility.

Securities Lending. Portfolio Investments may lend securities in the ordinary course of its business. Parties that borrow securities from the Portfolio Investments may not be able to return these securities on demand and may also default on the payment obligations owed to the Portfolio Investments in connection with such securities loans. In addition, assets pledged by the borrower as collateral for the borrowed securities may decline in value. Portfolio Investments may be subject to loss with respect to the value of the securities they lend to defaulting borrowers.

## **RISKS ASSOCIATED WITH RANGER INVESTMENTS' MICRO AND SMALL CAP STRATEGIES.**

Micro, Small and Mid-Capitalization Companies. Micro and Small Cap stocks often involve higher risks in some respects than investments in stocks of larger companies. For example, prices of micro and small capitalization stocks are often more volatile than prices of large capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some small capitalization stocks, an investment in those stocks may become illiquid.

Micro and small cap companies may be newly formed or have limited product lines, distribution channels and financial and managerial resources. The risks associated with those investments are generally greater than those associated with investments in the securities of larger, more established companies. This may cause the such account's net asset value to be more volatile when compared to investment strategies that focus only on large capitalization companies.

Generally, securities of micro and small capitalization companies are more likely to experience sharper swings in market value, less liquid markets in which it may be more difficult for Portfolio Investment Managers to sell at times and at prices that such manager believes appropriate and generally are more volatile than those of larger companies. Compared to large companies, micro and smaller capitalization companies are more likely to have (i) less information publicly



available, (ii) more limited product lines or markets and less mature businesses, (iii) fewer capital resources, (iv) more limited management depth and (v) shorter operating histories.

Limited Liquidity. The investments made by the Micro-Cap and Small Cap Strategies may be less liquid than in portfolios that invest in larger companies. Consequently, Portfolio Investments in the Micro-Cap and Small Cap Strategies may not be able to sell such investments at prices that reflect a Ranger Investments' assessment of their value or the amount paid for such investments. Illiquidity may result from limited daily trading volumes in any particular equity investment or the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Portfolio Investments and/or other factors. Furthermore, the nature of the Portfolio Investments in the Micro-Cap and Small Cap strategies may require a long holding period prior to profitability. The operative documents of a client account may authorize a Portfolio Investment Manager to make distributions in-kind of securities in lieu of or in addition to cash. In the event a Portfolio Investment Manager makes distributions of securities in-kind, such securities could be illiquid or subject to legal, contractual and other restrictions upon transfer.

Industry Concentration Risk: Healthcare Select Strategy. The Healthcare Select Strategy is subject to industry concentration risk, which is the chance that there will be particular problems affecting an entire industry. Any strategy that concentrates in a particular industry will generally be more volatile than a strategy that invests more broadly. Because the Healthcare Select Strategy primarily invests its assets in the common stocks of companies principally engaged in activities in the healthcare industry, the healthcare Select Strategy's performance largely depends, for better or for worse, on the overall condition of the healthcare industry. The healthcare industry could be adversely affected by various political, regulatory, supply-and-demand, and other economic factors. The Healthcare Select Strategy faces the risk that economic prospects of healthcare companies may fluctuate dramatically because of changes in the regulatory and competitive environments. A significant portion of healthcare services are funded or subsidized by the government, which means that changes in government policies—at the sovereign, U.S. federal, or state level—may affect the demand for healthcare products and services. Other risks include the possibility that regulatory approvals (which often entail lengthy application and testing procedures) will not be granted for new drugs and medical products, the chance of lawsuits against healthcare companies related to product liability issues, and the rapid speed at which many healthcare products and services become obsolete or subject to patent expirations.

## **RISKS SPECIFIC TO RANGER INTERNATIONAL'S INTERNATIONAL & GLOBAL INCOME AND GROWTH STRATEGIES.**

Trading on Non-U.S. Exchanges. Ranger International will engage in trading on exchanges outside the United States. Trading on such exchanges is not regulated by any United States governmental agency and may involve certain risks not applicable to trading on United States exchanges. For example, some foreign exchanges are "principals' markets" in which performance is the responsibility only of the individual member with whom the trader has entered into a trade and not of an exchange or clearing organization. Moreover, such trading may be subject to whatever regulatory provisions are applicable to transactions effected outside the United States, whether on foreign exchanges or otherwise. Trading on foreign exchanges involves the additional



risks of expropriation, burdensome or confiscatory taxation, moratoriums and investment controls, or political or diplomatic events that might adversely affect such Portfolio Investment Manager's trading activities. The risks of investing 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 and higher brokerage commissions and custody fees. Furthermore, foreign trading is also subject to the risk of changes in the exchange rate between United States dollars and the currencies in which securities traded on such exchanges are settled.

Investments in International Markets, including Emerging Markets. Ranger International may invest a substantial portion, or the entirety, of each of its portfolio in investments which are non-U.S. based. Ranger International's portfolios will therefore be subject to certain additional risks that are not usually associated with similar investments in the U.S. and other industrialized democracies including: fluctuation in currency exchange rates, the imposition of exchange control regulations, the possibility of expropriation decrees, more limited information about issuers and their operations, different accounting standards, sub-standard regulatory environment and smaller, less liquid markets. Furthermore, political and economic risk may be substantial, especially in emerging markets. Emerging markets in particular have a history of imposing unfriendly controls on foreign investors during times of economic stress. Investment in international markets, and especially emerging market countries, therefore, carry a higher degree of risk than investment in securities based in the U.S.

Currency and Exchange Rate Risks. Ranger International may invest in securities denominated in currencies other than the U.S. Dollar or in securities which are determined with references to currencies other than the U.S. Dollar. Ranger International, however, will value its assets in U.S. Dollars. Ranger International will not be hedging currencies applicable to its portfolio and therefore the value of Ranger International's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of their investments in the various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which Ranger International may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of Ranger International's securities in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of Ranger International's non-U.S. Dollar securities.

Real Estate Investment Trust, Master Limited Partnership, Business Development Company, and Closed End Fund Risks. The Portfolio Investments in the Global Income & Growth Strategy may invest in Real Estate Investment Trusts (a "REIT"), Publicly Traded Partnerships (a "PTP") which includes Master Limited Partnerships (an "MLP"), Business Development Companies (a "BDC"), and Closed End Funds (a "CEF"), each of which involves some risks which differ from an investment in the common stock of a corporation. Holders of REIT, PTP, MLP, BDC, and CEF securities generally have limited control and voting rights on matters affecting the entity. In addition, there are: (i) certain tax risks associated with an investment in such entities, and (ii) conflicts of interest may exist between common equity holders and the general partner of PTPs and MLPs in which the Portfolio Investments may hold investments, including those arising from incentive distribution payments.

General Real Estate Risks. The Portfolio Investments in the Global Income & Growth Strategy will not invest in real estate directly but may invest in securities issued by real estate companies, including REITs. Real property investments, and therefore indirect investment in real property, are subject to varying degrees of risk. The yields available from investments in real estate depend on the amount of income and capital appreciation generated by the related properties. Income and real estate values may also be adversely affected by such factors as: applicable laws (e.g., Americans with Disabilities Act and tax laws), interest rate levels, and the availability of financing. If the properties do not generate sufficient income to meet operating expenses, including, where applicable, debt service, ground lease payments, tenant improvements, third-party leasing commissions and other capital expenditures, the income and ability of the real estate company to make payments of any interest and principal on its debt securities will be adversely affected. In addition, real property may be subject to the quality of credit extended and defaults by borrowers and tenants.

The performance of the economy in each of the regions in which the real estate owned by the portfolio company is located, affects occupancy, market rental rates and expenses, and, consequently, has an impact on the income from such properties and their underlying values. The financial results of major local employers also may have an impact on the cash flow and value of certain properties. In addition, real estate investments are relatively illiquid and, therefore, the ability of real estate companies to vary their portfolios promptly in response to changes in economic or other conditions is limited.

A real estate company may also have joint venture investments in certain of its properties, and consequently, its ability to control decisions relating to such properties may be limited. Real property investments are also subject to risks which are specific to the investment sector or type of property in which the real estate companies are investing.

Acquisition Risk. The abilities of a REIT, PTP, MLP or BDC to appreciate and to increase distributions to security holders may be highly dependent on its ability to make acquisitions that result in an increase in adjusted operating surplus. A REIT, PTP, MLP or BDC's future growth and ability to provide distributions will be limited in the event it cannot make such acquisitions because it is unable to: identify attractive acquisition candidates, negotiate acceptable purchase contracts, raise financing for such acquisitions on economically acceptable terms, and/or outbid competitors.

Furthermore, even if a REIT, PTP, MLP or BDC does consummate acquisitions that they believe will be advantageous, the acquisitions may instead result in a decrease in adjusted operating surplus.

Any acquisition involves risks, including, among other things: mistaken assumptions about revenues and costs, including the assumption of unknown liabilities; limitations on rights to indemnity from the seller; the diversion of management's attention from other business concerns; unforeseen difficulties operating in new product or geographic areas; and customer or key employee losses at the acquired businesses.

Interest Rate Risk. Rising interest rates could adversely impact the financial performance of a REIT, PTP, MLP, BDC, or CEF by increasing its costs of capital. This may reduce its ability to execute acquisitions or expansion projects in a cost-effective manner.

Increasing Interest Rates May Negatively Affect the Value of an Investment. REIT, PTP, MLP, BDC, and CEF valuations are based on numerous factors, including sector and business fundamentals, management expertise, and expectations of future operating results. However, REIT, PTP, MLP, BDC, and CEF yields are also susceptible in the short-term to fluctuations in interest rates and, like treasury bonds, the prices of REIT, PTP, MLP, BDC, and CEF securities typically increase when interest rates fall and decline when interest rates rise. The Portfolio Investments anticipates investments in REIT, PTP, MLP, BDC, and CEF opportunities, and therefore the value of the Portfolio Investments may decline if interest rates rise.

In addition to the risks of equity securities and securities linked to the real estate market, preferred stocks and high yield equities also are more sensitive to changes in interest rates than common stocks. When interest rates rise, the value of preferred stocks and high yield equities may fall.

Risks of Investment in Lower-Rated Securities. Lower-rated or high yielding securities may be considered speculative with respect to the issuers continuing ability to make principal and interest payments. Analysis of the creditworthiness of issuers of lower-rated securities may be more complex than for issuers of higher quality debt securities, and the Portfolio Investment's ability to achieve its investment objectives may, to the extent it invests in lower-rated securities, be more dependent upon such creditworthiness analysis than would be the case if it were investing in higher quality securities. The Portfolio Investment may invest in high yield securities that are rated CCC or higher by S&P, or CAA or higher by Moody's, or unrated securities that are determined by Ranger International to be of comparable quality. An issuer of these securities has a currently identifiable vulnerability to default and the issuer may be in default or there may be present elements of danger with respect to principal or interest.

Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. The prices of lower-rated securities may be less sensitive to interest-rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual corporate developments. Yields on lower-rated securities will fluctuate. If the issuer of lower-rated securities defaults, the Portfolio Investment may incur additional expenses to seek recovery.

The secondary markets in which lower-rated securities are traded may be less liquid than the market for higher grade securities. Less liquidity in the secondary trading markets could adversely affect the price at which the Portfolio Investment could sell a particular lower-rated security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause large fluctuations in the net asset value of the Portfolio Investment. Adverse publicity and investor perceptions may decrease the values and liquidity of high yield securities.

It is reasonable to expect that any adverse economic conditions could disrupt the market for lower-rated securities, have an adverse impact on the value of such securities, and adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon. New regulation and proposed new regulations may adversely impact the market for lower-rated securities.

## **RISKS SPECIFIC TO PORTFOLIO INVESTMENTS ADVISED BY RANGER ALTERNATIVE MANAGEMENT II, LP**

Investment in the Interest or Shares is a Risky Investment for Suitable Investors Only. Portfolio Investments invest in debt instruments (the “Debt Investments”) offered by or issued to a variety of domestic and international loan originators (the “Lending Platforms”) that either served as debtors with respect to a loan agreement or served as intermediaries between lenders and borrowers. Debt Investments are risky and speculative investments. Debt Investments are generally dependent for payment on a Lending Platform’s receipt of payments under the corresponding underlying loans (the “Underlying Loans”). Likewise, Debt Investments may be of high yield or undetermined credit quality. The Debt Investments are therefore speculative and bear a high degree of risk. Likewise, each Portfolio Investment’s assets are primarily if not entirely invested in the Debt Investments; and therefore, an investment in the Portfolio Investment is a speculative and risky investment. Investments in the Portfolio Investment are suitable only for prospective Investors who can bear the risk of losing the entirety of their investment. If a prospective Investor cannot afford to lose the entire amount of its investment in the Portfolio Investment, it should not invest in the Portfolio Investment.

Investment Program and/or Debt Investment Selection Process may not be Successful. There can be no assurance that the investment program and/or the Debt Investment selection process employed by Ranger Alternative will be successful. There is no assurance that Ranger Alternative’s investment program or proprietary software will function as anticipated, especially during unusual market conditions or conditions that Ranger Alternative or such software has not yet encountered. In addition, Ranger Alternative’s investment methodologies, including with respect to its proprietary software and systems, may be continually revised and evolve. However, no assurances can be given that such revisions will perform as anticipated or desired by Ranger Alternative, and as such may have adverse consequences to the Portfolio Investment.

Debt Instruments may be Linked to Unsecured Obligations of the Underlying Borrowers. Loans to underlying borrowers (“Underlying Borrowers”) may be unsecured, which means that if such Underlying Borrower defaults on his obligations, the ability of the Lending Platform or the Portfolio Investment, to collect any portion of the underlying loan is unlikely. Likewise, Lending Platforms charge fees and expenses with respect to the Debt Instruments, including the cost to attempt collection on any Debt Instruments that are in default, thereby reducing the amount that the Portfolio Investment may recover in the event of a partial or complete collection.

Security Selection and Market Risk. Security Selection risk is defined as the risk that Ranger Alternative may not select and size positions appropriately within the portfolio. The profitability of a significant portion of a Portfolio Investment’s investment program depends largely upon correctly assessing the relationship between the prospective interest and/or default rates of the

Debt Instruments. There can be no assurance that Ranger Alternative will be able to accurately predict default rates or net interest, nor can assurance be given that a Portfolio Investment's investment portfolio will generate any income or maintain its value. In constructing the portfolio, Ranger Alternative (including through the use of TruSight Technology) relies on historical data, and in some cases, subjective evaluations. However, past performance may not forecast future performance, and there can be no assurances regarding the reliability of Ranger Alternative, TruSight Technology or traditional Debt Investment selection process in its attempts to construct portfolios with forecast risk that can be achieved. In addition, a Portfolio Investment's returns are potentially subject to unforeseen economic events or shocks that are inherently unpredictable and outside Ranger Alternative's control. Therefore, a Portfolio Investment is exposed to risk of loss of capital arising from the unpredictable nature of credit markets. For these reasons, the portfolio may also incur losses, and a prospective investor should not invest in a Portfolio Investment unless such prospective investor is in an adequate fiscal position to sustain a loss of part or all of his capital account in a Portfolio Investment.

Interest Rates Risk. Debt Instrument yields are susceptible in the short-term to fluctuations in interest rates and, like other forms of fixed income securities (to the extent a secondary market exists), the intrinsic value of a Debt Instrument typically increases when interest rates fall and declines when interest rates rise. Ranger Alternative anticipates the inherent and comparative value of Debt Instruments may decline if interest rates rise.

Movements of interest rates also have compounded effects on the maturity of such Debt Instruments. For example, Lending Platforms generally do not impose a prepayment penalty on Underlying Borrowers and may impose a fee on Debt Instrument holders for processing prepayments. As such, declining interest rates incentivizes Underlying Borrowers to prepay and refinance their loans. Ranger Alternative will, in such instances, have a reduced likelihood to benefit from the increased intrinsic value or continue enjoying the benefits of comparatively high interest rates when interest rates decline.

Conversely, rising interest rates incentivizes Underlying Borrowers to hold loans through maturity, because the comparative cost of securing a replacement loan increases in comparison to the loan. Thus, Ranger Alternative will be forced to either bear the extended duration on Debt Instruments with interest rates less favorable than being offered by the marketplace or sell such Debt Instrument (to the extent a secondary market exists) at a loss of principal.

Ranger Alternative does not intend to hedge interest rate risk on behalf of a Portfolio Investment but may do so at its sole discretion.

Poor Economic Conditions. Debt Instruments may be particularly susceptible to adverse macro-economic conditions. For example, rising levels of unemployment, reduced economic conditions, or general economic decline may increase the default rates of the Debt Instruments beyond historical precedent or Ranger Alternative's expectation. Accurately predicting short or long-term macro-economic conditions is extremely difficult, and further Ranger Alternative will maintain its general investment objectives notwithstanding any changing macro-economic conditions. As such,

there may be a significant differential between historical default rates and future default rates, which may lead to material and sustained losses for the Portfolio Investment.

Investment in Lower-Rated Debt Instruments Issued to Underlying Borrowers with Poor Credit. Ranger Alternative may invest a portion of Portfolio Investment assets in Debt Instruments linked to Underlying Borrowers who have low or sub-prime FICO scores (“High Yield Debt Instruments”). Although the Portfolio Investment maintain a default reserve against the higher level of defaults that Ranger Alternative may estimate with High Yield Debt Instruments, such estimates are based on historical data that may be limited in scope with respect to certain Lending Platforms and prove generally inaccurate with respect to future results of any High Yield Debt Instrument. As such, High Yield Debt Instruments may be considered speculative with respect to the borrower’s continuing ability to make principal and interest payments. High Yield Debt Instruments have a higher risk of default, and as such pose a more significant risk to the Portfolio Investment with respect to the loss of principal and interest. Moreover, High Yield Debt Instruments may have material sensitivity to macro-economic downturns and other factors outside of Ranger Alternative’s control. Such macro-economic downturns may be outside of Ranger Alternative’s foresight and/or unexpectedly occur during the term of a Debt Instrument.

Some of the High Yield Debt Instruments may be linked to Underlying Borrowers who have “subprime” credit ratings. A “subprime” credit rating is traditionally defined as a FICO score below 640. Most of these Underlying Borrowers are people who have had difficulty obtaining loans from other sources, including banks and other financial institutions, on favorable terms, or on any terms at all, due to credit problems, limited credit histories, adverse financial circumstances, or high debt-to-income ratios.

Ranger Alternative expects High Yield Debt Instruments to have a substantial rate of default, but may notwithstanding such default rate significantly if not entirely invest in such High Yield Debt Instruments (some of which may be linked to subprime borrowers) in circumstances where it believes that the relationship between interest rates and default will produce noteworthy returns on a net basis.

However, no assurance can be given that the expected default rates of High Yield Debt Instruments will not materially exceed historical or expected levels, exceed the default reserve set aside by Ranger Alternative, thereby materially and negatively impacting the Portfolio Investment and subjecting Investors to significant losses of their capital account.

Lack of Source Operating History. Many of the Lending Platforms have a limited operating history and track record upon which the Portfolio Investment may base an evaluation of the Lending Platforms’ operations or the historical default rates or performance of Debt Instruments or categories of Underlying Borrowers. Ranger Alternative is reliant on such historical information to select investment candidates, and no assurances can be given that the amount of data available to Ranger Alternative is sufficient for it to evaluate such Debt Instruments in context to market cycles or long-term developments. As such, there can be no assurance that the Portfolio Investment will be able to achieve its investment objectives or that Investors will receive a return on their capital.



Dependence on Lending Platforms for Information. Ranger Alternative is reliant on information provided by the Lending Platforms in selecting investments for the Portfolio Investment. However, Ranger Alternative may be unable to confirm the accuracy, comprehensiveness or quality of the information provided by such Lending Platforms. If such information proves to be inaccurate, incomplete or of generally poor quality; and/or if a Lending Platform ceases to provide such information, the Portfolio Investment's investment program may be adversely affected. In addition, the Portfolio Investment may be unable to accurately value the Debt Investments.

Valuation; Calculation of Net Asset Value. The valuation of Portfolio Investment assets and liabilities is based on Ranger Alternative's policies and procedures (as revised from time to time). There is no reliable liquid market for Debt Investments, so the valuations of the Portfolio Investment's pool of Debt Instruments, may be imprecise and subject to inherent conflicts of interest. Ranger Alternative's valuation of these assets affects the Management Fees and Performance Fee to which Ranger Alternative is entitled. If those valuations are inaccurate, any new Investor and any withdrawing Investor may be adversely affected and Ranger Alternative may receive a Management Fee and Performance Fee that is greater (or lesser) than the fees to which it otherwise would be entitled. Ranger Alternative may not be able to effectively manage the Portfolio Investment's investment portfolio, diversification and other internal guidelines and risks if the Portfolio Investment's portfolio is inaccurately valued. Any such inaccuracy could affect the Investors adversely.

Non-U.S. Lending Platforms; Foreign Investment. Ranger Alternative may invest in Debt Instruments issued by Lending Platforms organized or based outside the United States. These investments may be subject to a variety of risks and other special considerations not affecting securities of domestic issuers. Such Lending Platforms may be subject to less stringent reporting and informational standards, practices and requirements than those applicable to U.S. Lending Platforms.

Since foreign lending transactions often are denominated in currencies of foreign countries, the Portfolio Investment may incur currency exchange costs when effecting these transactions, and the value of these securities as measured in U.S. dollars may be affected favorably or unfavorably by subsequent changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short or long periods of time. The Portfolio Investment will be permitted, but will not be required, to engage in currency hedging transactions (using forward, futures or option contracts) to protect against adverse changes in currency rates, and it is possible that such hedging transactions could be unsuccessful.

Transactions in foreign countries may involve certain risks not applicable to transaction on U.S. Lending Platforms. Moreover, such transactions may be subject to whatever regulatory provisions are applicable to transactions effected outside the U.S., whether on foreign Lending Platforms or otherwise. Transactions on foreign Lending Platforms involve the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums and investment controls, or political or diplomatic events that might adversely affect the Portfolio Investment's investment activities. The Portfolio Investment's portfolio will therefore be subject to certain additional risks that are not



usually associated with similar investments in the U.S. and other industrialized democracies including fluctuation in currency exchange rates, the imposition of control regulations, more limited information about Lending Platforms and their operations, different accounting standards, and sub-standard regulatory environment.

Currency and Exchange Rate Risks. Ranger Alternative may invest in Debt Instruments denominated in currencies other than the U.S. Dollar or in securities that are determined with references to currencies other than the U.S. Dollar. Each Portfolio Investment, however, will value its assets in U.S. Dollars. A Portfolio Investment does not currently intend to hedge currencies applicable to its portfolio and therefore the value of a Portfolio Investment's assets will fluctuate with U.S. Dollar exchange rates as well as with price changes of their investments in the various local markets and currencies. Thus, an increase in the value of the U.S. Dollar compared to the other currencies in which a Portfolio Investment may make investments will reduce the effect of increases and magnify the U.S. Dollar equivalent of the effect of decreases in the prices of the Debt Investments in their local markets. Conversely, a decrease in the value of the U.S. Dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the non-U.S. Dollar Debt Investments.

Derivative Contracts. Ranger Alternative may employ derivative contracts on behalf of the Portfolio Investment's portfolio or hedge exposures. However, the Portfolio Investment may, but is not required to, utilize various other instruments to seek a hedge against the risk of changes in the credit markets. These hedging strategies may be executed through the use of futures contracts or options thereon, standardized or individually negotiated over-the-counter contracts or other forms of option contracts (collectively, "derivative contracts").

Derivative contracts have risks associated with them including possible default by the other party to the transaction, illiquidity and, to the extent Ranger Alternative's view as to certain market movements are incorrect, the risk that the use of such derivative contracts could result in losses greater than if they had not been used. Moreover, the lack of complete correlation between price movements of derivative contracts and price movements in the portfolio position of the Portfolio Investment creates the possibility that losses in the value of the Portfolio Investment's position may be greater than the gain on the hedging instrument (or that a gain in the Portfolio Investment's portfolio position may be less than the loss on the hedging instrument). In addition, futures and options markets may not be liquid in all circumstances and certain over-the-counter derivative contracts may have no markets. As a result, in certain markets, the Portfolio Investment might not be able to close out a transaction without incurring substantial losses, if at all. Although the successful use of derivative contracts for hedging should tend to reduce the risk of loss due to a decline in the value of the hedged position, at the same time such transactions would tend to limit any potential gain which might result from an increase in value of such position.

The Portfolio Investment may also invest in the over-the-counter market in contracts which involve dealing with counterparties and their ability to meet the terms of the contracts. In particular, the Portfolio Investment may enter into repurchase agreements, forward contracts and swap arrangements, each of which expose the Portfolio Investment to credit risk to the extent that the counterparty defaults on its obligations to perform under the relevant contract.

Bankruptcy of Lending Platforms. Ranger Alternative may invest in secured and unsecured Debt Instruments. Those investments are subject to the risks of a Lending Platform's bankruptcy. Although, Ranger Alternative actively seeks Lending Platforms that use bankruptcy remote vehicles, the Portfolio Investment may, in Ranger Alternative's discretion, invest in Lending Platforms that do not employ bankruptcy remote vehicles. To the extent certain Lending Platforms that do not employ bankruptcy remote vehicles enter into voluntary or involuntary bankruptcy, the Portfolio Investment may be materially negatively impacted.

Dependence on Verification of Borrowers. Ranger Alternative generally depends on the Lending Platforms to verify the identity of borrowers, their credit histories, and in some cases, their employment status and income. The Portfolio Investment may not be in a position to monitor those verification procedures and thus is subject to the risk that those procedures are, or over time become, inadequate to prevent negligence or fraud. To the extent that the rate of negligence or fraud increases, the Portfolio Investment could be adversely affected.

Illiquidity of the Fund and Debt Instruments. Debt Instruments do not trade on any secondary market, have terms that may extend up to five years or in certain circumstances, longer, and should be considered extremely illiquid investments. Although secondary markets are expected to develop over time, no assurances can be given that such expectations will materialize. Likewise, the Ranger Specialty Income Fund's operating agreement includes provisions which allow the Ranger Specialty Income Fund to redeem investors over the time it takes the Ranger Specialty Income Fund to collect sufficient liquidity by virtue of interest payments, principal payments and subscriber capital. In addition, the Ranger Specialty Income Fund's operating agreement contains provisions which allow the Ranger Specialty Income Fund to segregate new subscribers from pre-existing investors (thereby possibly increasing concentration and illiquidity) and place withdrawing Investors into a liquidating memorandum account whereby they will receive a pro-rata portion of the Ranger Specialty Income Fund's assets and be paid withdrawal proceeds in accordance with the Ranger Specialty Income Fund's ability to liquidate such underlying assets. As such, shareholders in the Ranger Multi-Strategy Fund will be directly and indirectly impacted by the illiquidity of the Debt Instruments, and should not invest in the Ranger Multi-Strategy Fund if they are unable or unwilling to bear the long-term time horizon expected with an investment in the Debt Instruments or the Ranger Specialty Income Fund.

Absence of Regulation Concerning Debt Instruments and Lending Platforms. The Lending Platforms and the Debt Instruments will be subject to varying levels of regulation. Debt Instruments are not registered as securities under the Securities Act of 1933, as amended, with the consequence that many of the protections afforded to investors by those laws will not be applicable. Similarly, certain investments in Debt Instruments, whether Lending Platforms operating domestically or in foreign jurisdictions, may not be subject to comprehensive government regulation.

Changes in Policies; Transparency; and Fraud. While Ranger Alternative generally reviews the policies and procedures of the Lending Platforms, there can be no assurances that the Lending Platforms will continue to adhere to such investment and risk management strategies. Ranger

Alternative has differing levels of transparency with respect to Debt Instruments issued by various Lending Platforms, and no assurances can be given that Ranger Alternative will detect changes in a Lending Platform's policies and procedures. Moreover, the possibility exists that information provided directly to a Lending Platform, and indirectly to Ranger Alternative, or information directly from the Lending Platform provided directly to Ranger Alternative, may be negligently or fraudulently conveyed. In such event, the Portfolio Investment may be unknowingly exposed to substantial risk while investing in unsuitable Debt Instruments and/or fraudulent behavior or information imitating by the Lending Platform.

Dependence on TruSight Technology. Ranger Alternative has developed the TruSight Technology, proprietary software that uses genetic programming to provide portfolio management and Debt Instrument selection functions to the Portfolio Investment. Ranger Alternative may be reliant on the TruSight Technology and its expected function. In the event Ranger Alternative's is unable to use the TruSight Technology in its intended manner, such inability may pose significant impact to Ranger Alternative's investment program and Debt Instrument selection process. Specific risks may include (i) the risk that the TruSight Technology may malfunction, due to programming, development, operational or other errors by Ranger Alternative or third parties, (ii) the risk that Ranger Alternative is unable to employ the TruSight Technology due to successful or pending legal claims by third parties that the TruSight Technology infringes on third party intellectual property, (iii) the risk that the TruSight Technology does not function as desired or anticipated by Ranger Alternative, (iv) the risk that the TruSight Technology does not evolve and/or is not correctly developed to function within changing operational conditions of the Lending Platforms, thereby rendering the TruSight Technology obsolete, (v) the loss of key programming and development personnel, such that future developments or maintenance of the TruSight Technology or other unforeseen risks relating to the development, use, or obsolescence of the TruSight Technology which would render Ranger Alternative's investment and trading program materially disadvantaged with respect to the its objectives and goals.

Lack of Platform Operating History. Many of the Lending Platforms have a limited operating history and track record upon which the Portfolio Investment may base an evaluation of the Lending Platforms' operations or the historical default rates or performance of Debt Instruments or categories of Underlying Borrowers. Ranger Alternative is reliant on such historical information to select investment candidates and/or develop default reserve calculations used to appropriately value Debt Instruments, and no assurances can be given that the amount of data available to Ranger Alternative is sufficient for it to evaluate such Debt Instruments in context to market cycles or long-term developments. As such, there can be no assurance that the Portfolio Investment will be able to achieve its investment objectives, that Partners will receive a return on their capital, or that Ranger Alternative will be able to appropriately value the applicable Debt Instruments.

Compensation of Lending Platforms. The Lending Platforms may be entitled to various forms of compensation, including without limitation: an administrative or management fee (typically, but not exclusively, approximately one percent (1%) annually), a servicing fee (typically, but not exclusively, approximately one percent (1%) annually), and/or a Performance Fee (typically, but not exclusively, ranging from five percent (5%) to twenty percent (20%) of net profits attributable to applicable Debt Instruments sourced from such Lending Platforms). In addition, Ranger

Alternative is entitled to receive a Performance Fee from each Portfolio Investment. The Performance Fee made to Ranger Alternative and the Lending Platforms may create an incentive for Ranger Alternative and the Lending Platforms to make investments that are riskier or more speculative than would be the case in the absence of such Performance Fees.

Non-U.S. Lending Platforms; Foreign Investment. The Portfolio Investment may invest in Debt Instruments issued by Lending Platforms organized or based outside the United States. These investments may be subject to a variety of risks and other special considerations not affecting securities of domestic issuers. Such Lending Platforms may be subject to less stringent reporting and informational standards, practices and requirements than those applicable to U.S. Lending Platforms.

Since foreign lending transactions often are denominated in currencies of foreign countries, the Portfolio Investment may incur currency exchange costs when effecting these transactions, and the value of these securities as measured in U.S. dollars may be affected favorably or unfavorably by subsequent changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short or long periods of time. The Portfolio Investment will be permitted, but will not be required, to engage in currency hedging transactions (using forward, futures or option contracts) to protect against adverse changes in currency rates, and it is possible that such hedging transactions could be unsuccessful.

Transactions in foreign countries may involve certain risks not applicable to transaction on United States Lending Platforms. Moreover, such transactions may be subject to whatever regulatory provisions are applicable to transactions effected outside the United States, whether on foreign Lending Platforms or otherwise. Transactions on foreign Lending Platforms involve the additional risks of expropriation, burdensome or confiscatory taxation, moratoriums and investment controls, or political or diplomatic events that might adversely affect the Portfolio Investment's investment activities. The Portfolio Investment's portfolio will therefore be subject to certain additional risks that are not usually associated with similar investments in the U.S. and other industrialized democracies including fluctuation in currency exchange rates, the imposition of control regulations, more limited information about Lending Platforms and their operations, different accounting standards, and sub-standard regulatory environment.

Discretion and Changes in Investment Strategy. Ranger Alternative may have considerable discretion in choosing the Debt Investment that will be acquired and may have the right to modify the selection criteria used by the Ranger Specialty Income Fund without the consent of the Investors. Any of these trading techniques or analytical models may have operational or theoretical shortcomings, which could result in unsuccessful transactions and, ultimately, losses to the Portfolio Investment. In addition, any new investment strategy implemented may be more speculative than earlier techniques and may increase the risk of an investment in the Portfolio Investment.

Investment in Aggregated Pool of Investments; Exposure to Wide Variance in Risk Environments. Any Investor will be investing in a pro-rata share of the existing Debt Instruments that the Ranger Specialty Income Fund holds directly and indirectly. Thus, an Investor will have exposure to Debt

Instruments acquired when market conditions and perceived or actual risks as well as default rates may have been significantly different from the risks as of such Limited Partner's investment in the Portfolio Investment. If Ranger Alternative's valuations of the Debt Instruments on the date of any such investment are inaccurate, the Limited Partners could be adversely affected.

Dependence on Lending Platforms. Ranger Alternatives is extremely dependent on the Lending Platforms in pursuing its investment objectives. If a material number of Lending Platforms were to cease or materially alter their operations, become bankrupt, liquidate or otherwise cease originating the Debt Instruments, the Portfolio Investment may be materially impacted. Likewise, the Portfolio Investment is dependent on the Lending Platforms' continued ability to manage their operations and reduce risk to the holders of Debt Instrument. For example, a Lending Platform may be vulnerable to network issues, technological failure, cyber-attacks, physical or electronic break ins and other vulnerabilities that may impact either its operations or the security of a Debt Instrument holder's investment. In the event that a Lending Platform is unable to effectively manage such vulnerabilities, the Portfolio Investment as a Debt Instrument holder, could be severely impacted, including without limitation, with respect to such Lending Platform's ability to offer additional Debt Instruments, manage existing Debt Instruments, collect amounts due from Underlying Borrowers, or protect the Portfolio Investment's sensitive information.

Risk of Default by Counterparties, Brokers and Exchanges. Ranger Specialty Income Fund will be exposed to the credit risk of the counterparties, or the banks, brokers, dealers and exchanges through which it deals with respect to the use of leverage or currency hedging. The Portfolio Investment may be subject to risk of loss of its assets on deposit with a bank or broker in the event of that bank or broker's bankruptcy. In the case of any such bankruptcy, the Portfolio Investment might recover, even in respect of property specifically traceable to the Portfolio Investment, only a pro-rata share of all property available for distribution to all of such broker or dealer's customers.

The Portfolio Investment may effect transactions in "over-the-counter" or "interdealer" markets. Participants in these markets typically are not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. To the extent the Portfolio Investment invests in swaps, derivatives or synthetic instruments, or other over-the-counter transactions in these markets, the Portfolio Investment may take a credit risk with regard to parties with which it trades and also may bear the risk of settlement default. These risks may differ materially from those involved in exchange-traded transactions, which generally are characterized by clearing organization guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from these protections, which in turn may subject the Portfolio Investment to the risk that a counterparty will not settle in accordance with agreed terms and conditions because of a dispute over the terms of the contract or because of a credit or liquidity problem. Such "counterparty risk" is increased for contracts with longer maturities when events may intervene to prevent settlement. The ability of the Portfolio Investment to transact business with any one or any number of counterparties, the lack of any independent evaluation of the counterparties or their financial capabilities, and the absence of a regulated market to facilitate settlement, may increase the potential for losses to the Portfolio Investment.



Complexity. Ranger Alternative's systems and operations are dynamic and complex. Certain of its operations interface with and depend on systems operated by third parties, including custodians, brokers, administrators, market counterparties and other service providers, and Ranger Alternative may not be able to quantify the risks or verify the reliability of such third party systems. Certain operational risks may be intrinsic to Ranger Alternative's operations and may impact its financial, accounting or data processing or other systems, especially given the volume, diversity and complexity of Ranger Alternative's transactions. Periods of market dislocation or abrupt regulatory change may exacerbate operational risk. The failure of one or more systems or operations or the inability of those systems or operations to meet the Portfolio Investment's evolving demands could have a materially adverse effect on the Portfolio Investment.

Risk of Status as a Lender. If a state regulator took the position that a Lending Platform or the Portfolio Investment were the actual providers of loans to a platform's borrower-members, a state regulator in certain circumstances could pursue legal and regulatory action against the Portfolio Investment. In addition, state regulators could pursue claims against the Portfolio Investment for violations of state usury laws based on the terms of the underlying loans to borrowers, which, in some cases, can result in treble damages and criminal liability. If a state regulator were to pursue action against the Portfolio Investment as an unlicensed lender, the Portfolio Investment could incur significant monetary liability, be subject to extensive claims and litigation and Investors could lose their entire investment.

Tax Considerations. Portfolio Investment may take positions with respect to certain tax issues which depend on legal conclusions not yet resolved by the courts. Should any such positions be successfully challenged by a taxing authority, an Investor might be found to have a different tax liability for that year than that reported on its income tax return.

Original Issue Discounts. Certain Lending Platforms may treat the Debt Instruments as debt instruments that have original issue discount ("OID") for U.S. federal income tax purposes. Given that the Portfolio Investment will have an accrual method tax-basis, an Investor may be required to include OID currently as ordinary interest income for U.S. federal income tax purposes (which may be in advance of interest payments on the Debt Instrument).

Tax Efficiency. **AN INDIRECT INVESTMENT IN THE RANGER SPECIALITY INCOME FUND MAY RESULT IN MATERIAL TAX INEFFICIENCIES FOR AN INVESTOR WHO IS SUBJECT TO U.S. FEDERAL OR STATE TAX.** The passive investment income realized from the Debt Instruments in the Portfolio Investment's portfolio is primarily comprised of interest income, and therefore is taxable as ordinary income and subject to ordinary income tax rates. Debt Instruments that default or otherwise lose the entirety of their value would only entitle a Shareholder to deduct such loss as a capital loss, for the period in which it ceases to perform. Capital losses generally may be deducted only to the extent of capital gains, except for non-corporate taxpayers who are allowed to deduct \$3,000 of excess capital losses per year against ordinary income. As such, capital losses in the portfolio will not necessarily offset passive income in the portfolio, resulting in potentially substantial tax inefficiency for Shareholders who are subject to US federal or state taxes.

The taxation of partnerships and partners is complex. Potential Investors are strongly urged to consult their own tax advisors.

## **MULTI-STRATEGY FUND RISKS AND RISKS ASSOCIATED WITH PRIVATE FUND INVESTMENTS:**

Forward-Looking Statements. This Form ADV contains forward-looking statements with respect to the Ranger Multi-Strategy Fund and its ongoing operations. These forward-looking statements reflect the Firm's views with respect to future events. The words "anticipates", "projects", "intends", "estimates", "expects", "believes", "plans", "may", "will", "should", "could", and other similar expressions are intended to identify such forward-looking statements. Actual results could differ materially from those in the forward-looking statements as a result of factors beyond the Firm's control. Investors are cautioned not to place undue reliance on such statements. These forward-looking statements are necessarily speculative and speak only as of the date made, and are subject to numerous assumptions, risks and uncertainties, all of which may change over time. The following factors, among others, could cause actual results to differ materially and adversely from such forward-looking statements: operational factors relating to the performance of the Ranger Multi-Strategy Fund, market conditions and general economic conditions. Any statements made by the Firm that are not historical facts should be considered to be forward-looking statements. The Firm is not obligated to update and does not undertake to update any of its forward-looking statements made herein.

Possible Effect of Substantial Withdrawals. Substantial Redemption of Shares or limited partnership interests could require the Ranger Multi-Strategy Fund to redeem or liquidate its investments in Portfolio Investments or securities more rapidly than otherwise desired in order to raise the cash necessary to fund the redemptions or withdrawals. Illiquidity in certain markets could make it difficult for the Portfolio Investment Managers to liquidate positions on favorable terms, which could result in losses or a decrease in the net asset value of the Ranger Multi-Strategy Funds. In addition, restrictions on the Ranger Multi-Strategy Funds' ability to redeem their investments in Portfolio Investments, may be a factor in the Ranger Multi-Strategy Funds' ability to fund redemptions of shares or withdrawals of Limited Partnership Interests or Shares. However, it is anticipated that most of the Ranger Multi-Strategy Funds' capital will be invested pursuant to agreements containing withdrawal provisions similar to those contained in the memorandum and articles of association or limited partnership agreements of the Ranger Multi-Strategy Funds (the "Ranger Multi-Strategy Funds Agreements").

Market Disruption and Lack of Liquidity. The Ranger Multi-Strategy Funds' ability to withdraw capital from Portfolio Investments may be subject to suspension, in whole or in part, based upon the inability of the Portfolio Investments, to value their investments or due to other factors. Significant market events or circumstances attributable to single securities, generally outside of the control of Managers and the Firm, could cause the Ranger Multi-Strategy Funds to be required to maintain their investments in Portfolio Investments. In such events, shareholders will be unable to withdraw their capital from the Ranger Multi-Strategy Funds.



Restriction on Withdrawals and Transfers. There are varying restrictions on withdrawals from a the Ranger Multi-Strategy Fund and each Portfolio Investment (which may be settled in owned securities rather than cash) and on transfers of shares or limited partnership interest. Because of the restrictions on withdrawals and transfers from the Ranger Multi-Strategy Fund and each Portfolio Investment, an investment in the Ranger Multi-Strategy Fund and/or each Portfolio Investment may be a relatively illiquid investment and involves a high degree of risk. An investment in the Ranger Multi-Strategy Fund should be considered only by persons financially able to maintain their investment and who can accept a total loss of their investment.

Indemnification of the Manager. The operating agreements of the Ranger Multi-Strategy Fund and each Portfolio Investment contains broad indemnification and exculpation provisions. These provisions protect the applicable manager and its respective Affiliates, officers, partners, directors, members, managers, shareholders, employees or agents and/or legal representatives and Affiliates of such persons (the “Indemnified Persons”) from actions brought by third parties against the Ranger Multi-Strategy Fund, the manager, and such other persons. In addition, such indemnification and exculpation provisions limit the right of an investor to maintain an action against the manager to recover losses or costs incurred by the Ranger Multi-Strategy Fund as a result of the manager’s actions or failures to act.

Non-Transferability of Shares and Restrictions on Redemptions. Except upon the death or bankruptcy of a shareholder, Shares will not be transferable without the prior written consent of the Directors, which consent may be withheld in their sole discretion. There are also significant restrictions on redemptions of Shares (which may be settled in securities rather than cash). Consequently, shareholders may not be able to liquidate their investment readily in the event of emergency or for any other reason.

Contagion Risk Factor. The Ranger Multi-Strategy Fund has the power to issue Participating Shares in classes or series. The Articles provide for the manner in which the liabilities are to be attributed across the various classes or series (liabilities are to be attributed to the specific class or series in respect of which the liability was incurred). However, the Ranger Multi-Strategy Fund is a single legal entity. Shareholders in the Ranger Multi-Strategy Fund may be compelled to bear the liabilities incurred in respect of other classes or series of participating shares if there are insufficient assets in that other class or series to satisfy those liabilities.

No Participation by Investors. Substantially all decisions with respect to the management of the Ranger Multi-Strategy Fund are made exclusively by the Firm. Investors have no right or power to take part in the management of the Ranger Multi-Strategy Fund. Save in respect of any resolution to amend the rights attaching to the Shares or in certain limited circumstances provided by Cayman Islands law, holders of the Shares are not entitled to receive notice of, nor attend and vote at, general meetings of the Ranger Multi-Strategy Fund. The Ordinary Shares, which are held by Summit Management Limited, are generally the only Shares which carry the right to vote at general meetings of the Ranger Multi-Strategy Fund. the Firm makes all of the trading and investment decisions of the Ranger Multi-Strategy Fund. In the event of the withdrawal or bankruptcy of the Firm, generally the Ranger Multi-Strategy Fund will be liquidated.

Diverse Investors. The Shareholders in the Ranger Multi-Strategy Fund are expected to include non-U.S. and U.S. tax-exempt investors. In addition, the Board of Directors and the Firm and their Affiliates and employees may invest directly in the Ranger Multi-Strategy Fund or its Affiliates. As a result, conflicts of interest may arise in connection with decisions made by the Board of Directors and the Firm that may be more beneficial for one type of shareholder. In making decisions, the Board of Directors and the Firm intend to consider the investment objectives of the Ranger Multi-Strategy Fund as a whole, and not the investment objectives of any shareholder individually.

Management Fees. The Management Fee and/or Performance Fee that the Ranger Multi-Strategy Fund and each Portfolio Investment will receive has not been established on the basis of an arms-length negotiation between the Ranger Multi-Strategy Fund and each Portfolio Investment. The Operating Agreements of the Ranger Multi-Strategy Fund and each Portfolio Investment will permit the Firm and each Portfolio Investment Manager to receive the Management Fees and Performance Fees based on both realized and unrealized appreciation on investments.

Tax Considerations. The Ranger Multi-Strategy Fund may take positions with respect to certain tax issues which depend on legal conclusions not yet resolved by the courts. Should any such positions be successfully challenged by the Internal Revenue Service, a Shareholder might be found to have a different tax liability for that year than that reported on his or its federal income tax return.

In addition, an audit of the Ranger Multi-Strategy Fund may result in an audit of the returns of some or all of the Shareholders, which examination could result in adjustments to the tax consequences initially reported by the Ranger Multi-Strategy Fund and affect items not related to a Shareholder's investment in the Ranger Multi-Strategy Fund. If such adjustments result in an increase in a Shareholder's federal income tax liability for any year, such Shareholder may also be liable for interest and penalties with respect to the amount of underpayment. The legal and accounting costs incurred in connection with any audit of the Ranger Multi-Strategy Fund's tax return will be borne by the Ranger Multi-Strategy Fund. The cost of any audit of a Shareholder's tax return will be borne solely by the Shareholder.

## **CROSS-LIABILITY BETWEEN CLASSES**

The Ranger Multi-Strategy Fund has the power to issue Participating Shares in separate classes and series. The Articles provide for the manner in which the liabilities are to be attributed across the various classes and series (liabilities are generally to be attributed to the specific class and series in respect of which the liability was incurred). However, the Ranger Multi-Strategy Fund is a single legal entity. Shareholders of one or more classes or series of Participating Shares may be compelled to bear the liabilities incurred in respect of other classes or series which such Shareholders do not themselves own if there are insufficient assets in that other class or series to satisfy those liabilities. Accordingly, there is a risk that liabilities of one class or series may not be limited to that particular class or series and may be required to be paid out of one or more other class or series.

## **RISKS AND DISCLOSURES RELATING TO THE LEVERAGE FEATURE:**

**THE RANGER MULTI-STRATEGY FUND DOES NOT CURRENTLY EMPLOY THE LEVERAGE FEATURE NOR INTENDS TO DO SO IN THE FORESEEABLE FUTURE. THE FOLLOWING RISK FACTORS APPLY TO THE EXTENT THAT THE RANGER MULTI-STRATEGY FUND EMPLOYS THE LEVERAGE FEATURE IN THE FUTURE.**

Management Fees. Management Fees paid to the Firm are based on assets under management attributable to the Ranger Multi-Strategy Fund's Shares. The use of leverage, derivatives, or structured products increases the assets under management by the Firm in approximate ratio to the amount of leverage and the notional amount of derivatives or structured products being employed. Therefore, the greater the leverage and notional amount of derivatives or structured products being employed, the greater the Management Fee to which the Enhanced Shares are subject. For example, if a Shareholder subscribes to the Enhanced Shares for one hundred dollars (\$100) and one hundred percent leverage is being employed (including the notional value of any derivatives or structured products) on behalf of the Enhanced Shares, the assets under management by the Firm attributable to such subscription will, subject to appreciation, depreciation, fees and expenses, equal two hundred dollars (\$200). As such, the Management Fee collected by the Firm would equal one dollar (\$1.00) per annum as opposed to the one half dollar (\$0.50) per annum to which Enhanced Shares would be subject in the absence of leverage. A conflict of interest thereby exists whereby the Firm may have an incentive to increase the use of leverage, derivatives, or structured products within the Enhanced Portfolio in order to increase the Management Fees to which it is entitled.

No Ownership of Portfolio Investments. The Ranger Multi-Strategy Fund may receive an adjusted economic return on an Investment Basket of private investment companies. The Ranger Multi-Strategy Fund may not have any rights of ownership or other rights to the Investment Basket or the Portfolio Investments, neither directly nor indirectly.

Risk of Loss. The use of the Leverage Feature entails a high degree of financial risk which could result in the entire loss of the net asset value of the Enhanced Shares. There is no guarantee that the Ranger Multi-Strategy Fund will profit from the investments made on behalf of the Enhanced Shares. For example, if either at any time during the term of the applicable Leverage Feature any applicable "knock-out" provision is triggered and utilized in accordance with the terms of such Transaction Contract, then there will be a loss on the investment by the Ranger Multi-Strategy Fund in the Portfolio Investments on behalf of the Enhanced Shares. If the Ranger Multi-Strategy Fund implements a Credit Facility on behalf of the Enhanced Shares and the amount drawn by the Ranger Multi-Strategy Fund or the Master Fund under the Credit Facility on behalf of the Enhanced Shares exceeds the net value of the applicable Portfolio Investments, then the Enhanced Shares' entire investment in the Portfolio Investments will be lost. If the Ranger Multi-Strategy Fund implements a Derivative Agreement for the Leverage Feature and the ending notional value of the Investment Basket (minus Shares and fees) is less than the accreted strike price of the Derivative Agreement, then there will be a loss of the Ranger Multi-Strategy Fund's entire investment in the Derivative Agreement.

High Leverage and Volatility. The Leverage Feature entails significant leverage on the Portfolio Investments, which increases the volatility of the Portfolio Investments. Furthermore,

most, if not all, of the Portfolio Investments also utilize leverage. As a result, a relatively small movement in the market prices of the instruments traded by the Portfolio Investments can result in immediate and substantial losses to the Enhanced Shares. The Ranger Multi-Strategy Fund may also borrow funds from time to time for liquidity purposes or otherwise as the Firm deems appropriate.

Interest Rate Risk. The Leverage Feature is subject to interest rate risk, which may add to interest rate risk present in the Portfolio Investments themselves. In particular, the Leverage Feature will be subject to LIBOR based interest rates plus a spread. Higher interest rates will therefore have a direct negative effect on the expenses to which Enhanced Shares are subject. Under certain circumstances, a high enough increase in the strike price could even lead to a Derivative Agreement expiring worthless, potentially before its scheduled expiration date, which would result in the loss of the Ranger Multi-Strategy Fund's entire investment in such Derivative Agreements

Additional Layers of Expenses. The Ranger Multi-Strategy Fund's use of the Leverage Feature will increase the fees and expenses the Ranger Multi-Strategy Fund would incur (and allocate to the Enhanced Shares) than if it were to invest in Portfolio Investments without the use of leverage. Because of the additional layers of expenses, a higher gross return will be required to be earned on the individual investment strategies being employed, than an investor would need to realize if such allocations were undertaken on one's own, to achieve an equivalent return. There is no guarantee that the Portfolio Investments will effectively generate any return, and the additional costs of the Leverage Feature may reduce that likelihood.

Early Termination. Termination of the Leverage Feature before scheduled expiration may occur under the terms of the Leverage Feature. Such termination may result in a taxable event, lost investment opportunities and/or monetary losses for the Enhanced Shares. If the Leverage Feature is terminated early, the Enhanced Shares will incur additional costs. Those costs may have an additional negative effect on the return generated by the Ranger Multi-Strategy Fund. In addition, an early termination of the Leverage Feature may either result from or cause the loss of the entire investment in the Portfolio Investments by the Enhanced Shares.

Dependency on Financial Institution for Leverage Strategy. The ability of the Ranger Multi-Strategy Fund to use leverage through the Leverage Feature, and to maintain the desired leverage ratio, is dependent on financial institution's willingness and ability to provide the Leverage Feature. The financial institution is under no obligation to continue providing the Leverage Feature to the Ranger Multi-Strategy Fund and may cease doing so at any time and for any reason, without notice.

Role of the Financial Institution. The Financial Institution is not obligated to conduct due diligence and analysis of the Portfolio Investments or their managers. Nevertheless, the Financial Institution may conduct due diligence and analysis of the Portfolio Investments and/or their managers from time to time prior to and during the term of any Leverage Feature. The Financial Institution shall conduct all such due diligence and analysis solely for its benefit and in connection with the Financial Institution's risk management requirements. THE FINANCIAL INSTITUTION WILL NOT CONDUCT ANY DUE DILIGENCE OR ANALYSIS FOR THE BENEFIT OR ON BEHALF OF THE MULTI-STRATEGY FUND. The Ranger Multi-Strategy Fund shall not rely for any purpose on any of Financial Institution's

information, analysis and opinions concerning the Portfolio Investments and their managers. The Ranger Multi-Strategy Fund is responsible to conduct its own due diligence and review of the Portfolio Investments and their managers to the extent the Ranger Multi-Strategy Fund believes necessary or appropriate and the Ranger Multi-Strategy Fund shall not rely, directly or indirectly, on the Financial Institution to conduct such due diligence and analysis.

### **RISKS RELATING TO DERIVATIVE AGREEMENT AND STRUCTURED PRODUCT LEVERAGE ONLY:**

The following risk factors apply to the extent that the Ranger Multi-Strategy Fund employ's leverage pursuant to the use of a Derivative Agreement ("Derivative Agreement Leverage").

No Ownership of Portfolio Investments. The Ranger Multi-Strategy Fund may receive an adjusted economic return on an Investment Basket of private investment companies. The Ranger Multi-Strategy Fund may not have any rights of ownership or other rights to the Investment Basket or the Portfolio Investments, either directly or indirectly.

Counterparty Creditworthiness. The Ranger Multi-Strategy Fund's receipt of monies owed under a Derivative Agreement is subject to and dependent on the financial institution's ability to pay such monies. No assurance can be given that the financial institution creditworthiness will not rapidly change or that the financial institution will not default on such obligations.

Lack of Centralized Clearing or Guaranty. As there is no central clearing or guaranty function for over-the-counter derivatives, including a Derivative Agreement, if the Financial Institution fails to make the cash payments required to settle a Derivative Agreement, the Ranger Multi-Strategy Fund will lose any premium it paid for a Derivative Agreement as well as any anticipated benefit of the Derivative Agreement.

Lack of Secondary Market Liquidity. Derivative Agreements are structured over-the-counter contracts for which there is no established secondary trading market and for which it is unlikely that a secondary market will develop.

Lack of Standardization and Regulation of Derivative Agreements. Derivative Agreements are not traded on exchanges and do not have standardized terms. Structured over-the-counter Derivative Agreements are purchased from or sold to securities dealers, financial institutions or other parties ("Counterparties") through direct bilateral agreements with each such Counterparty. Such over-the-counter transactions are substantially unregulated. the Firm will negotiate, if applicable, the terms and conditions of each Derivative Agreement with the Financial Institution on an individual basis. In contrast to exchange listed derivatives, which generally have standardized terms and performance mechanics, the terms of over-the-counter derivatives (such as options or swaps), including the method of settlement, term, strike price and premium, are set by negotiation of the parties.

Conflicting Investment Shares. The Firm expects that a financial institution issuing a Derivative Agreement and/or one or more of its affiliates will generally buy and sell Shares in the Ranger Multi-Strategy Fund or another Ranger Multi-Strategy Fund in accordance with its hedging requirements. Although it is therefore likely that the financial institution will have Shares in the performance of the Investment Basket, the financial institution may have nonetheless investment Shares conflicting with those of the Ranger Multi-Strategy Fund. For example, due to the nature of a Derivative Agreement, the financial institution's return will not



be affected by a decrease in value of the Investment Basket for as long as such decrease is borne by the Ranger Multi-Strategy Fund. Thus, where the financial institution needs to consent to or otherwise to participate in any early termination of a Derivative Agreement or otherwise consent to changes in a Derivative Agreement, its Shares in doing so may be contrary to the Ranger Multi-Strategy Fund's Shares.

Delay in Payment. Under the terms of a Derivative Agreement, the Ranger Multi-Strategy Fund will not receive payment of the Final Derivative Value until after the financial institution can conclusively and definitively determine the actual liquidation value of the Investment Basket. In the event that valuation difficulties arise with respect to the Portfolio Investments included in the Investment Basket, whether due to the illiquid nature of the Portfolio Investments, or the investments by the Portfolio Investments in underlying securities, or for any other reason, payment could be delayed, and such delay potentially could be for a significant period of time.

Right of Restatement. The Calculation Agent will have the right to restate and recalculate any and all of the valuations and calculations with respect to a Derivative Agreement Value based on new or different premises. Such restatements and recalculations may lower the Ranger Multi-Strategy Fund's Net Asset Value.

## **POTENTIAL CONFLICTS OF INTEREST:**

### **Affiliated Portfolio Investments**

The Funds primarily invest in Portfolio Investments which are advised by Portfolio Investment Manager who are affiliated with the Firm. This affiliation creates a conflict of interest whereby the Firm or its Affiliates (i) earns layers of fees, from each of the Ranger Multi-Strategy Fund and the Portfolio Investment, (ii) may be incentivized to make investments which may not be in the best interest of the Ranger Multi-Strategy Fund, and (iii) whereby the terms of a Portfolio Investment may not be at arm's length.

As such, an investment in the Ranger Multi-Strategy Fund or Separate Account managed by the Firm is subject to multiple layers of fees and expenses. Advisory Fees paid to the Firm are separate and non-inclusive of advisory fees paid to the investment advisers of Portfolio Investments undertaken by the Ranger Multi-Strategy Fund or Separate Accounts, most or all of who are Affiliates of the Firm, each of which are entitled to management fees and performance fees for their services. Unaffiliated Portfolio Investment Managers are typically, but not exclusively, entitled to an annual management fee ranging from one percent (1%) to two percent (2%) and a performance fee of up to twenty percent (20%). Affiliated Portfolio Investment Managers are typically entitled to an annual management fee of one percent (1%) and a performance fee of up to ten percent (10%). In addition, Portfolio Investments are subject to expense reimbursements similar to expense reimbursements to which an investor is entitled to with respect to the Ranger Multi-Strategy Fund.

Investors are encouraged to carefully consider the multiple layers of fees incurred by an investment in the Ranger Multi-Strategy Fund or Separate Account.

PRIVATE PLACEMENT MEMORANDUMS AND BROCHURES ARE AVAILABLE FOR EACH OF THE FIRM'S UNDERLYING PORTFOLIO INVESTMENTS BY CONTACTING THE FIRM AT (214) 871-5200.

#### *Other Client Accounts*

The Firm may manage other client accounts, some of which have objectives similar to those of the Ranger Multi-Strategy Fund, including other collective investment vehicles which may be managed by the Firm or any of its affiliates and in which the Firm or any of its affiliates may have an equity interest.

#### *Performance Fees*

The Ranger Multi-Strategy Fund and certain Portfolio Investments charge a Performance Fee. Performance-based fee arrangements may create an incentive for the Firm or a Portfolio Investment to invest in securities or funds which may be riskier or more speculative than the securities it would invest in under a different fee arrangement. In addition, performance fee arrangements may create an incentive for the Firm or a Portfolio Investment to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Firm employs procedures designed to ensure all clients are treated fairly and equally, and to prevent this potential conflict from influencing the allocation of investment opportunities among clients.

#### *Allocation of Time, Effort and/or Investment Opportunity*

The Firm seeks to act in a manner that it considers fair, reasonable and equitable in allocating investment opportunities to the Ranger Multi-Strategy Fund and/or Separate Accounts but does not otherwise impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities to the Ranger Multi-Strategy Fund and/or Separate Accounts or any restrictions on the nature or timing of investments for the account of the Ranger Multi-Strategy Fund and for the Firm's own account or for other accounts that the Firm or its affiliates may manage. The Firm is not obligated to devote any specific amount of time to the affairs of the Ranger Multi-Strategy Fund and/or Separate Accounts and is not required to accord exclusivity or priority to the Ranger Multi-Strategy Fund and/or Separate Accounts in the event of limited investment opportunities.

In addition, Portfolio Investment Managers may engage in other forms of related and unrelated activities in addition to advising a Portfolio Investment. They may also make investments in securities for their own account. Activities such as these could detract from the time a manager devotes to the affairs of a Portfolio Investment.

### **Item 9 – Disciplinary Information**

Registered investment advisers and management personnel are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Firm or the integrity of its management. The Firm and management personnel have no legal or disciplinary events to disclose.



## Item 10 – Other Financial Industry Activities and Affiliations

Ranger Advisors, L.P. is affiliated with four investment advisers by virtue of common control and ownership by Ranger Capital Group Holdings, L.P. (“RCGH”). The Firm and each of its investment advisory affiliates mentioned below maintain independent investment teams and processes; and focus on differing investment strategies. Ranger Shared Services, LLC, a wholly owned subsidiary of RCGH, provides operations, marketing and investor relations support to Ranger and its affiliates.

- RG Liquid Alts, LP manages global market neutral equity portfolios.
- Ranger Investment Management, L.P. manages investment portfolios which consist of U.S. exchange traded equity securities of primarily small and/or mid capitalization growth oriented companies.
- Ranger International Management, L.P. manages investment portfolios which consist of long-only (i) global income and growth, and (ii) international equity portfolios
- Ranger Alternative Management, L.P. serves as a sub adviser to and has day-to-day portfolio management responsibilities with respect to a short only actively managed exchange traded fund known as the Ranger Equity Bear (ticker symbol HDGE). Portfolio investments generally include short sales of domestically traded mid- and large-cap U.S. exchange-traded equity securities.
- Ranger Alternative Management II, L.P. manages investment portfolios which consist of consumer and business loans originated by direct lending sources.
- Meros Investment Management, LP manages investment portfolios which consist of U.S. exchange traded equity securities of primarily micro capitalization companies.

All RCGH investment advisers are registered with the U.S. Securities and Exchange Commission (the “SEC”) in accordance with the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training. Additional information with respect to RCGH affiliated investment advisers may be obtained on-line at [www.rangercap.com](http://www.rangercap.com).

## Item 11 – Code of Ethics, Participation/Interest in Client Transactions and Personal Trading

As a fiduciary, the Firm has an affirmative duty to act in the best interests of its investors and to make full and fair disclosure of all material facts, particularly where the Firm’s interests may conflict with those of its investors. All employees are required to abide by a Code of Conduct and Code of Ethics (the “Code”) which serve as behavioral benchmarks from which the compliance programs are established. Briefly, the Code requires each employee to act with integrity, competence, diligence, respect, and in an ethical manner when dealing with current and prospective clients, the Firm, other employees, colleagues in the investment profession, and other

participants in the global capital markets. Ranger expects employees to place the interests of clients and the Firm above their own personal interest and to avoid any actual or potential conflicts of interest.

***Among other things, the Code of Ethics requires that all employees comply with applicable provisions of the federal securities laws and to promptly report any violation or potential violations of the Firm's compliance policies and procedures to the Chief Compliance Officer.***

#### Personal Trading Policy

The Firm has implemented a personal trading policy which prohibits employees from purchasing individual securities for their personal accounts or the accounts of family members living in their immediate household. Employees may continue to hold investments initiated prior to the adoption of the policy or their employment with the firm and may sell such securities only after all anticipated clients' purchases or sales of such securities are completed, if any. In addition, the Firm requires that all employees receive pre-clearance from the Chief Compliance Officer (the "CCO") by submitting a written request prior to the sale of individual securities transactions. Employees may invest in pooled investment vehicles, ETFs, Closed End Mutual Funds and SEC non-restricted securities, such as open-end mutual funds, certain U.S. government securities and cash equivalents. Pre-clearance and reporting requirements vary for a number of these investments. The Firm's personal trading policy requires employees to provide the CCO with a summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

In addition to personal trading activities, other policies and procedures found in the Code of Ethics provide guidelines the Firm and/or employees follow with respect to:

- Insider Trading
- Outside Business Activities
- Political Contributions
- Gifts and Entertainment

A copy of the Code of Ethics is available to current or prospective clients upon written request to [info@rangeradvisors.com](mailto:info@rangeradvisors.com).

### **Item 12 – Brokerage Practices**

Subject to the individual terms of the private placement memorandum of the Ranger Multi-Strategy Fund or the investment management agreement of a Separate Account, the Firm generally retains complete investment and brokerage discretion. While very infrequent for the Firm to engage brokers, when applicable the Firm selects brokers for direct securities transactions based on a number of factors, including, but not limited to, the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order

and difficulty of execution; the financial strength, integrity and stability of the broker; other services considered by the Firm to be of value; and, the competitiveness of commission rates in comparison with other brokers satisfying the Firm's other selection criteria.

In good faith, however, the Firm may pay a broker commissions that are higher than another broker might have charged for the same transaction, in recognition of the Firm's assessment of the value of services provided to the Firm by the broker. However, the Firm must believe that commission costs borne by client accounts are reasonable in relation to the overall services provided.

### **Item 13 – Review of Accounts**

Each account will be reviewed and valued on a monthly basis or more frequently if triggered by market or economic conditions. At this time, there are two (2) accounts requiring review. The Firm reviews each account in a manner consistent with the investment goals of each client entity or separately managed account. Under the supervision of the Chief Financial Officer, members of the Firm's accounting and operations staffs reviews the accounts' valuation, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports generated by the Firm's accounting system, custodian, prime broker and brokerage firms on a monthly basis. The Firm's independent public accountants perform an annual audit of the books and records of the Firm's Clients.

The Firm typically remits quarterly and annual written reports to its Clients, which set forth various financial data and information. The Firm's operations staff, supervised by the COO/CFO, reviews the accounts' valuation, including net asset value calculations, securities positions and pricing information, interest accrual calculations, and cash balance reports generated by the Firm's accounting system, custodian, prime broker and/or brokerage firms. An investor in a Client of the Firm receives the Client's audited annual financial report and the information necessary for the investor to complete its annual federal income tax return.

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

The Firm does not currently employ third party marketing groups and is not accepting new investments in its Ranger Multi-Strategy Funds or Separate Accounts. However, while not applicable at this time, the Firm may, as of a future date, enter into agreements with an affiliated or unaffiliated marketing group or individuals that will solicit Separate Accounts or investors for the Ranger Multi-Strategy Fund. For their solicitation services, such marketing groups or individuals may receive a percentage of the Firm's Management Fee and/or Performance Fee.

The Firm's arrangements with an affiliated or unaffiliated marketing group or individuals may result in a potential conflict of interest by creating an incentive for the marketing group to recommend the Firm's investment advisory products and services based on compensation received rather than the investor's needs. The Firm has implemented procedures to ensure compensation arrangements with an affiliated or unaffiliated third-party for client or investor referrals will comply with Rule 206(4)-3 under the Adviser's Act.

## **Item 15 – Custody**

The Firm does not take possession of investor funds or securities. However, the Firm and/or its affiliates serve as a general partner, investment manager and/or attorney in fact with full discretion over the portfolios of pooled investment vehicles it advises and the Portfolio Investments of the Ranger Multi-Strategy Fund. As a result, the Firm is deemed to have indirect access to the funds and securities of its limited partnerships. Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, the Firm is deemed to have custody of these assets. Accordingly, the Firm has implemented certain policies and procedures which seek to safeguard investor assets on behalf of all its limited partnerships. The Firm must also comply with additional bookkeeping, audit and disclosure requirements.

*All investors are encouraged to closely monitor the account statements, audited financial statements and any other important investment related materials they may receive from the Firm. Any potential discrepancies should be promptly brought to the Firm's attention by contacting (214) 871-5200.*

## **Item 16 – Investment Discretion**

With respect to most Client accounts, the Firm has complete discretion over the selection and amount of securities to be bought or sold without obtaining consent or approval (within the parameters established by the private placement memorandum of the Ranger Multi-Strategy Fund or investment management agreements applicable to Separate Accounts). Discretionary authority will only occur upon full disclosure to the Client and authorization by such Client pursuant to a Separate Account investment management agreement or the Operative Documents and subscription agreement of the Ranger Multi-Strategy Fund.

## **Item 17 – Voting Client Securities**

Under Rule 206(4)-6 of the Advisers Act, registered investment advisers that exercise voting authority over client securities are required to implement proxy voting policies and describe those policies to its Clients. Although some matters voted on by the Firm on behalf of its entities might not be considered conventional "proxy votes" for issuers of listed equity securities, nevertheless the Firm applies the basic requirements of Rule 206(4)-6 to its votes on behalf of all of its entities. The Firm primarily provides investment advisory services to its Clients, whose investment programs involve investing assets with affiliated investment vehicles or separate accounts. The Firm has authority to vote on matters relating to, or give approval/consent to amendments proposed by, such underlying investment vehicles or separate accounts. However, the Firm does not have proxy voting authority with respect to issuers of securities in which the underlying investment vehicle or separate accounts invest.

## **Item 18 – Financial Information**

Ranger Advisors, L.P. has no known financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. In addition, the Firm has never been the subject of a bankruptcy petition.