

Item 1 – Cover Page

K2 Advisors, L.L.C.

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This brochure provides information about the qualifications and business practices of K2 Advisors, L.L.C. (the “Adviser”). If you have any questions about the contents of this brochure, please contact us at 203-348-5252 or by email at K2InvestorRelations@FranklinTempleton.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

The Adviser is registered as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser does not imply any level of skill or training.

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

Item 2 – Material Changes

On December 23, 2019 the Adviser filed the previous version of this brochure. The following material changes have been made since the last filed update:

- **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**
 - Revised to reflect that the Adviser’s ability to conduct on-site visits at a manager’s office may be limited or restricted by certain circumstances (for example, during the COVID-19 pandemic).
 - Revised disclosure to reflect investment-specific risks that are applicable to the Adviser’s significant investment strategies. Includes the addition of “General Market” risk and the addition of the “Outbreaks, Pandemics and Other Public Health Issues” risk, both discussing potential impacts of the COVID-19 pandemic and other extraordinary events on the Investment Funds’ and Client Funds’ investments and the Adviser’s Underlying Managers’ or Sub-Advisors’ operations.
- **Item 13 – Review of Accounts** – Revised to reflect that the Adviser’s ability to conduct on-site visits at a manager’s office may be limited or restricted by certain circumstances (for example, during the COVID-19 pandemic).

You may request a copy of our most recently updated brochure at any time, without charge, by contacting the Adviser’s Investor Relations Group at 203-504-1407 or K2InvestorRelations@FranklinTempleton.com.

Item 3 – Table of Contents

	<u>Page</u>
Item 1 – Cover Page	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation	3
Item 6 – Performance-Based Fees and Side-By-Side Management	7
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9 – Disciplinary Information	29
Item 10 – Other Financial Industry Activities and Affiliations	29
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .	33
Item 12 – Brokerage Practices	35
Item 13 – Review of Accounts	47
Item 14 – Client Referrals and Other Compensation.....	49
Item 15 – Custody	49
Item 16 – Investment Discretion	50
Item 17 – Voting Client Securities.....	51
Item 18 – Financial Information.....	54

Item 4 – Advisory Business

K2 Advisors, L.L.C. (the “Adviser”) is a Delaware limited liability company formed in 1997. The Adviser is wholly-owned by K2 Advisors Holdings, LLC (“K2 Holdings”). K2 Holdings is wholly-owned by Franklin Templeton Institutional, LLC, a wholly-owned subsidiary of Franklin Resources, Inc.

The Adviser’s advisory business was launched in 1994 by the predecessor firm to the Adviser and became registered as an investment adviser under the Advisers Act in March 2003. The Adviser operates as an investment group within the broader Franklin Templeton alternatives and solutions platform.

Introduction to Franklin Templeton

Franklin Templeton Institutional, LLC (“FTILLC”) is a Delaware limited liability company formed on October 9, 2001 and based in New York, New York. FTILLC is a wholly-owned subsidiary of Franklin Resources, Inc. (“Franklin Resources”), a holding company that, together with its subsidiaries, operates as Franklin Templeton®, a global investment management organization offering investment services and products under various distinct brand names, including, but not limited to, Franklin, Templeton, Balanced Equity Management, Benefit Street Partners, Darby, Edinburgh Partners™, Fiduciary Trust™, Franklin Bissett, Franklin Mutual Series, K2 and LibertyShares. Franklin Templeton, through current and predecessor subsidiaries, has been engaged in the investment management and related services business since 1947.

The common stock of Franklin Resources is traded on the New York Stock Exchange under the ticker symbol “BEN,” and is included in the Standard & Poor’s 500 Index.

The Adviser’s Advisory Business

The Adviser serves as general partner or managing member to privately offered limited partnerships, limited liability companies, offshore corporations and other entities or accounts (collectively, “Funds”) typically organized to invest in a diversified group of other privately offered investment entities (“hedge funds”) that are managed by unaffiliated investment managers (the “Underlying Managers”). The Funds may invest in (i) concentrated portfolios of hedge funds that pursue similar strategies, (ii) a particular hedge fund managed by an Underlying Manager, (iii) managed accounts managed by Underlying Managers, (iv) alternative trading platforms, including platforms managed by Underlying Managers accessed through derivatives with returns linked to the Underlying Managers’ strategies, or (v) funds on one or more platforms (“Platform Funds” for which the Adviser serves as general partner or managing member and that are sub-advised by an Underlying Manager). All such hedge funds, managed accounts and Platform Funds are referred to herein as “Investment Funds”. The Funds may invest directly or may invest through a master-feeder structure; in addition, certain Funds may invest in other Funds or other private funds managed by affiliates of the Adviser. The Adviser has delegated a substantial part of its management activities to K2/D&S Management Co., L.L.C. (“K2/D&S”), an affiliate

of the Adviser that is also a registered investment adviser pursuant to the Advisers Act. K2/D&S provides investment management advice and supervisory services to the Funds, as well as to offshore private funds and accounts for which the Adviser does not serve as general partner or managing member.

The Adviser also may act as general partner or managing member to certain Funds advised by K2/D&S that invest directly in securities or other financial instruments including, but not limited to, futures, options, exchange-traded funds (“ETFs”), debt and/or equity securities in the following strategies: beta replication (hedge fund replication), alpha replication, risk premia and/or risk mitigation strategies (such as conditional risk overlay, also referred to as the “CRO Component”) and a catastrophe bond strategy.

The Adviser acts as general partner or managing member to Funds that are commingled vehicles with multiple investors or single-investor vehicles or accounts in which the single investor (or group of related investors) may help to define operating guidelines, investment objectives, investment guidelines and/or any investment limitations that the Adviser has individually agreed to as a condition of managing that Fund (each, a “Single Investor Fund” and collectively, the “Single Investor Funds”). The Single Investor Funds, the Funds and the Platform Funds are herein collectively referred to as “Client Funds.”

The Adviser acts as general partner or managing member to Platform Funds that are private funds, the investments of which are managed on a discretionary basis (directly or indirectly, as described below) by sub-advisors in a structure that provides many of the benefits typically associated with investing through managed accounts. Each Platform Fund on the platform is part of a “master-feeder” fund structure where one or more feeder funds (each, a “Feeder Fund”) invests all or substantially all of its assets into a master fund (each, a “Master Fund”), which, in turn, invests such assets, as well as any subscription proceeds from direct investors in the Master Fund, in accordance with the applicable investment objective, strategy and guidelines. On occasion, a Platform Fund may be “seeded” (e.g., initially invested in) by an affiliate of the sub-advisor. In addition, a platform service provider may provide certain operational, risk-monitoring and other services to each Platform Fund.

Generally, the Adviser does not tailor the advisory services provided to the Client Funds to the individual needs of investors in the Client Funds. In the case of Single Investor Funds, however, the needs and input of the single investor (or group of related investors) may be used to tailor the investment objective, strategy and guidelines governing that Single Investor Fund’s investment activities and operations.

Potential or actual conflicts of interest will, from time to time, arise in allocating investment opportunities among the Adviser’s Client Funds. Some of these conflicts of interest are discussed in more detail in Item 11 (“Code of Ethics, Participation or Interest in Client Transactions and Personal Trading”) and Item 12 (“Brokerage Practices”).

Services of Affiliates

Franklin Templeton operates its investment management business through the Adviser, as well as through multiple affiliates of the Adviser, some of which are investment advisers registered with the SEC, some of which are registered with non-U.S. regulatory authorities, and some of which are registered with multiple regulatory authorities. The Adviser (or K2/D&S or another affiliate of the Adviser, as each Client Fund's delegated investment manager) uses the services of appropriate personnel of one or more of its affiliates for investment advice, portfolio execution and trading, and/or client servicing in their local or regional markets or in their areas of special expertise, except to the extent restricted by the client under its investment management agreement, or if inconsistent with applicable law. Arrangements among affiliates take a variety of forms, including delegation arrangements or formal sub-advisory arrangements and servicing agreements. In these circumstances, the client with whom the Adviser has executed the investment management agreement will typically require that the Adviser remains fully responsible for the account from a legal and contractual perspective. No additional fees are charged for the affiliates' services except as disclosed in the investment management agreement. Please see Item 10 ("Other Financial Industry Activities and Affiliations") for more details.

Assets Under Management

The Adviser provides management services as a general partner or managing member of a Client Fund over which it has delegated management or investment advisory services to an affiliated or unaffiliated adviser. Assets under management described in this item may include all types of Client Funds described in Item 4, and may include accounts and assets that an affiliated adviser is also reporting on its Form ADV because both the Adviser and its affiliate provide discretionary or non-discretionary services to such accounts.

As of September 30, 2019, the Adviser managed the following amounts on a discretionary and non-discretionary basis:

	U.S. Dollar Amount
Discretionary	\$852.59 million
Non-Discretionary	\$0
Total*	\$852.59 million

Item 5 – Fees and Compensation

K2/D&S generally receives a management fee (the "Management Fee") from each Client Fund, which ranges from 0% to 1.50% per annum of the Fund's assets under management. Management Fees for the Client Funds may be calculated and paid quarterly in advance or in arrears, as specified in each

Client Fund's constituent documents. The administrator for a Client Fund calculates the fee amount with respect to such Client Fund and transmits the net asset value and fee calculation to K2/D&S. K2/D&S confirms the calculations and then submits an invoice to that Client Fund.

K2/D&S may waive, reduce, or rebate the Management Fee with respect to any investor(s). Investments in the Client Funds by the Adviser, its affiliates or their respective officers or employees generally are not subject to a Management Fee. K2/D&S may also pay all or part of its Management Fee to third parties for assisting in the placement of interests or shares in a Fund. Where K2/D&S recommends, and where a Client Fund makes an investment of part or all of the Client Fund's assets in another Fund or in a fund managed by an affiliate of K2/D&S, or where an affiliate of K2/D&S recommends or directs an investment in a Fund by a client of such affiliate, K2/D&S or the affiliate, as applicable, typically waives its fees in the underlying Fund or affiliate fund. However, where K2/D&S and an affiliate provide different services to the same Client Fund, the Client Fund may compensate each of the Adviser and its affiliate for their respective services. In such cases, appropriate disclosure of such compensation will be provided to the client.

The asset-based fees K2/D&S may receive from Single Investor Funds and Sub-Advised Funds, and the method and frequency of the payment of such fees, varies depending upon the terms of the relationship between the Adviser and the applicable Single Investor Fund or Sub-Advised Fund.

In addition to the Management Fee paid to K2/D&S, the Adviser receives performance-based compensation from certain Client Funds (an "Incentive Allocation"). The Incentive Allocation typically equals 10% - 15% of the net profit allocated to a series of interests of a Client Fund which bears an incentive allocation during an incentive allocation period, subject to a loss-carryforward or "high water mark." The percentage of the incentive allocation may vary among Client Funds and among classes of interests within a Client Fund, and certain classes of a Client Fund may not pay an Incentive Allocation while others do. If an investor in a class of interests that is subject to an Incentive Allocation redeems all or part of its interests in the Client Fund other than as of a date an Incentive Allocation is calculated, an Incentive Allocation is paid with respect to the redeemed amount at the time of the redemption. An Incentive Allocation is paid by a Client Fund following calculation of the net asset value for the relevant period. The applicable administrator calculates the amount of the Incentive Allocation with respect to a Client Fund (and/or classes of interests thereof) and transmits the calculation to the Adviser, who provides the calculation to the applicable sub-advisor, if relevant. The Adviser and, if applicable, the sub-advisor, confirms the calculations and then submits an invoice to the applicable Fund administrator.

If the Adviser is eligible to receive the Incentive Allocation, the Adviser may waive, reduce, or rebate the Incentive Allocation with respect to any investor(s). In certain Client Funds, the Incentive Allocation may be subject to a hurdle rate that must be surpassed for a given period before the Adviser is entitled to any performance-based compensation; the amount of the hurdle rate, if any, may vary among the Client Funds or among classes of interests within a Client Fund. A hurdle rate may refer to a designated percentage or may be calculated by reference to an index. Where the Adviser recommends, and where a

Client Fund makes an investment of part or all of the Client Fund's assets in another Fund or in a fund managed by an affiliate of the Adviser, or where an affiliate of the Adviser recommends or directs an investment in a Fund by a client of such affiliate, the Adviser or the affiliate, as applicable, typically waives its fees in the underlying Fund or affiliate fund. However, in certain instances where the services provided by the Adviser and the affiliate differ, fees may be charged with respect to each of the advisory services provided by the Adviser and its affiliate, and, in such cases, appropriate disclosure will be provided to the client about such compensation arrangements. Certain of the Client Funds pay a performance fee to K2/D&S instead of an Incentive Allocation to the Adviser.

The amount of, and terms governing, the performance-based compensation, if any, that the Adviser may receive from a Single Investor Fund are negotiated on a case-by-case basis. The fees vary depending on the size of mandate, scope of services, client service and reporting, the type of strategy and any unusual features of the arrangement between the Adviser and the applicable Single Investor Fund. The Adviser is not generally required to provide notice to, or obtain the consent of, any client when waiving, reducing or varying fees or modifying other contractual terms with any other client. However, some Single Investor Fund clients will, from time to time, seek to negotiate most favored nation ("MFN") clauses in their limited partnership or limited liability company agreements with the Adviser. These clauses typically require the Adviser to notify the MFN client if either the Adviser or to K2/D&S subsequently enters into an investment management agreement (or limited partnership agreement or limited liability company agreement) with another similarly situated client that provides a more favorable fee rate or certain other contractual terms than those in place with the MFN client. Once notified, the MFN investor can elect to either adopt or reject the more favorable terms or, usually, when the MFN relates only to fees, the MFN clause requires that any more favorable fee rate terms be extended automatically to the MFN investor. The applicability of an MFN clause will typically depend on the degree of similarity between investors. The Adviser will consider a number of factors when determining similarity between investors, such as the type of Client Fund in which the investor invests, the scope of investment discretion, reporting and other servicing requirements, the amount of assets under management, the fee structure and the particular investment strategy of the Client Fund. The Adviser has discretion over whether or not to grant any MFN clause in all circumstances. Individual investors in Client Funds will, from time to time, seek to negotiate similar MFN provisions as a condition of their investment.

At the sole discretion of the Adviser, certain directors, officers, employees or strategic business associates of the Adviser, the Adviser's affiliates or their respective clients will have their investment management fees, performance-based fees and/or special allocations waived or reduced in connection with their investment into a Client Fund.

The Client Funds invest in Investment Funds and, in connection with such investments, will indirectly bear management fees and performance fees or incentive allocations payable to the Underlying Managers of such Investment Funds. Where the Client Funds invest through a sub-advised managed

account, the Client Fund will pay such management, performance and other fees negotiated in the respective investment management or sub-advisory agreement.

Other Fees and Expenses

On an ongoing basis, as set forth more specifically in each Fund's and each Platform Fund's offering documents, a Fund will typically bear all of its investment- and trading-related expenses (including, where applicable, brokerage commissions, clearing and settlement charges, spreads, interest expenses and other expenses, accounting, auditing, administration and tax preparation fees and expenses relating to the Fund or Platform Fund, directors' fees, interest on borrowings, currency hedging costs, expenses related to credit facilities, fees, interest and other costs on margin accounts or other financings or re-financings, costs and expenses of entering into and utilizing swaps, derivative instruments or other similar transactions and all exchange fees and similar costs); all expenses incurred in the ongoing offering of interests or shares; and all expenses incurred in connection with the particular Fund's or Platform Fund's operations. Such operational expenses include, but are not limited to, the costs associated with professionals retained by the Adviser or an affiliate to perform services on behalf of the Fund or Platform Fund; legal expenses incurred by that Fund or Platform Fund and the Adviser on behalf of that Fund or Platform Fund; regulatory expenses on behalf of that Fund or Platform Fund; third-party anti-money laundering officer fees; taxes; custodial fees; bank service fees; insurance-related expenses of the Fund and the Adviser; loan administration fees and expenses; reasonable expenses related to the purchase, sale or transmittal of Fund assets as are determined by the Adviser in its sole discretion; expenses related to the Adviser's research and monitoring of the Investment Funds, where applicable, including the cost of underlying Investment Fund due diligence-related travel, background checks on Underlying Managers, operational due diligence conducted on Underlying Managers, if any, legal due diligence by the Adviser or an affiliate, if any (whether or not the Adviser makes an investment based on such due diligence), and the cost of third parties that provide risk and other hedge fund analytics utilized to monitor the Fund's portfolio of Investment Funds; printing costs; data processing costs and expenses; platform service provider fee, if applicable, and travel or certain out-of-pocket expenses incurred by a platform service provider, if any; the Fund's or Platform Fund's *pro rata* portion of research fees and expenses incurred by the Adviser or any sub-advisor relating to investments or technology, information or services used to support trading, portfolio management, and operations; bonding costs under the U.S. Employee Retirement Income Security Act of 1974, as amended, if applicable; costs and expenses of valuation agents; extraordinary expenses such as litigation costs and indemnification obligations; and all other expenses that the Adviser has not expressly agreed to pay. Additionally, the catastrophe bond fund also bears research and risk modeling expenses related to the strategies employed by K2/D&S on behalf of that fund.

Where applicable, a Fund or Platform Fund is responsible for its *pro rata* share of all other fees and expenses incurred by the Master Fund in which it invests, including, but not limited to, administration fees; expenses incurred in connection with the Master Fund's operations and trading activities, including

brokerage and clearing expenses, margin interest expenses, custodial expenses, routine legal, accounting, auditing, and tax preparation fees and expenses; and extraordinary expenses. Although a Fund that invests in another Fund or a fund managed by an affiliate of the Adviser will not typically pay management fees or performance fees or make an incentive allocation with respect to such investment at the underlying fund level, the Fund will be responsible for its *pro rata* share of the expenses of such underlying fund as an investor therein. In addition, each Fund that invests in Investment Funds also indirectly bears its *pro rata* share of the operating expenses of each Investment Fund in which that Fund invests. However, in certain instances where the services provided by the Adviser and the affiliate differ, fees may be charged with respect to each of the advisory services provided by the Adviser and its affiliate, and, in such cases, appropriate disclosure will be provided to the investor regarding such compensation arrangements.

The nature and type of expenses borne by investors in a Single Investor Fund will vary depending upon the terms of the Single Investor Fund's governing documents and the terms of the Adviser's relationship with the Single Investor Fund.

A discussion of the Adviser's brokerage policies and procedures is set forth in Item 12, to the extent applicable. The Client Funds (other than the Platform Funds) generally invest in hedge funds through private transactions and, with the exception of hedge fund, beta and alpha replication strategies and certain risk mitigation strategies utilized by the Adviser which may involve investing in futures, options, ETFs and equities, do not use broker/dealers to effect securities transactions. The trading activity in a Platform Fund is subject to the brokerage policies and procedures adopted by the sub-advisor to such Platform Fund.

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

As noted above, the Adviser may receive performance-based compensation from certain Client Funds and/or certain classes of interests within the Client Funds. In measuring a Client Fund's net profits for the purpose of calculating performance-based compensation, the Adviser includes unrealized capital gains and losses and, as a result, the performance-based compensation may be based on gains that investors never ultimately realize. Performance-based compensation arrangements may also create an incentive for the Adviser to cause the Client Funds paying an Incentive Allocation to make investments that are riskier or more speculative than would be the case if the Adviser was not compensated in this manner. In addition, K2/D&S (or an affiliate) receives management fees and/or, on occasion, a performance fee from each Client Fund, rather than the Incentive Allocation paid to the Adviser. Such fees paid to an affiliate create similar conflicts of interest.

In addition, performance-based fee arrangements create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. The Adviser has designed and implemented procedures that seek to ensure that all clients, over time, are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among the Adviser's Client Funds. See Item 12 for a discussion of the Adviser's trade allocation procedures.

Item 7 – Types of Clients

The Adviser acts as general partner or managing member of the Client Funds. Investors in the Client Funds are generally individuals, trusts, pensions, corporations, state or municipal government entities or other business entities. The Adviser's Single Investor Funds are generally established for entities rather than individuals, but could be established for qualified individuals.

Each investor in a Client Fund must be an "accredited investor" as defined in Regulation D of the U.S. Securities Act of 1933, as amended, a "qualified purchaser" under the Investment Company Act of 1940, as amended (the "Investment Company Act") and a "qualified eligible person" under U.S. Commodity Futures Trading Commission ("CFTC") Regulation 4.7.

In many cases, each Client Fund requires a minimum initial investment amount. These minimums generally range from \$100,000 to \$5,000,000 (but may be more or less), depending upon the Fund and class or tranche of shares or interests. Investors generally may not effect a partial redemption if, after such redemption, the net asset value of their investment would be less than the applicable minimum investment amount. This requirement may be waived or modified in the sole discretion of the Adviser.

The required investor qualifications and minimum investment requirements, if any, imposed by a Single Investor Fund will vary depending upon the Single Investor Fund's governing and subscription documents.

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

Methods of Analysis and Underlying Manager Selection

The Adviser primarily acts as general partner or managing member to the Client Funds and typically delegates investment management of each Client Fund's assets to K2/D&S or an other affiliate. Accordingly, the following describes how the Adviser, either in conjunction with K2/D&S or through its delegation of the investment management function to K2/D&S, utilizes various quantitative and qualitative research techniques to evaluate Investment Funds and their Underlying Managers and to assess whether such funds should be considered for inclusion in Client Fund portfolios, and to evaluate an investment adviser as a potential sub-advisor to a Platform Fund for which the Adviser acts as general partner or managing member and for which K2/D&S serves as investment adviser. References to "the Adviser" include references to K2/D&S performing the acts or services described in this Item 8, with the Adviser acting in a supervisory capacity. Certain Funds for which the Adviser acts as general partner or managing member engage in beta replication (including hedge fund replication), alpha replication, risk premia and/or risk mitigation strategies (*i.e.*, the CRO Component) and a catastrophe bond strategy, by investing in financial instruments including, futures, options, OTC derivatives, ETFs debt and/or equity securities.

To the extent that the Client Funds pursue their investment objectives by investing substantially all of their assets in a variety of Investment Funds that employ many different investing strategies, the Adviser evaluates the Investment Funds and the Underlying Managers through an investment due diligence process that generally includes interviews in the managers' offices, phone interviews, and analysis of documents or data provided by the managers and third parties. Each manager's investment strategy, portfolio management skills, performance, and operations are analyzed. Investment Funds and Underlying Managers are generally monitored through contact in their offices, phone calls and electronic communications. To the extent that the Adviser's ability to conduct on-site visits at a manager's office is limited or restricted by certain circumstances, for example, during a pandemic, the Adviser may determine to conduct such interviews or meetings by telephone or video conference during such period and resume on-site visits within a reasonable time of the cessation of such limitations or restrictions.

In seeking to achieve Client Funds' performance objectives, the Adviser's investment research, portfolio construction, and risk management teams utilize a variety of tools and processes with the objective of determining an individual Underlying Manager's ability to generate appropriate risk-adjusted returns. The Adviser's investment process combines top-down quantitative portfolio construction with qualitative bottom-up manager inputs. Various groups within the Adviser including Research, Portfolio Construction, Risk, Operational Due Diligence and Legal may work jointly and/or independently as the Underlying Manager moves through the due diligence process.

Despite the qualitative and quantitative analyses that the Adviser performs on Underlying Managers, it is possible that the Adviser may recommend an Investment Fund that ultimately fails and incurs losses for the invested Client Funds. Further, it is possible that the various quantitative and qualitative tools used by the Adviser in the portfolio construction process result in Client Funds that do not achieve their respective investment objectives or, in fact, result in a complete loss of invested capital.

With respect to the Platform Funds, where the Adviser appoints a sub-advisor, the Adviser identifies and selects each sub-advisor based on its due diligence process as described above. On an ongoing basis, the Adviser monitors the investment activities of each portfolio managed by a sub-advisor through its receipt of holdings level and risk reports in undertaking risk management and oversight of the sub-advisor's adherence to investment guidelines established by the Adviser in consultation with the relevant sub-advisor. The Adviser may engage a platform and/or risk service provider to assist in the monitoring of investment guidelines and to provide certain risk measurement and analytics services. In addition, the Adviser performs ongoing due diligence with respect to certain aspects of a sub-advisor's operations that the Adviser believes may impact the integrity, performance and risk characteristics of a portfolio. The Adviser may utilize outside consultants, accountants, calculation agents, administrators and/or in-house operations in order to perform its ongoing due diligence and monitoring functions. The Adviser may appoint affiliates as sub-advisors for the Platform Funds. In cases where the sub-advisor is an affiliate of the Adviser, the due diligence and ongoing monitoring processes of such sub-advisor may

differ from the processes applied to unaffiliated sub-advisors. The Adviser will have a conflict of interest in selecting and making allocation decisions with respect to affiliated sub-advisors.

To the extent that the Client Funds' pursue investment strategies, including hedge fund replication, beta replication, alpha replication, risk premia and/or risk mitigation strategies (*i.e.*, the CRO Component), by investing in financial instruments such as, but not limited to, futures, options, OTC derivatives, ETFs and or equity securities, the Adviser's methods of analysis will differ. Methods for evaluating these types of investments typically focus on quantitative techniques that seek to identify relationships between hedge fund returns and broad market or economic factors. Other research methods include reviewing public regulatory filings of hedge fund managers selected by the Adviser in its sole discretion, some of which may or may not be held in Client Funds managed by the Adviser. K2/D&S manages the catastrophe bond portfolio based on a set of parameters that are intended to narrow the universe of catastrophe bonds through a screening and scoring process. This process is based on multiple factors, including data obtained from third-party data, pricing and risk modeling sources. The Adviser may execute trades directly for these Client Funds or it may rely on affiliates as described in the "Services of Affiliates" section contained in Item 4.

Investing in securities involves a risk of loss that investors in Client Funds should be prepared to bear. There are material risks associated with the fund of funds structure and with the investment strategies employed by the managers of the Investment Funds. Some of these risks are described below.

Investment Strategies

Underlying Managers or sub-advisors may invest in a broad range of transactions and/or utilize a wide variety of investment strategies and sub strategies, including, but not limited to, the following:

- Long/Short Equity
- Equity Market Neutral
- Specialist Credit/Distressed
- Structured Credit
- Relative Value
- Event-Driven
- Multi-Strategy
- Commodity Interests
- Currency
- Short Selling
- Non-U.S. Securities
- Arbitrage Trading
- Distressed and Hedged Distressed
- Convertible Arbitrage
- Equity Volatility Arbitrage
- Fixed Income Arbitrage

- Merger and Risk Arbitrage
- Credit Arbitrage
- Variable-Bias Long-Short Equity
- Hedged Equity
- Global Macro
- Managed Futures
- Bank Debt and High Yield Investing
- Catastrophe and other Insurance and Reinsurance
- Tail Risk
- Long Only

Below are some of the risks associated with the investment strategies that may be employed by a Client Fund or an Investment Fund. Qualified prospective investors should read the relevant Client Fund's offering materials for the general and specific risks associated with an investment in a particular Client Fund.

Risks of the Multi-Manager Approach

A Client Fund typically pursues a multi-manager strategy which involves certain risks. The following is a summary of those risks, but is not exhaustive.

Multiple Portfolio Managers. The Adviser typically employs a multi-manager strategy and each Investment Fund trades or will trade independently of the others. There can be no assurance that the use of a multi-manager approach will not result in losses by certain of the Investment Funds offsetting any profits achieved by others. Such offsetting could result in a significant reduction in a Client Fund's assets, as incentive fees may be allocable to those Underlying Managers that recognized profits irrespective of the offsetting losses. Various Investment Funds will, from time to time, compete with the others for the same positions. Conversely, opposite positions held by the Investment Funds will be economically offsetting.

Managed Account Allocations. The Adviser may place Client Fund assets with Underlying Managers through opening managed accounts rather than investing in underlying hedge funds. Managed accounts expose a Client Fund to theoretically unlimited liability, so that if an Underlying Manager uses leverage, the Client Fund could lose more in a managed account directed by a particular Underlying Manager than the Client Fund had allocated to such Underlying Manager. The Adviser may attempt to insulate Client Funds from such risk by allocating assets through a single member limited liability company or other special purpose vehicle, but it will not always be possible to do so and the Adviser may elect not to do so.

Reliance on Underlying Managers. Although the Adviser monitors the performance of each investment, the Adviser will rely upon the Underlying Manager of an Investment Fund for day-to-day trading and operations of those investments, and the Adviser may be unable to determine whether an

Investment Fund or Underlying Manager is following the investment program described in the Investment Fund's offering documents or the managed account agreements.

Availability of Information. An Investment Fund may provide to the Adviser very limited information with respect to its operation and performance, thereby severely limiting the Adviser's ability to verify initially or on a continuing basis any representations made by the Investment Fund or the investment strategies being employed. This may result in significant losses to a Client Fund based on investment strategies and positions employed by an Investment Fund or other actions of which the Adviser has limited or no knowledge.

Lack of Transferability of Interests or Shares. The interests in the Client Funds are not registered under U.S. federal or state securities laws and generally are subject to restrictions on transfer contained in such laws. Generally, the interests are not transferable except with the prior written consent, and sole discretion, of the Adviser. There may not be any market for the interests.

Credit Facilities. Certain Client Funds may utilize credit facilities for short-term money management purposes in connection with the receipt of subscription proceeds, redemption requests, or portfolio reallocations. Such credit facilities may be provided at prevailing market rates by a Client Fund's custodian or its affiliates, or from unaffiliated third parties. Should such credit facilities be utilized, a Client Fund may be subject to greater risk of loss than if it did not utilize such credit facilities, and would incur additional interest and other expenses with respect to such facilities. A credit facility provider would be entitled to all or part of the collateral posted by the applicable Client Fund should the Client Fund default on its obligations under the agreement with such credit facility provider.

Limited Management Rights. Subject to certain limited exceptions set forth in the Client Fund's limited partnership agreement or limited liability company agreement with the Adviser, the Adviser will have full, exclusive, and complete power and discretion, without the need for consent or approval of any investor, to make all decisions and do all things which it deems necessary or desirable in respect of the Client Funds.

Allocation and Position Limits Risk. Each Client Fund's investment performance depends upon how its assets are allocated and reallocated, and an investor could lose money on its investment in a Client Fund as a result of these allocation decisions and related constraints. The CFTC and the exchanges on which commodity interests (futures, options on futures and swaps) are traded impose limitations governing the maximum number of positions on the same side of the market and involving the same underlying instrument that may be held by a single investor or group of related investors, whether acting alone or in concert with others (regardless of whether such contracts are held on the same or different exchanges or held or written in one or more accounts or through one or more brokers). The Adviser currently trades for multiple accounts and funds and, therefore, the commodity interest positions of all such accounts and funds will generally be required to be aggregated for purposes of determining compliance with position limits, position reporting and position "accountability" rules imposed by the

CFTC or the various exchanges. Swaps positions in physical commodity swaps that are “economically equivalent” to futures and options on futures held by a Client Fund and these other funds and accounts may also be included in determining compliance with federal position rules, and the exchanges may impose their own rules covering these and other types of swaps. These trading and position limits, and any aggregation requirement, could materially limit the commodity interest positions the Adviser may take for a Client Fund and may cause the Adviser to close out a Client Fund’s positions earlier than it might otherwise choose to do so. From time to time, the Adviser may determine to trade different contracts in differing amounts, in order to avoid violating such position limits.

Platform Fund Risks

In addition to the risks enumerated above, the Platform Funds have additional risks, as follows:

Non-compliance with Investment Guidelines and Sub-advisory Agreement. Although the Adviser, with support from a platform service provider, will monitor the compliance of the applicable sub-advisor with a Platform Fund’s investment guidelines and certain other material provisions of the applicable sub-advisory agreement, there can be no assurance that the sub-advisor will, in fact, comply with the sub-advisory agreement or will otherwise be successful in its management of the Master Fund’s assets. Any breach of the sub-advisory agreement, failure to follow agreed-upon investment strategies or other misconduct on the part of the sub-advisor or its key personnel could result in losses to the Master Fund and the Feeder Fund(s). While the Adviser will monitor investments made by sub-advisors, the Adviser will not have any control over the investment decisions made by any sub-advisor. Because the sub-advisors trade on a fully discretionary basis, a Master Fund’s trading results, apart from normal market risk, depend entirely upon the applicable sub-advisor’s abilities and efforts.

Performance May Differ from Other Accounts. Unless specifically stated in the applicable explanatory memorandum for a Platform Fund (each, an “Explanatory Memorandum”), the performance of a Platform Fund is not designed to specifically track the performance of other funds or accounts managed by the corresponding sub-advisor. Even to the extent the strategy of a Platform Fund is designed to be similar or even the same as any other fund or account managed by the sub-advisor, a number of factors may cause the performance of the Platform Fund to be substantially different than the performance of such other funds and accounts managed by the relevant sub-advisor, including another Fund which the relevant sub-advisor serves as sub-advisor (each, a “Related Fund”). Such factors may include, but are not limited to: (i) differences in net asset values, including the impact of timing of subscriptions and redemptions, and varying expense ratios, (ii) economic and market factors, which may affect the Platform Fund differently, (iii) the use of different trading counterparties, differences in the fees, commissions charged by such trading counterparties and different dividend accounting treatment, (iv) differences in permitted underlying securities and investment guidelines, (v) differences in leverage limits, valuation methodologies and liquidity, and (vi) changes in the trading strategies of a Related Fund and the Platform Fund over time.

Limitations under the ESG Investment Restrictions May Impact Performance and Limit Investment Strategies and Opportunities. Certain sub-advisors have agreed to abide by certain socially responsible investment restrictions relating to tobacco and controversial weapons (the “ESG Investment Restrictions”). The ESG Investment Restrictions prohibit investments, in, among other things, entities whose primary business is the production of tobacco products and entities or assets associated with the use, stockpiling, acquisition, transfer, retention, development or production of controversial weapons, including cluster munitions, chemical weapons, anti-personnel mines and bacteriological and toxin weapons. The ESG Investment Restrictions may limit the universe of securities that a Client Fund may trade and hold. To the extent that a Client Fund’s portfolio is limited or altered by the ESG Investment Restrictions, such restrictions may adversely affect the Client Fund’s investment performance. In addition, certain sectors (e.g., health care) may be so greatly impacted by the ESG Investment Restrictions that investments in such sectors may not be feasible.

No Assurance of Compliance with ESG Investment Restrictions. There can be no assurance that a Client Fund will at all times comply with the ESG Investment Restrictions. In the event of non-compliance, the applicable Client Fund will endeavor to liquidate the relevant positions as soon as commercially practicable and on a basis otherwise in the best interests of the Client Fund.

Risk of Misconduct by sub-advisors. The Adviser will not have any ability to monitor whether a sub-advisor is engaging in illegal activities or other types of misconduct (other than by monitoring the platform service provider’s monitoring of the sub-advisor’s compliance with the applicable investment guidelines). A sub-advisor may have motivations to engage in illegal activities that may be materially detrimental to a Platform Fund. By way of example, some hedge fund managers have been found to seek to obtain informational advantages through illicit means such as insider trading. A sub-advisor’s principal may also have the opportunity and incentive to put its or its principals’ personal interests ahead of a Platform Fund’s interests. While the Platform Funds’ accounts with custodians and brokers will be established in a manner that seeks to limit a sub-advisor’s ability to misappropriate a Platform Fund’s assets, this risk cannot be eliminated completely. While each Master Fund will be subject to specific investment guidelines and restrictions, and while the Adviser and the platform service provider will monitor the sub-advisor’s compliance with the investment guidelines set forth in the applicable sub-advisory agreement, there is no assurance that the sub-advisor will manage a Master Fund’s investments in a manner consistent with the description in the corresponding Explanatory Memorandum or will not engage in illicit or illegal activity. Furthermore, the information contained in the Explanatory Memorandum prepared for each Platform Fund will largely be based on information provided by the sub-advisor. While the Adviser will seek to perform all appropriate due diligence on each sub-advisor to verify the accuracy of such information, no assurance can be given that a sub-advisor will provide accurate information or that the Adviser will be able to determine whether such information is, in fact, accurate.

Changes in Investment Approach. A sub-advisor’s investment approach may be dynamic and can be expected to change over time, subject to the investment guidelines, as may be amended from time to time as agreed by the sub-advisor, the Adviser and the Master Fund. Thus, a sub-advisor may not use the same investment approach in the future that it used in the past. The specific details of a sub-advisor’s

investment approach are proprietary; consequently, investors will not be able to determine the full details of those methods, or whether those methods are being followed.

Voluntary Termination of the Sub-advisory Agreement. A sub-advisor, the Adviser or the corresponding Master Fund may voluntarily terminate the sub-advisory agreement upon prior written notice to the other parties thereto. The parties may also terminate the sub-advisory agreement generally with immediate effect following the occurrence of certain specified events. Any such termination will generally result in termination of the Master Fund and could adversely affect the value of its assets. Further information regarding each sub-advisory agreement is set forth in the applicable Explanatory Memorandum.

Other Funds and Accounts Advised by the Sub-advisor. Each sub-advisor manages other funds and accounts (including certain funds with strategies substantially similar to the applicable Master Fund), some of which a sub-advisor may have incentives to favor over the applicable Master Fund. The sub-advisors generally are not subject to any absolute restrictions on taking new accounts, which could increase the competition for their time and adversely impact their performance. Other Funds may also invest in funds or accounts managed by the sub-advisor, and Funds may engage sub-advisors to manage their assets or otherwise allocate capital to a sub-advisor separately from the applicable Master Fund, and may engage the sub-advisor to pursue a substantially similar or different investment strategy.

Investments Risks

The Investment Funds, the Adviser, or the sub-advisors may pursue a wide range of investment strategies using a variety of investment instruments. The following is intended only as a summary of certain key risks that potential investors could face from a Client Fund's investment activities. To the extent the Adviser engages in direct trading activity as described previously, to the extent applicable, the risks described herein will apply directly to such direct trading activity.

Highly Volatile Markets. The prices of securities and derivative instruments, including futures and options prices, may be highly volatile. Price movements of securities, forward contracts, futures contracts, and other derivative contracts in which Investment Funds and/or Client Funds may invest are influenced by, among other things: interest rates; changing supply and demand relationships; trade, fiscal, monetary, regulatory and exchange control programs and policies of governments; and U.S. and international political and economic events and policies. In addition, governments from time to time intervene, directly and/or by regulation, in certain markets, particularly those in currencies and interest rate related futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. Investment Funds and Client Funds also are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses.

Illiquid Portfolio. The Investment Funds in which the Client Funds will invest generally will not be registered as investment companies and interests therein are subject to legal or other restrictions on transfer. It may be impossible for the Adviser to redeem Client Funds' interests in such Investment Funds when desired or to realize their fair value in the event of such redemptions. Certain Investment Funds may permit redemptions only on a semi-annual, annual, or less frequent basis or be subject to "lock-ups" (where investors are prohibited from redeeming their capital for a specified period following investment in such fund) and/or "gates" (where redemption at any given redemption date is restricted to a specified percentage of such underlying fund's assets). In addition, Investment Funds are typically able to suspend redemptions by their investors under a variety of circumstances. Further, some Investment Funds may limit or suspend redemptions with respect to "side pocket" investments (where an Investment Fund classifies a particular investment as "illiquid" or "designated" and investors generally cannot receive their allocable share until such investment is liquidated or otherwise realized). Each such investment will be accounted for by such Investment Fund separately from all other investments of such Investment Fund, and will generally be carried at cost until liquidated or marked-to-market. Illiquidity in Investment Funds may affect the ability of a Client Fund to make redemptions of investors' interests or shares.

Turnover. Underlying Managers and sub-advisors may invest on the basis of certain short-term market considerations. The turnover rate within the Investment Funds or Client Funds may be significant, potentially involving substantial brokerage commissions, fees, and other transaction costs. The Adviser has no control over this turnover.

Short Sales of Securities. Certain of the Investment Funds and Client Funds will sell securities short. Selling securities short involves selling securities that an Investment Fund does not own. In order to make delivery to the purchaser of such securities, the Investment Fund may borrow securities from a third party lender. The Investment Funds and Client Funds subsequently must return the borrowed securities to the lender by delivering to the lender securities purchased in the open market. The Investment Fund must generally pledge cash or other securities with the lender equal to or greater than the market price of the borrowed securities. This deposit will be increased or decreased in accordance with changes in the market price of the borrowed securities. Accordingly, an Investment Fund or Client Fund could, in theory, be exposed to an unlimited loss in the event of an unanticipated increase in the market price of a borrowed security. Purchasing securities to close out the short position can itself cause the price of the securities to rise, thereby limiting profits or exacerbating losses. There is also a risk that the securities necessary to cover a short position will not be available for purchase. Additionally, arbitrage strategies involving short sales are exposed to the risk of the loss of the hedge if the stock sold short is called by the lending broker, or the position cannot otherwise be maintained, forcing premature liquidation.

Leverage. Investment Funds or Client Funds may borrow money or otherwise utilize leverage. While the use of leverage can substantially improve the return on invested capital, its use is likely to

increase the adverse impact to the Investment Fund or Client Fund in the event of an unsuccessful investment.

Sector Risks. Some Investment Funds focus their investment activities on certain industry sector or market segments. The investment portfolio of such an Investment Fund may be subject to more rapid changes in value than would be the case if the Investment Fund maintained a wide diversification among industries, companies, and types of securities.

Concentration. Some Investment Funds and Client Funds may concentrate their investments in only a few securities, industries, or countries. Although a Client Fund's overall investments may be diversified, concentration by individual Investment Funds may cause a proportionately greater loss than if their investments had been spread over a larger number of investments.

Relative Value Strategies. The use of certain "relative value" or "market-neutral" hedging or arbitrage strategies does not imply that an Investment Fund's or Client Fund's strategies are without risk. An Investment Fund or Client Fund may incur substantial losses on "hedge" or "arbitrage" positions, and illiquidity and default on one side of a position can effectively result in losses on both sides of the position, and/or the position being transformed into a directional position. Many relative value funds employ strategies that are somewhat directional, which expose them to market risk.

Equity Securities. The value of equity securities are subject to market risk, including changes in economic conditions, growth rates, profits, interest rates, and the market's perception of these securities.

Debt and Other Income Securities. Fixed income securities are subject to interest rate, market, credit, and currency risk. Interest rate risk relates to changes in a security's value as a result of changes in interest rates generally. Even though such instruments are investments that may promise a stable stream of income, the prices of such securities are inversely affected by changes in interest rates and, therefore, are subject to the risk of market price fluctuations. In general, the values of fixed income securities increase when prevailing interest rates fall and decrease when interest rates rise. Because of the resetting of interest rates, adjustable rate securities are less likely than non-adjustable rate securities of comparable quality and maturity to increase or decrease significantly in value when market interest rates fall or rise, respectively. Market risk relates to the changes in the risk or perceived risk of an issuer, country, or region. Credit risk relates to the ability of the issuer to make payments of principal and interest. The values of fixed income securities may be affected by changes in the credit rating or financial condition of the issuing entities. Fixed income securities denominated in non-U.S. currencies are also subject to the risk of a decline in the value of the denominating currency relative to the U.S. dollar.

Credit Markets. Certain of the Investment Funds and Client Funds will be concentrated in the credit markets, attempting to take advantage of undervalued securities as well as relative mispricings. The identification of attractive investment opportunities in disrupted credit markets is difficult and involves a significant degree of uncertainty. The credit markets are, in general, highly susceptible to

interest-rate movements, government interference, economic news, and investor sentiment. Credit markets are susceptible to periods of significant volatility.

Convertible Securities. Convertible securities (“Convertibles”) are generally debt securities or preferred stocks that may be converted into common stock. Convertibles typically pay current income as either interest (debt security convertibles) or dividends (preferred stocks). A Convertible’s value usually reflects both the stream of current income payments and the value of the underlying common stock. The market value of a Convertible performs like that of a regular debt security; that is, if market interest rates rise, the value of a Convertible usually falls. Since it is convertible into common stock, the Convertible generally has the same types of market and issuer risk as the underlying common stock. Convertibles that are debt securities are also subject to the normal risks associated with debt securities, such as interest rate risks, credit spread expansion, and ultimately default risk. Convertibles are also subject to liquidity risk based upon market conditions.

An issuer may be more likely to fail to make regular payments on a Convertible than on its other debt because other debt securities may have a prior claim on the issuer’s assets, particularly if the Convertible is preferred stock. However, Convertibles usually have a claim prior to the issuer’s common stock. In addition, for some Convertibles, the issuer can choose when to convert to common stock, or can “call” (*i.e.*, redeem) the Convertible, which may be at times that are disadvantageous for an Investment Fund. Finally, because convertible arbitrage also involves the short sale of underlying common stock, the strategy is also subject to stock-borrowing risk, which is the risk that an Investment Fund or Client Fund will be unable to sustain the short position in the underlying common shares.

Derivatives. The Investment Funds and Client Funds may use a variety of derivative instruments in implementing their investment strategies. The pricing of these derivatives is uncertain, variable, and based primarily on theoretical models, the outputs of which may vary substantially from the prices actually recognized in the market. The market for many types of derivative instruments is comparatively illiquid and inefficient, creating the potential for substantial mispricings, as well as sustained deviations between theoretical and market value. In addition, the events of 2008 and 2009 (including the collapse of American International Group, Inc.) demonstrated that even the most sophisticated market participants may misunderstand how the market in derivatives will perform during periods of unusual price volatility or instability, market illiquidity, or credit distress. The primary risks associated with the use of derivatives are (i) model risk, (ii) market risk, and (iii) counterparty risk. Investments in OTC derivatives are subject to greater risk of counterparty default and less liquidity than exchange-traded derivatives, although exchange-traded derivatives are subject to risk of failure of the exchange on which they are traded and the clearinghouse through which they are guaranteed. Counterparty risk includes not only the risk of default and failure to pay mark-to-market amounts and return risk premium, but also the risk that the market value of OTC derivatives will fall if the creditworthiness of the counterparties to those derivatives weakens.

The prices of derivative instruments can be highly volatile. Price movements of derivative instruments are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations.

OTC Transactions. The Investment Funds and Client Funds may trade in derivative instruments that are not traded on organized exchanges and, as such, are not standardized. These transactions are known as over-the-counter (“OTC”) transactions. In general, there is less governmental regulation and supervision in the OTC markets than there is with respect to transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, are not available in connection with OTC transactions.

Futures. Futures markets are highly volatile. Investing in the futures markets requires the ability to analyze correctly such markets, which are influenced by, among other things: changing supply and demand relationships; weather; governmental, agricultural, commercial, and trade programs and policies designed to influence commodity prices; world political and economic events; and changes in interest rates. Moreover, investments in commodities, futures, and options contracts involve additional risks including, without limitation, credit risk with respect to the contract counterparty and from the use of leverage. The low initial margin deposits normally required in futures contract trading (typically between 2% and 15% of the value of the contract purchased or sold) permit an extremely high degree of leverage, which may lead to immediate and substantial losses to a Client Fund from a relatively small price movement. An Investment Fund’s or a Client Fund’s futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits.” Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent an Investment Fund or a Client Fund from promptly liquidating unfavorable positions and subject it to substantial losses.

Forward Trading. Investment Funds and Client Funds may engage in forward trading. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and

these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have been unable to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell.

Non-U.S. Investments - Economic, Political, and Legal Risks. Investment Funds and Client Funds may invest some or all of their assets outside the United States. Non-U.S. investments pose a range of potential economic, political, and legal risks that may not exist in the United States. The economies of individual countries may differ with respect to growth of gross domestic product or gross national product, rate of inflation, capital reinvestment, resource self-sufficiency, and balance of payments position. Each country has different standards of regulation with respect to matters such as government approval requirements, as well as insider trading rules, restrictions on market manipulation, shareholder proxy requirements, and timely disclosure of information. Reporting, accounting, and auditing standards of different countries vary, and little information may be available to investors in securities or other assets of non-U.S. issuers. Other potential risks that could have an adverse effect on investments include (depending on the country involved) nationalization, expropriation, confiscatory taxation, negative diplomatic developments, and other governmental actions that make it difficult or impossible to liquidate assets and distribute proceeds. The laws of various countries governing business organizations, bankruptcy, and insolvency may make legal action difficult and provide little, if any, legal protection for investors. The securities markets in many non-U.S. countries may be significantly less developed than the securities markets in the United States.

Low Credit Quality Securities. Underlying Managers and sub-advisors may make particularly risky investments in low credit quality securities that also may offer the potential for correspondingly high returns. As a result, an Investment Fund or Client Fund may lose all or substantially all of its investment in any particular instance. In addition, there may not necessarily be a minimum credit standard that is a prerequisite to an Investment Fund's or Client Fund's investment in any security. The debt securities in which an Investment Fund or Client Fund is permitted to invest may be rated lower than investment grade and hence may be considered to be "junk bonds" or distressed securities.

Distressed Credit. Investment Funds and Client Funds may invest in securities of U.S. and non-U.S. issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems, or that are involved in bankruptcy or reorganization proceedings. Investments of this type may involve substantial financial and business risks that can result in substantial or at times even total losses. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments also may be adversely affected by U.S. state and federal laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability, and the U.S. Bankruptcy Court's power to disallow, reduce, subordinate, or disenfranchise particular claims. The market prices of such securities are also subject to

abrupt and erratic market movements and above-average price volatility, and the spread between the bid and ask prices of such securities may be greater than those in other securities markets. It may take a number of years for the market price of such securities to reflect their intrinsic value, if such value is ever realized.

Energy, Power and Infrastructure Industries. Certain of the Client Funds invest in the energy, power and infrastructure industries. These industries are subject to significant volatility, in both profitability and financial market trading prices, which results in part from the influence of both industry-wide and subsector-specific trends in technology, regulation, taxation, geopolitics, and other supply and demand forces. In addition, individual companies within the energy, power and infrastructure industries may be subject to idiosyncratic risks independent of broader trends. Although the Adviser, sub-advisor or Underlying Manager may hedge some of these industry and company risks, there is no guarantee that it will succeed or that its views and predictions on industry trends ultimately will be accurate.

Currency Risk. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

Private Investments in Public Equities (“PIPEs”). Underlying Managers investing in PIPE transactions invest money in public corporations in exchange for shares of the company, usually unregistered under the Securities Act. Often, warrants will be utilized in order to provide the Adviser, Underlying Manager or sub-advisor with greater upside potential.

Transportation. Underlying Managers or sub-advisors may invest in the global transportation subsector, with a focus on tanker shipping, container shipping, cruise, bulk shipping, industrial shipping, shipbuilding, ports and the forward freight agreement markets. A Client Fund’s exposure could include investments that are broadly related to the transportation sector or impacted by events happening in the transportation sector. Trading strategies tend to be based on fundamental and cyclical investment analysis using equity long/short, equity-versus-derivatives, directional, sector dispersion and time-spread approaches.

Water. Client Funds may invest in strategies that focus on the global water industry, including drinking and wastewater utilities, filtration and treatment products and technologies, desalination and water reuse technologies, water conservation technologies, pipes and pipe rehabilitation, pumps and valves, measurement and testing for contamination, meters, information technology systems, consumer water products and water rights. Usually equity long/short and sector dispersion approaches are taken. The strategy may also include the ability to invest in water rights or other investments that are broadly related to the water sector, or impacted by events happening in the water sector.

Weather. The return on weather-linked instruments is tied primarily to weather risk – the risk of the performance of measured weather variables resulting in an adverse impact on the value of a contract linked to such variables. Several commodities, like agriculture or energy, can be affected by weather. Therefore, Underlying Managers that invest in weather derivatives tend to use them as a hedge for commodity exposure and limit concentration to any one geographic region and/or to any single risk position in order to manage the overall risk.

Agriculture. A Client Fund's exposure may include investments that are broadly related to the agriculture sector or impacted by events happening in the agriculture sector. Underlying Managers or sub-advisors focusing on the agriculture commodities markets employ spot purchases and sales, derivatives, directional trades, inter-commodity spreads, geographic spreads, time spreads, processor margins, cash-versus-future spreads, equity long/short strategies and equity-versus-commodity strategies in order to implement their investment objectives.

Base and Precious Metals. Underlying Managers or sub-advisors may invest in base and precious metals including, but not limited to, copper, aluminum, zinc, nickel, gold, silver, platinum and palladium. A Client Fund's exposure could include investments that are broadly related to the base and precious metals sector or impacted by events happening in the metals sector. Investment strategies tied to the metals markets include directional positions, time spreads, cross-commodity spreads, equity long/short strategies and equity-versus-commodity strategies.

Emissions. Underlying Managers can be involved in a variety of cap-and-trade systems or other emissions-reduction frameworks. Emissions covered under these cap-and-trade frameworks include, but are not limited to, greenhouse gases, sulfur dioxide and nitrogen oxide. Underlying Managers apply directional strategies, calendar spreads, spreads between different emission contracts and spreads between emissions and commodities like natural gas, oil and coal, or invest in emission reduction projects of all sorts. The strategy may also incorporate investing in equity securities of companies that develop and supply emission reductions. A Client Fund's exposure could include investments that are broadly related to the emissions sector or impacted by events happening in the emissions sector.

Market. The market value of securities or other investments managed by the Adviser, Underlying Managers and Sub-Advisors will go up and down, sometimes rapidly or unpredictably. Investments may decline in value due to factors that affect an individual issuer (such as the result of supply and demand) or a particular industry or sector. A security's or other investment's market value may also be reduced go up and down due to general by market activity or other results of supply and demand unrelated to the issuer, such as real or perceived adverse economic conditions, changes in interest rates or exchange rates, or adverse investor sentiment generally. In addition, extraordinary events and their aftermaths, such as epidemics and pandemics; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. This is a basic risk associated with all securities.

When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise. The market value of securities may also go up or down due to factors that affect an individual issuer or a particular industry or sector. During a general downturn in the markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities or other investments will participate in or otherwise benefit from the advance.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by a portfolio managed by the Adviser, Underlying Managers or Sub-Advisors.

U.S. and global financial markets and the broader current financial environment have recently been characterized by uncertainty, volatility and instability as a result of global events, including the “financial crises” of 2008-2009 and the “COVID-19 pandemic” of 2019-2020. These financial market fluctuations have the tendency to reduce the availability of attractive investment opportunities and may affect the Investment Funds’ and Client Funds’ ability to make investments and the value of the investments held by the Investment Funds and Client Funds. There can be no assurance that the market will, in the future, become more liquid than it is at present and it may well be volatile for the foreseeable future. The duration and ultimate effect of recent market conditions and whether such conditions may worsen cannot be predicted and there can be no assurances that conditions in the financial markets will not worsen or adversely affect one or more of an Investment Fund’s or Client Fund’s investments.

Outbreaks, Pandemics and Other Public Health Issues. In general, unexpected local, regional or global events, such as the spread of infectious illnesses or other public health issues and their aftermaths, could have a significant adverse impact on the Adviser’s, Underlying Managers’ or Sub-Advisors’ operations (including the ability of the Adviser, Underlying Managers or Sub-Advisors to find and execute suitable investments) and therefore the Investment Funds’ and Client Funds’ potential returns. In addition, such infectious illness outbreaks, as well as any restrictive measures implemented to control such outbreaks, could adversely affect the economies of many nations or the entire global economy, the financial condition of individual issuers or companies (including those that are held by, or are counterparties or service providers to, the Funds) and capital markets in ways that cannot necessarily be foreseen, and such impact could be significant and long term. Moreover, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. If such events occur, the Fund’s exposure to a number of other risks described elsewhere in this brochure can increase.

For example, an outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in China in December 2019 and later detected globally, causing the World Health Organization to declare it a pandemic. This coronavirus caused global distress and market volatility and uncertainty, and it resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations of services, supply chain disruptions, lower consumer

demand and disruptions or suspensions of business activities across a wide range of industries (including causing the Adviser, Underlying Managers, Sub-Advisors and other service providers to certain Investment Funds and Client Funds to implement business contingency plans). Although, as of the date of this brochure, the long-term economic fallout of COVID-19 is difficult to predict, and the outbreak could adversely affect Investment Funds and Client Funds' investments and/or the Adviser's, Underlying Managers' or Sub-Advisors' operations.

Risks Related to Direct Trading Strategies of the Adviser

The Adviser may act as general partner or managing member to certain Funds advised by K2/D&S that invest directly in securities or other financial instruments, including, but not limited to, futures, options, ETFs, debt and/or equity securities in the following strategies: alpha replication, beta replication, risk premia and/or risk mitigation strategies (*i.e.*, the CRO Component) and a catastrophe bond strategy. In addition to the risks described above, the following detail certain additional risks associated with the Adviser's direct trading activities and strategies specifically.

Alpha Replication Strategies. Certain replication strategies depend on public filings in order to create the universe of investments. Such filings may be late, delayed and/or reflect incorrect data and reflect the trading decisions of unrelated investment managers. Accordingly, the trades made based on the information contained in these filings may be based on incorrect or out-of-date information and could lead to losses.

Beta Replication Strategies. The Adviser may attempt to approximate synthetically the returns of a diversified pool of hedge fund investment strategies via liquid market instruments. The investment methodology is based on recreating the beta of one or more hedge fund indices or a diversified pool of hedge fund assets. A Fund will accomplish this by using proprietary algorithmic regression techniques in an attempt to infer the index or benchmark portfolio's exposure to various risk factors, and then will invest in a set of liquid securities, including but not limited to futures, swaps and forwards contracts, exchange-traded funds, and related options or other derivatives. This replication strategy seeks to analyze the factors that drive hedge fund returns, as determined by reference to one or more indices. These indices may not provide an accurate representation of hedge fund returns generally, and the replication strategy may not successfully identify or be able to replicate factors that drive returns. Numerous hedge funds have suffered sudden and dramatic losses, and this "risk of ruin" is generally not reflected in any index combining a large number of self-reporting funds. Therefore, it is difficult, if not impossible, to "mirror" a hedge fund index and performance may be materially less than such index. There is a risk that hedge fund return data provided by third-party hedge fund index providers may be inaccurate or may not accurately reflect hedge fund returns due to survivorship bias, self-reporting bias or other biases.

Even if an index does provide an accurate representation of hedge fund returns generally, the performance of the strategy may not match the returns of any such index during any period of time because of the inability of the strategy to replicate hedge fund returns (which are based on many different

types of assets, including illiquid assets, that may not be available for investment by the Fund employing this strategy) using futures and forward contracts and because of differences in volatility between the portfolio of a Fund employing this strategy and the returns of the index. In addition, unlike an index, this strategy will be subject to a management fee and other expenses. Therefore, the returns of the strategy may differ significantly from returns of hedge funds generally, or the returns of any particular index.

CRO Component. The Adviser may also, from time to time, implement a CRO Component for a Fund in an effort to mitigate or otherwise hedge undesirable portfolio sensitivities in its portfolio of Investment Funds. The Adviser may implement this strategy by investing and trading directly in a wide range of derivative contracts, including options, futures, swaps, forwards, and other instruments. These instruments are subject to substantial risks, as described herein. There can be no assurance that the Adviser's efforts in implementing the CRO Component will be successful or that the CRO Component will mitigate risks as intended or avoid significant losses. The Adviser will employ certain factor sensitivity analyses on an aggregate portfolio and then attempt to hedge these sensitivities to the extent these sensitivities are deemed undesirable. However, due to a variety of factors, the results of the sensitivity analyses could be inaccurate, which could lead the Fund to pursue hedging transactions it otherwise would not pursue or cause the Fund not to pursue a hedging opportunity when it otherwise would, resulting in losses. In addition, the CRO Component's hedging transactions are primarily intended to mitigate risks inherent in investment in a portfolio of Investment Funds and not for speculation; accordingly, even if the sensitivity analyses are accurate and the CRO Component's hedging transactions effectively mitigate market sensitivities, the hedging transactions may incur losses due to market movements. Furthermore, to the extent the Adviser is expressing a directional view on the market under the CRO Component, its market outlook could be incorrect, exposing a Fund to losses. The CRO Component will involve leverage embedded in the futures and derivatives instruments used. Losses incurred on the positions increase in direct proportion to the degree of leverage employed. The Adviser's ability to implement the CRO Component for a Fund is dependent upon receiving accurate and timely information from the Investment Funds and their Underlying Managers.

Risk Premia Strategy. The Adviser may directly implement or allocate a portion of a Fund's assets to risk premia strategies. Risk premia investing seeks to access investable systematic strategies that have low correlation to traditional beta investments. These "alternative beta" strategies are designed to be liquid and transparent, and potentially offer an alternative source of return to complement a traditional asset class range. The risk premia strategy may be implemented through derivative instruments, including, among others, OTC derivatives such as total return swaps or structured notes. Thus, this strategy presents, among others, the risks associated with derivatives instruments and OTC transactions described above. Derivatives instruments may involve leverage which may magnify or otherwise increase investment losses. The ability of this strategy to achieve its investment objectives is dependent upon the Adviser's evaluation of risks, potential returns and correlations between risk premia and other investments. There is a risk that the returns provided by individual risk premia transactions may be subject to higher than expected volatility and may be more correlated to equities or bonds than anticipated. In

addition, this strategy relies on quantitative models (both proprietary models and those supplied by third parties) and information and data supplied by third parties. When models and data prove to be incorrect or incomplete, any decisions made in reliance thereon would expose this strategy to potential risks. All models rely on correct market data inputs. If incorrect market data is entered into even a well-founded model, the resulting information will be incorrect.

Risks Related to the Catastrophe Bond Fund

The Adviser may act as general partner or managing member to a Fund to invest directly in catastrophe bonds or similar instruments the investment returns of which are related to the frequency and severity of catastrophic or other events which traditionally are the subject of insurance. Such instruments, including insurance-linked securities, are subject to risks specific to those industries, some of which are summarized below.

Unpredictability of Catastrophes and Losses; Difficulty in Valuation. Many of the Fund's investments will likely be subject to what historically have been relatively infrequent but severe losses resulting from the occurrence of one or more catastrophic events, including, for example, hurricanes, earthquakes, typhoons, hailstorms, tsunamis, tornadoes, windstorms, extreme temperatures, aviation accidents, fires, explosions and marine accidents. The historical relative infrequency of such losses is not indicative nor a guarantee of future infrequency. The incidence and severity of such catastrophes are inherently unpredictable and the Fund's losses from catastrophes could be substantial. Changing weather patterns and climatic conditions, such as global warming, may have added to the unpredictability and frequency of natural disasters in some parts of the world and created additional uncertainty as to future trends and exposures. The occurrence of claims from catastrophic events is likely to result in substantial volatility in the Fund's financial condition or results of operations for any fiscal quarter or year and could have a material adverse effect on the Fund. Although the Adviser will attempt to manage the Fund's exposure to such events, a single catastrophic event could affect multiple geographic zones and lines of business or the frequency or severity of catastrophic events could exceed estimates, either of which could have a material adverse effect on the Fund's financial condition or results of operations. A major catastrophic loss or series of catastrophic losses may occur and, if affecting one or more of the Fund's investments, could lead to the Fund losing all or a part of its investments. The unpredictable nature of catastrophic losses makes it difficult to determine whether a particular insurance-linked instrument is fairly priced in the ordinary course of trading to the extent that any such trading takes place. The valuation models used in the insurance-linked instrument markets attempt to simulate fundamentally unpredictable events (such as earthquakes or hurricanes), and there could be periods of time when trading ceases or is interrupted as a result of the markets' inability to value the instruments.

Claims and Coverage. As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect the Fund's investments in certain insurance-linked instruments and in some instances, these changes may not become apparent until such instruments are affected by these changes.

As a result, the full extent of liability as a result of these changes may not be known for many years following the Fund's investment in such instruments.

Regulatory Risk. U.S. state insurance laws and regulations and the laws of many non-U.S. jurisdictions contain broad definitions of the activities that may constitute the conduct of the business of insurance or reinsurance in such jurisdictions. Furthermore, insurance regulatory authorities often have broad discretionary powers in administering insurance laws, including the authority (subject to appeal in court or otherwise) to determine whether a party is conducting the business of insurance or reinsurance within their applicable jurisdictions. Because catastrophe-linked securities and derivatives have certain features and an investment return that may be based on the occurrence of events that traditionally are the subject of insurance, it is possible that such instruments may be structured in a manner where insurance regulatory authorities or courts would determine that the purchase or holding of such securities or the writing of such derivatives constitutes conducting insurance and reinsurance business. If such a determination is made and a holder of such securities or the writer of such derivatives is not duly licensed to conduct such activities in the applicable jurisdiction, such holder or writer may be subject to regulatory and legal action. Typically, such regulatory and legal action may include orders to cease and desist from the offending activities (which may require a divestiture of the offending securities or the unwinding or termination of the offending derivative instruments), civil forfeitures or criminal fines.

The sale of catastrophe-linked securities is typically limited to investors in certain regulatory jurisdictions, including Bermuda and many U.S. jurisdictions, where legal opinions or regulatory rulings have been obtained generally to the effect that purchasers of such securities resident of, and purchasing in, such jurisdictions are not required, by virtue of their purchase of such securities, to be licensed as insurers or reinsurers under the insurance laws of such jurisdictions. Issuer's counsel typically provides an opinion to the issuer that purchasers will not be considered or treated as carrying on or transacting insurance business solely by virtue of investing in or holding the securities.

Insurance regulatory authorities have broad discretionary powers in administering insurance laws, including the authority to modify or withdraw interpretations or to impose additional requirements. There can be no assurance that any opinions of counsel provided to an issuer or regulatory rulings will continue to be effective or favorable to the Fund or that a modification in such legal opinions or regulatory rulings would not adversely affect the Fund. Furthermore, with respect to such catastrophe-linked instruments that are structured as derivative transactions, in particular those that are written as OTC derivatives, such instruments are typically marketed and promoted in a different manner than catastrophe-linked securities, whereby the legal opinions and regulatory rulings that are typically obtained by, as well as the representations and warranties customarily made by, the issuers and promoters of such securities may not be available with respect to catastrophe-linked derivatives.

Risks Specifically Associated with Insurance-based Instruments. Ownership of insurance-linked or catastrophe securities involves a degree of risk because of a number of characteristics that may be common to such securities, such as the following:

- (a) Limited Resources of Issuers. The issuers of such securities often are thinly capitalized, newly formed, special-purpose entities that do not have access to additional capital. In the event of unanticipated expenses or liabilities, such entities may not have the resources available to pay such expenses or liabilities or the required interest and/or principal on their issued securities.
- (b) Investments of Issuers. The ability of issuers of insurance-linked or catastrophe-linked securities to provide the expected investment returns on their issued securities is based in part on such entities' investments, which may be subject to credit default risk, interest rate risk and other risks.
- (c) Regulation. Entities that issue insurance-linked or catastrophe-linked securities may be subject to substantial regulation of their insurance and other activities. Such regulation can lead to unanticipated expenses that may result in such an entity being unable to satisfy its obligations, including those related to its issued securities. Conversely, because such entities often are domiciled in non-U.S. jurisdictions, such entities may not be subject to the same degree of regulatory oversight to which investors may be accustomed to seeing issuers and insurance companies subject in the U.S. Similarly, because such entities often are subject only to the laws of non-U.S. jurisdictions, it could be difficult for an investor in such an entity to make a claim or enforce a judgment against the entity or its directors or officers.
- (d) Subordination; No Recourse. Catastrophe securities often are subordinated to other obligations of the issuer, such as those obligations to a ceding insurer. Consequently, if such an entity incurs unexpected expenses or liabilities in connection with its activities, the entity may be unable to pay the required interest and/or principal on its issued securities. In particular, catastrophe bonds are issued without recourse. As a result, if an issuer of a catastrophe bond defaulted on its obligations under the catastrophe bond, the Fund would have no recourse to recover any amount of the principal invested to purchase the catastrophe bond.
- (e) Lower or No Ratings. Insurance-linked or catastrophe securities may receive low ratings or be unrated by rating agencies. Consequently, such securities may be relatively illiquid and subject to adverse publicity and investor perceptions, any of which may act to depress prices.

Certain General and Operational Risks

Reliability of Valuations. A Client Fund's interest in an Investment Fund is generally valued by the relevant Underlying Manager or administrator to the Investment Fund in accordance with its governing documents. As a general matter, the governing document of an Investment Fund provides that any securities or investments that are illiquid, not traded on an exchange or in an established market, or for which no value can be readily determined, are assigned such fair value as the respective Underlying Manager may determine in its judgment based on various factors, which include, but are not limited to, dealer quotes or independent appraisals, and may include estimates. The Adviser relies on these estimates in calculating a Client Fund's net asset value for reporting, redemptions, fees, and other purposes, and generally does not make any adjustments with respect to redemption payments. Such valuations may not be indicative of what actual fair market value would be in an active, liquid, or established market.

Substantial Charges to Client Funds. The Client Funds will be subject to substantial charges, directly and indirectly, at the Investment Fund level (including management and incentive fees payable to Underlying Managers). These multiple layers of fees could increase substantially as a result of the Underlying Managers' incentive fees, which, if earned, are payable irrespective of the overall profitability of a Client Fund (as opposed to the profitability of the individual Investment Fund).

General Investment Risk – Risk of Loss. All investments involve the risk of the loss of capital. No guarantee or representation is made that any Client Fund will achieve its investment objective or avoid losses. While each Client Fund has its own investment objectives and strategies, there are risks associated with investing in general, including, risks related to information technology systems; cyber security; general market developments; market turmoil and regulatory changes.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts and any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of its management. To the best of our knowledge, there are no legal or disciplinary events that are material to your evaluation of our advisory business or the integrity of our management.

Item 10 – Other Financial Industry Activities and Affiliations

The Adviser is an indirect majority-owned subsidiary of Franklin Resources, a holding company that, together with its various subsidiaries, is referred to herein as Franklin Templeton.

The Adviser has certain business arrangements with related persons/companies that are material to the Adviser's advisory business or to its clients including those described in this Item. These business arrangements will, from time to time, create a potential conflict of interest, or appearance of a conflict of interest between the Adviser and a client. Please see Item 4 ("Advisory Business") for additional information on services of affiliates.

Recognized conflicts of interest relating to the Adviser's relationships with these affiliates are discussed in Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading") below.

The Adviser has arrangements with one or more of the following types of related persons that may be considered material to its advisory business or to its clients.

Related Broker-Dealers

One or more of the Adviser's management persons are registered with the Financial Industry Regulatory Authority ("FINRA") as a registered representative of an affiliated broker-dealer of the Adviser.

The Adviser is under common control with Franklin/Templeton Distributors, Inc. ("FTDI"), Franklin Templeton Financial Services Corp. ("FTFSC") and Templeton/Franklin Investment Services, Inc. ("TFIS"), all of which are SEC registered broker-dealers and are members of FINRA.

FTDI's primary business is being the underwriter and distributor for the funds registered under the Investment Company Act that are advised by Franklin Templeton ("Registered Funds"), including the Franklin Templeton ETFs. Most of its distribution activities occur through independent third-party broker-dealers, who have the primary day-to-day direct contact with shareholders of such Registered Funds. FTDI is also the underwriter of the Franklin Templeton 529 College Savings Plan and the NJBEST 529 College Savings Plan (collectively, "529 Plans"). In addition, FTDI acts as program manager and distributor for the 529 Plans, which are municipal fund securities as defined under Rule D-12 of the Municipal Securities Rulemaking Board ("MSRB") rulebook. As a result, FTDI is registered as a municipal securities dealer, subject to regulation by the MSRB. In certain instances, shareholders establish unsolicited accounts directly with FTDI, which becomes the broker-dealer of record by default. FTDI does not make recommendations to purchase or sell fund shares to retail investors.

Underwriting and distribution fees are earned primarily by distributing the Registered Funds pursuant to distribution agreements between FTDI and the Registered Funds. Under each distribution agreement, the Registered Fund's shares are offered and sold on a continuous basis and certain costs associated with underwriting and distributing the Registered Fund's shares may be incurred, including the costs of developing and producing sales literature, shareholder reports and prospectuses.

FTFSC, in conjunction with other Franklin Templeton investment advisory affiliates, provides the broker-dealer platform to offer private funds (funds that rely on an exemption from registration under the Investment Company Act) (each, a "Private Fund"). As such, the Adviser's personnel are also associated with FTFSC so that they may utilize the FTFSC broker-dealer platform when offering private placement and mutual fund securities products to their clients. FTFSC is also registered with the CFTC as an introducing broker and is a member of the National Futures Association ("NFA"). As described in Item 14, FTFSC acts a placement agent for certain Client Funds.

TFIS offers fund products sold outside of the United States, including those that are similar to registered funds advised by Franklin Templeton. Many of TFIS' registered associated persons are also dually registered with FTDI to support joint program initiatives, such as marketing U.S. mutual fund products. TFIS also has some dually registered associated persons with FTFSC.

In addition to the above, certain non-U.S. affiliates of the Adviser act as placement agents with respect to the distribution of certain Private Funds to Private Fund Investors outside the United States.

Related Investment Advisers

The Adviser will, under certain circumstances, enter into a sub-advisory arrangement with, or may refer a client to, an investment adviser affiliate capable of meeting the client's specific investment needs. One or more of these affiliated investment advisers may be serving as a commodity trading advisor ("CTA") and/or a commodity pool operator ("CPO") that is either registered or exempt from registration with the CFTC. The Adviser is affiliated with other registered investment advisers that are under common control with the Adviser, and the Adviser may share certain supervised persons, portfolio management personnel and investment research with such affiliated investment advisers.

The Adviser will, from time to time, use the services of appropriate personnel of one or more of its affiliates for investment advice, portfolio execution and trading, and client servicing in their local or regional markets or their areas of special expertise, except to the extent restricted by the client or pursuant to its investment management agreement, or inconsistent with applicable law. In carrying out the requested services for the Adviser, portfolio management personnel of the Adviser's affiliates will, from time to time, recommend to, or invest on behalf of, the affiliates' clients in securities that are the subject of recommendations to, or discretionary trading on behalf of, the Adviser's clients. Arrangements among affiliates take a variety of forms, including delegation arrangements or formal sub-advisory agreements or servicing agreements. In these circumstances, the client with whom the Adviser has executed the investment management agreement will typically require that the Adviser remains fully responsible for the account from a legal and contractual perspective. No additional fees are charged for the affiliates' services except as disclosed in the investment management agreement. These relationships will, from time to time, present potential conflicts of interest relating to the Adviser's activities. Please see Item 11 ("Code of Ethics, Participation or Interest in Client Transactions and Personal Trading") for additional information.

Limited Partnerships and Private Funds

The Adviser manages a number of Private Funds that are typically structured as U.S. and non-U.S. limited partnerships, limited liability companies or exempted companies in order to meet the legal, regulatory and tax demands of Private Fund investors. The Adviser or its affiliate acts as general partner, managing member, investment manager and/or otherwise exercises investment discretion with respect to these Private Funds in which investors are solicited to invest.

Entities affiliated with the Adviser will, from time to time, invest in and/or serve as general partner or managing member of a Private Fund and may provide services other than advice (including, but not limited to, administration, organizing and managing the business affairs, executing and reconciling trades, preparing financial statements and providing audit support, preparing tax-related schedules or documents, sales and investor relations support, diligence and valuation services) to such funds, in some cases for a fee separate and apart from the advisory fee. Franklin Templeton's personnel, including employees of the Adviser, usually also serve on the board of directors of certain Private Funds. A Private Fund will typically pay or reimburse the Adviser or its affiliates for certain organizational and initial offering expenses related to the Private Fund.

Further information can be found in the offering memorandum for each Private Fund.

CFTC Registration

The Adviser is a member of NFA and is registered with the CFTC as a CTA. However, the Adviser is generally exempt from the CFTC's disclosure and recordkeeping requirements applicable to registered CTAs under various exemptions on which it relies, including but not limited to, CFTC Regulation 4.7.

The Adviser acts as general partner or managing member to Private Funds that are commodity pools for which the Adviser is the CPO. As the CPO for Private Funds, the Adviser is either (i) registered as a CPO, but exempt from certain reporting, recordkeeping and disclosure requirements pursuant to Rule 4.7 under the CEA, or (ii) exempt from registration and related requirements pursuant to CEA Rule 4.13(a)(3) or other provisions under the CEA and the rules of the CFTC. In addition, certain of the Adviser's management persons are registered as associated persons of the Adviser to the extent necessary or appropriate to perform their responsibilities, and/or as associated persons of an affiliated entity that is registered with the CFTC as a CPO and/or a CTA.

K2 Advisors Holdings, LLC Control Affiliates

The Adviser has certain affiliates which are under the common control of K2 Advisors Holdings, LLC.

K2 Advisors Holdings, LLC is an entity formed to facilitate a reorganization of the equity ownership of the Adviser and K2/D&S. K2 Advisors Holdings, LLC is a passive holding vehicle and does not provide services to any Client Fund or manage or advise clients of its own. On November 1, 2012, Franklin Templeton Institutional, LLC acquired a majority interest in K2 Advisors Holdings, LLC. As of January 31, 2019, K2 Advisors Holdings, LLC is wholly owned by FTLLC. FTLLC is a wholly-owned subsidiary of Franklin Resources, Inc. and is registered as an Investment Adviser with the SEC.

K2/D&S Management Co., L.L.C., a Delaware limited liability company, is wholly owned by K2 Advisors Holdings, LLC, which also wholly owns the Adviser. K2/D&S is also registered with the SEC as an investment adviser and with the CFTC as a CPO and CTA. K2/D&S generally acts as investment manager

or provides investment advice to the U.S.-domiciled Funds for which the Adviser serves as the general partner or managing member. As noted in Item 6 above, K2/D&S receives a Management Fees from certain of the Funds. Funds paying K2/D&S Management Fees may also pay the Adviser an Incentive Allocation. K2/D&S and the Adviser share common offices; K2/D&S employs all of the Adviser's U.S. employees.

K2 Advisors Japan Ltd.

K2 Advisors Japan Ltd., an entity formed under the laws of Japan, was an indirect wholly-owned subsidiary of Franklin Resources. However, on October 1, 2019, K2 Advisors Japan Ltd. was merged into Franklin Templeton Investments Japan Limited ("FTIJ"). K2/D&S acts as a sub-adviser to FTIJ with respect to funds or accounts for which FTIJ acts as investment manager.

The Adviser does not receive any compensation directly or indirectly from Underlying Managers or Investment Funds that it recommends to or purchases for the Client Funds.

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

As required by Rule 204A-1 under the Advisers Act and Rule 17j-1 of the 1940 Act, the Adviser has adopted (a) a code of ethics and business conduct (the "Code of Ethics"), which is applicable to all of the Adviser's officers, directors and employees and (b) a personal investments and insider trading policy (the "Personal Investments Policy").

A brief description of the main provisions of the Code of Ethics and Personal Investments Policy follows.

The Code of Ethics and Personal Investments Policy

The Code of Ethics states that the interests of the Adviser's clients are paramount and come before any of its employees. All Covered Employees (as defined below) are required to conduct themselves in a lawful, honest and ethical manner, in their business practices and to maintain an environment that fosters fairness, respect and integrity.

"Covered Employees" are the Adviser's partners, officers, directors (or other persons occupying a similar status or performing similar functions), and employees, as well as any other person who provides advice on behalf of the Adviser and is subject to the supervision and control of the Adviser. The personal investing activities of each Covered Employee must be conducted in a manner that avoids actual or potential conflicts of interest with the clients of the Adviser. Each Covered Employee is required to use his or her position with the Adviser, and any investment opportunities he or she learns of as a result of his or her position with the Adviser, in a manner consistent with his or her fiduciary duties to use such opportunities and information for the benefit of the Adviser's clients and in accordance with applicable

laws, rules and regulations. In addition, the Code of Ethics states that information concerning the security holdings and financial circumstances of the Adviser's clients is confidential and Covered Employees are required to safeguard this information.

Additionally, Access Persons, a subset of Covered Employees, are required to provide certain periodic reports on their personal securities transactions and holdings. Access Persons are those persons who (i) have access to non-public information regarding the securities transactions of the Adviser's funds or clients, (ii) are involved in making securities recommendations to clients, (iii) have access to securities recommendations that are non-public, or (iv) have access to non-public information regarding the portfolio holdings of funds for which a Franklin Templeton investment adviser ("FT Adviser") serves as an investment adviser or a sub-adviser or any fund whose investment adviser or principal underwriter controls an FT Adviser, is controlled by an FT Adviser or is under common control with an FT Adviser. The Adviser's Access Persons must obtain pre-clearance from the Compliance Department before buying or selling any security (other than those not requiring pre-clearance under the Code of Ethics). The Code of Ethics also requires pre-clearance before investing in a private investment or purchasing securities in a limited offering. The Code of Ethics prohibits Access Persons from investing in initial public offerings except for investments in Franklin Templeton closed-end funds, which require pre-approval from the Compliance Department. The Adviser, its affiliates and its related persons (including officers and employees) may from time to time invest in Investment Funds in which the Client Funds might invest. These investments by personnel would require the pre-approval of the Chief Compliance Officer as limited offerings. Most other investments require pre-trade approval, which is facilitated through a web-based application.

To avoid actual or potential conflicts of interest with the Adviser's clients, certain transactions and practices are prohibited by the Code of Ethics and the Personal Investments Policy. These include front-running, trading parallel to a client, trading against a client, using proprietary information for personal transactions, market timing, and short selling Franklin Resources stock and the securities of Franklin Templeton closed-end funds.

The Code of Ethics requires prompt internal reporting of suspected and actual violations of the Code of Ethics and the Personal Investments Policy. In addition, violations of the Code of Ethics and the Personal Investments Policy are referred to the Director of Global Compliance and/or the Chief Compliance Officer as well as the relevant management personnel.

The Adviser maintains a "restricted list" of securities in which Adviser personnel generally may not trade. The restricted list is updated as necessary and is intended to prevent the misuse of material, non-public information by its employees.

On a periodic basis, the Compliance Department will conduct forensic testing or auditing of reported personal securities transactions to ensure compliance with the Code of Ethics. As noted above, the Chief Compliance Officer's approval is required before a related person may invest in or redeem from

an Investment Fund in which a Client Fund invests. Such investments potentially raise a number of conflicts, and are therefore generally discouraged.

The Compliance Department monitors compliance with the provisions of the Code of Ethics and, at least annually, the Chief Compliance Officer will provide written reports to senior management describing any issue(s) that arose during the previous year under the Code of Ethics or procedures related thereto, including any material Code of Ethics or procedural violations, and any resulting sanction(s). If applicable, the report may discuss any changes that the Chief Compliance Officer believes should be made to the Code of Ethics. The Chief Compliance Officer may report to senior management more frequently as he or she deems necessary or appropriate, and shall do so as requested by senior management.

No Covered Employee or Access Person may trade while in possession of material, non-public information ("MNPI") or communicate MNPI to others.

Information is considered material if there is a substantial likelihood that a reasonable investor would consider the information to be important in making his or her investment decision, or if it is reasonably certain to have a substantial effect on the price of the company's securities. Information is non-public until it has been effectively communicated to the marketplace. If the information has been obtained from someone who is betraying an obligation not to share the information (*e.g.*, a company insider), that information is very likely to be non-public.

The Adviser has implemented a substantial set of personal investing procedures designed to avoid violation of the Personal Investments Policy.

The Adviser is required to keep copies of the Code of Ethics and records relating to the Code of Ethics. Investors and prospective investors may obtain a copy of the Code of Ethics or the Personal Investments Policy by contacting the Adviser's Investor Relations Group at 203-504-1407 or K2InvestorRelations@FranklinTempleton.com.

Potential Conflicts Relating to Advisory and Other Activities

The Adviser and its affiliates engage in a broad range of activities, including investment activities for their own account and for the accounts of others and provide transaction-related, investment advisory, management and other services. In addition, while the Adviser is not itself a general partner of any limited partnership, one or more of the Adviser's affiliates often serve as a manager, general partner or trustee or in a similar capacity of a partnership, trust or other collective investment vehicle in which the Adviser's clients are solicited to invest. In the ordinary course of the Adviser conducting its activities for a client, the interests of a client will, from time to time, conflict with the interests of the Adviser, other clients and/or the Adviser's affiliates. Potential or actual conflicts of interest arise, from time to time, in (i) principal transactions, (ii) cross trades, (iii) investments by the Adviser or its employees for their personal accounts, (iv) client investment in entities affiliated with the Adviser or in which the Adviser or

an affiliate has an interest, (v) allocation of investment opportunities and expenses, (vi) diverse membership among investors in a Client Fund, and (vii) diversity of client base, among others.

In addition, while the Adviser is part of the Franklin Templeton organization, the Adviser has its own clients. Although the Adviser may focus primarily on an investment strategy different from affiliated advisers, clients of the Adviser and such affiliated advisers will, from time to time, invest in the same company or issuer, including in the same security or in different securities of such company or issuer. In such circumstances, interests of the Adviser's clients will, at times, therefore conflict with the interests of the clients of the Adviser's affiliates. In addition, the interests of the Adviser and its affiliates will at times be in conflict. These and other conflicts of interest are more fully described below.

The Adviser manages assets of clients in accordance with the investment mandate selected by the clients and applicable law and will seek to give advice to, and make investment decisions for, such clients that the Adviser reasonably believes to be in the best interests of such clients. The Adviser has implemented policies and procedures that are reasonably designed to appropriately identify, disclose, limit and/or mitigate conflicts of interest. Additional limits and mitigants of conflicts are identified below. Any review of a conflict of interest will take into consideration the interests of the relevant Client Funds, the circumstances giving rise to the conflict, applicable policies and procedures of the Adviser, and applicable laws.

Participation or Interest in Client Transactions

The following section describes the Adviser's participating or interest in client transactions. Since the Adviser acts as general partner or managing member of the Client Funds and delegates the investment management role to K2/D&S, the description that follows applies to the Adviser acting on its own or through K2/D&S. References to "the Adviser" include references to the Adviser acting through K2/D&S.

The Adviser or an affiliate may from time to time recommend to clients or buy or sell for client accounts, securities in which the Adviser or its affiliates have a material financial interest. Such financial interests may include the contribution by the Adviser or an affiliate of seed capital to a fund it manages, or an actual investment by the Adviser or an affiliate in the fund or in third party vehicles in which it or a related person has a financial interest. The Adviser or its related persons may also purchase or sell for themselves securities or other investments which one or more advisory clients own, previously owned, or may own in the future.

Potential or actual conflicts of interest may arise with respect to (i) the allocation of investment opportunities among the Adviser's clients, (ii) the investment by clients in entities in which the Adviser or its related persons have a financial interest, and (iii) investments by the Adviser or its employees for their personal accounts.

The Adviser and its affiliates manage numerous funds and accounts. The Adviser may give advice and take action with respect to one fund or account it manages, or for its own account, that may differ

from action taken by the Adviser on behalf of any of the other funds or accounts it manages. This gives rise to certain potential conflicts of interest, as discussed below.

The Adviser's management of its clients' assets may benefit members of the Adviser and its affiliates. For example, the Adviser's clients may, to the extent permitted by applicable law, invest directly or indirectly in the securities of companies in which a member of the Adviser, or a client or affiliate of the Adviser, has an equity, debt, or other interest on behalf of itself or one or more other clients.

The advisory contract between the Adviser and a client does not entitle that client to obtain the benefit of any particular investment opportunities developed by the Adviser or its officers or employees in which the Adviser, acting in good faith, does not cause such client to invest. The Adviser has total discretion to allocate investment opportunities among its clients subject only to each client's respective investment guidelines, the Adviser's duty to act in good faith and in accordance with applicable law.

Similarly, with respect to a particular fund or account, the Adviser is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that the Adviser and/or Access Persons may buy or sell for its or their own accounts or for the accounts of any other fund. The Adviser is not obligated to refrain from investing in securities held by any funds it manages.

The management of personal accounts by a portfolio manager may give rise to potential conflicts of interest. While the Adviser has adopted the Code of Ethics that it believes contains provisions reasonably necessary to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities, there can be no assurance that the Code of Ethics addresses all individual conduct that could result in conflicts of interest. The Adviser has adopted certain additional compliance procedures that are designed to address these and other types of conflicts. However, there is no guarantee that such procedures will detect each and every situation where a conflict arises.

The Adviser generally does not effect any principal transactions with Client Fund accounts; if the Adviser were to engage in such a transaction, it would obtain any necessary client consents. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to occur if the Adviser and/or an affiliate owns a substantial portion of a client and that client participates in a transaction with another client.

The Adviser generally does not engage in agency cross transactions. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

The Adviser may engage in cross trades for certain of the Client Funds' accounts. In such transactions, the Adviser has a fiduciary duty to each Client Fund to execute such trades at a fair price and to act in the best interests of all Client Funds involved in a cross trade. The Adviser may engage in such transactions in circumstances when the Adviser wishes to reduce the investment of one or more Client Funds in an Investment Fund and increase the investment of other Client Funds in such Investment Fund, in order to re-balance portfolios, provide better liquidity to the Client Funds involved, or to allocate *de minimis* Investment Fund allocations from a large Client Fund to another smaller Client Fund. Any such purchase and sale will take place at the stated net asset value of the Investment Fund being purchased or sold, or other value determined in accordance with the Adviser's valuation policies and the Adviser will not charge any additional fee for arranging the cross trades. Any cross trades effected with respect to a Registered Fund would be accomplished in compliance with Rule 17a-7 of the Investment Company Act.

With respect to the Platform Funds, a sub-advisor may be permitted to engage in cross trades to the extent that such cross trades are executed at market price and are in the best interests of the particular Platform Fund. Pursuant to the applicable sub-advisory agreement, a sub-advisor must obtain the prior written consent of the Master Fund before entering into any "principal transactions" or "cross trades" with the Master Fund.

The Adviser's Compliance Policies and Procedures also contain policies involving the safeguarding of proprietary and non-public information by the Adviser's personnel along with restrictions on the use of insider information and the use of non-public personal information regarding an investor.

Other Potential Conflicts Relating to Advisory Activities

Personal Trading

Management of personal accounts by a portfolio manager or other investment professionals will, from time to time, give rise to potential conflicts of interest. The Adviser has adopted the Personal Investments Policy, which it believes contains provisions reasonably designed to prevent a wide range of prohibited activities by portfolio managers and others with respect to their personal trading activities, as well as certain additional compliance procedures that are designed to address these and other types of conflicts. However, there is no guarantee that the Personal Investment Policy or such additional compliance procedures will detect and/or address all situations where an actual or potential conflict arises.

Conflicts Related to Investments in Securities of Companies in Which the Adviser, an Affiliate or another Client Fund Holds Interests

The Adviser will, from time to time, recommend to clients, or buy or sell for Client Funds, securities in which the Adviser or its affiliates have a material financial interest. Such financial interests include, among other things, seed capital contributed by the Adviser or an affiliate to a Client Fund that the Adviser manages, or an actual investment by the Adviser or an affiliate in the Fund or in third-party vehicles in which the Adviser or a related person has a financial interest. The Adviser or its related persons may also purchase or sell for themselves securities or other investments that one or more advisory clients own, previously owned, or may own in the future, subject to the Personal Investments Policy, other policies and procedures of the Adviser, and applicable law.

Under certain circumstances and to the extent permitted by applicable law, certain Client Funds will invest directly or indirectly in the securities of companies in which a related person of the Adviser, for itself or its clients, has an equity, debt, or other interest. For example, the Adviser's affiliate may have contributed seed capital to a Client Fund that the Adviser concludes should co-invest in the same company with another Client Fund managed by the Adviser. In addition, an affiliate or a related person of the Adviser may make a strategic investment in a company (such as a company in the financial technology industry) that the Adviser separately determines is a prudent investment for a Client Fund to make. Accordingly, the Adviser's management of its client's assets will, in certain circumstances, benefit the interests of members of the Adviser and/or its affiliates.

With respect to a particular Client Fund, the Adviser is not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security that the Adviser and "access persons," as defined by applicable federal securities laws, may buy or sell for their own account or for the accounts of any other fund. Additionally, the Adviser is permitted to invest in securities held by any Client Funds it manages, subject to applicable policies and procedures adopted by the Adviser and applicable law.

Conflicts Related to Investing Alongside Other Client Funds

Under certain circumstances, a Client Fund will make an investment in which one or more other Client Funds are expected to participate, or already have made, or will seek to make, an investment in the same security. Such Client Funds may have conflicting interests and objectives in connection with such investments, including with respect to views on the operations or activities of the issuer involved, the targeted returns from the investment and the timeframe for, and method of, exiting the investment. When making such investments, the Adviser may do so in a way that favors one Client Fund over another Client Fund, even if both Client Funds are investing in the same security at the same time. For example, if two Client Funds have different time horizons, and the Client Fund with a shorter time horizon sells its interest first, this sale could affect the value of the investment in the company held by the Client Fund with the longer time horizon. There will also be cases where Client Funds invest on a "parallel" basis (*i.e.*, proportionately in all transactions at substantially the same time and on substantially the same terms and conditions).

The Adviser has no obligation to provide the same investment advice or to purchase or sell the same securities for each Client Fund. Differing facts and circumstances among Client Funds will, from time to time, result in the Adviser and one or more of its related persons giving advice and taking action with respect to one Client Fund they manage, or for their own account, that differs from action taken on behalf of other Client Funds they manage. However, such differing actions are subject to applicable policies and procedures adopted by the Adviser and are guided by the Adviser's fiduciary duties to act in each account's best interests. For example, in certain circumstances, clients will seek take an opposite investment position (*e.g.*, a long position versus a short position) in the same security held by other clients (or proprietary accounts), but policies and procedures of the Adviser's prohibit such requests in certain circumstances.

The Adviser may serve as investment adviser or investment sub-adviser to various investment vehicles, some of which have an investment goal and strategy similar to that of investment vehicles for which the Adviser or its affiliates serve as investment adviser or investment sub-adviser. Even when there is similarity in investment goal and strategy, investment performance and portfolio holdings may vary between investment vehicles, potentially significantly, as a result of, among other things, differences in: (i) inception dates, (ii) cash flows, (iii) asset allocation, (iv) security selection, (v) liquidity, (vi) income distribution or income retention, (vii) fees, (viii) fair value pricing procedures, (ix) diversification methodology, (x) use of different foreign exchange rates, (xi) use of different pricing vendors, (xii) ability to access certain markets due to country registration requirements, (xiii) legal restrictions or custodial issues, (xiv) legacy holdings in the fund, (xv) availability of applicable trading agreements such as ISDAs, (xvi) futures agreements or other trading documentation, (xvii) restrictions placed on the account (including country, industry or environmental and social governance restrictions) and (xviii) other operational issues that impact the ability of a fund to trade in certain instruments or markets.

Please see Item 6 ("Performance-Based Fees and Side-By-Side Management") for additional information regarding conflicts related to side-by-side management.

Conflicts Related to Investing in Different Levels of the Capital Structure

Potential conflicts exist in certain uses of multiple strategies by the Adviser. For example, conflicts will arise in cases where different Client Funds invest in different parts of an issuer's capital structure, including circumstances in which one or more Client Funds own private securities or obligations of an issuer and one or more other Client Funds own or seek to acquire securities of the same issuer. For instance, a Client Fund may acquire a loan, loan participation or a loan assignment of a particular borrower in which one or more other Client Funds have an equity investment, or may invest in senior debt obligations of an issuer for one Client Fund and junior debt obligations or equity of the same issuer for another Client Fund. In such and other similar situations, the Adviser may take actions with respect to the assets held by one Client Fund that are adverse to the other Client Funds, for example, by foreclosing on loans, disposing of equity, or by exercising rights to purchase or sell to an issuer, causing an issuer to take actions adverse to certain classes of securities. In these situations, decisions over items such as whether to make the investment, exercise certain rights, or take or determine not to take an action, proxy

voting, corporate reorganization, how to exit an investment, bankruptcy or similar matters (including, for example, whether to trigger an event of default or the terms of any workout) will result in conflicts of interest.

Conflicts Related to Investment in Affiliated Funds and Affiliated Accounts

The Adviser, where appropriate (including in compliance with any applicable investment guidelines or restrictions) and in accordance with applicable laws and regulations, will at times purchase on behalf of the Adviser's clients, or recommend to the Adviser's clients that they purchase, shares of funds for which the Adviser or an affiliate of the Adviser serves as investment adviser or sub-adviser ("Affiliated Funds"), or invest their assets in other portfolios managed by the Adviser or their affiliates ("Affiliated Accounts"). Conflicts of interest arise when investing a client's assets into Affiliated Funds or Affiliated Accounts. For example, as a shareholder in a pooled investment vehicle, a client will pay a proportionate share of the vehicle's fees and expenses. Investment by a client in an Affiliated Fund or Affiliated Account could result in the client, depending on the circumstances and subject to applicable law, directly or indirectly paying an advisory (or other) fees with respect to the Affiliated Fund or Affiliated Account in addition to any other fees it pays to the Adviser. The client's investment will also, from time to time, be subject to other fees and expenses charged to the Affiliated Fund or Affiliated Account by other parties. Similarly, the Adviser's client who invests through a Separate Account managed by an affiliated adviser is subject to advisory fees charged by that Adviser. If a client does not want its separate account assets to be invested in Affiliated Funds and/or Affiliated Accounts then the client should notify the Adviser to discuss modifying its investment guidelines or applicable agreement. The Adviser's Separate Account clients are also permitted to invest directly in certain Affiliated Funds (including registered funds advised by Franklin Templeton) or Affiliated Accounts independent of their Separate Account without paying additional Separate Account management fees to the Adviser.

In order to avoid duplication of fees, the Adviser excludes any assets invested in Affiliated Funds or Affiliated Accounts from the management fee charged by the Adviser to the Client Fund, unless otherwise agreed with a client (for example, where a client requests additional allocation services at the Client Fund level) or disclosed to a client, and subject to applicable law.

Conflicts Related to Service Providers

The Adviser will, in its discretion, contract with a related person of the Adviser, including related broker-dealers, administrators and/or transfer agents, to perform services for the Adviser in connection with its provision of advisory services to its clients. In these circumstances, the related person may perform such services itself, or it may engage an unaffiliated service provider that it oversees to provide the services. Similarly, the Adviser, in its discretion, at times recommends to its clients that they contract services with a related person of the Adviser or an entity with which the Adviser or its affiliates or a member of their respective personnel has a relationship or from which the Adviser or its affiliates or their respective personnel otherwise derives financial or other benefit. The Adviser will engage a related person to provide such services when it believes such engagement is beneficial to the Client Fund, such as providing efficiencies in information sharing and higher quality of service. However, the Adviser also

has an incentive, even if it does not act on such incentive, to recommend the related person even if another person may be more qualified to provide the applicable services and/or can provide such services at a lesser cost. Similarly, in hindsight, circumstances could be construed that the Adviser was not as incentivized to pursue remedies and enforce rights against affiliated service providers as compared to unaffiliated service providers, and the Adviser may be incentivized to grant more favorable compensation terms to an affiliated service provider than to an unaffiliated service provider.

The Adviser and its affiliates may, to the extent permitted by applicable laws, make payments to financial intermediaries relating to the placement of interests/shares in Client Funds. These payments may be in addition to or in lieu of any placement fees payable by investors in those Client Funds. These payments to the financial intermediary and/or its representative create an incentive for the financial intermediary to recommend the Private Fund over other products.

In certain circumstances, conflicts of interest will also arise with respect to investments by the Adviser, its affiliates, or a Client Fund in a service provider. For example, the Adviser will, under certain circumstances, have an incentive to pursue investments in companies where the Adviser or its affiliates are, or could become, a customer of the companies' services, or vice versa.

Where appropriate and permitted under a Client Fund's governing documents or investment management agreement, the Adviser will, from time to time, recommend that such Client Fund file claims or threaten action against other parties. To the extent such party is a service provider, vendor, distributor or placement agent for the Adviser or its affiliates, the Adviser will at times have an incentive not to recommend such action. The Adviser addresses such conflicts of interest by acting on behalf of their clients in accordance with their fiduciary obligations to each client. Accordingly, the Adviser's general practice is not to take into account the fact that an issuer is a client, service provider, vendor, distributor, or placement agent when making investment decisions or deciding to file claims or pursue legal actions.

Conflicts Related to Affiliated Broker-Dealers

Broker-dealers and placement agents related to the Adviser and its employees, to the extent such broker-dealers and placement agents receive compensation in connection with the sale of interests in the Client Funds, will have an economic incentive with respect to recommending products and services offered by the Adviser. However, the Adviser will bear the costs of any such compensation (i.e., it will not be borne by the Client Funds or the investors therein). In addition, related broker-dealers and placement agents will have an incentive to recommend products and services of the Adviser over other products and services as a result of being a part of the Franklin Templeton organization.

In addition, as noted above in Item 10 ("Other Financial Industry Activities and Affiliations – Related Broker-Dealers"), certain employees of the Advisers and/or the Adviser's affiliates are registered representatives of FTDI and/or FTFSC. While these employees do not receive commissions in connection with the sale of interests in the Funds, they will under certain circumstances receive performance-based compensation from the Adviser in connection with the sale of interests in the Funds. As a result, these

employees will have an economic incentive to recommend products and services of the Adviser over other products and services.

Gifts, Entertainment and Intangible and Other Benefits

The Adviser and its personnel receive certain gifts, entertainment and intangible and/or other benefits arising or resulting from its activities on behalf of Client Funds. For example, to the extent permitted by the Adviser's Gift & Entertainment Policy, the Adviser and its personnel will, in certain instances, receive meals, tickets to events (such as sports or the theater), or similar benefits of reasonable value and discounts on products and services provided by broker-dealers or counterparties for the Client Funds, service providers to the Client Funds, Underlying Managers and/or companies in which its Client Funds are invested, as applicable. In addition, airline travel or hotel stays incurred as fund or operating expenses (although these are typically Adviser expenses) sometimes result in "miles" or "points" or credit in loyalty/status programs. Such gifts, entertainment and other benefits and/or amounts will, whether or not de minimis or difficult to value, inure exclusively to the Adviser and/or such personnel (and not the clients, investors and/or its investments).

Trading Restrictions and Other Restrictions on Investment Activity

From time to time, the Adviser will be restricted from purchasing or selling, or will otherwise restrict or limit its advice, with respect to securities or other instruments on behalf of its clients. These restrictions may be the result of regulatory or legal requirements applicable to the Adviser, its affiliates or its clients, and/or internal policies, including those related to such regulatory and legal requirements. These restrictions may adversely impact the investment performance of Client Funds.

For example, if the Adviser is provided with MNPI with respect to a potential portfolio company as described under the heading "Conflicts Related to Use of Information" above, restrictions or limitations on initiating or recommending certain types of transactions will apply. Accordingly, should an employee come into possession of MNPI with respect to an issuer, such employee and the Adviser generally will be prohibited from communicating such information to, or using such information for the benefit of, clients. This prohibition could limit the ability of clients to buy, sell or hold certain investments, thereby limiting the investment opportunities or exit strategies available to clients. Similarly, no employee who is aware of MNPI that relates to any other company or entity in circumstances in which such person is deemed to be an insider or is otherwise subject to restrictions under federal securities laws may buy or sell securities of that company or otherwise take advantage of, or pass on to others, such MNPI in violation of applicable law. The Adviser shall have no obligation or responsibility to disclose such information to, or use such information for the benefit of, any person (including Client Funds that it advises). Moreover, the Adviser has implemented procedures, including information barriers in certain cases, that are designed to control the flow of and prohibit the misuse of such information by the Adviser, its employees and on behalf of Client Funds.

In other circumstances, the Adviser is limited by one or more restricted lists of securities and issuers that are subject to certain trading prohibitions due to the Adviser's business activities (e.g., service

on the board of the applicable company as an outside director by a Franklin Templeton or applicable Fund director, officer or employee) or other regulatory limitations (e.g., trading volume, ownership limitations). A Client Fund will, in most circumstances, be unable to buy or sell certain securities until the restriction is lifted, which could disadvantage the Client Fund. In addition, holdings in the securities or other instruments of an issuer by the Adviser will, in certain situations, affect the ability of a Client Fund that it advises to make certain acquisitions of or enter into certain transactions with such issuer.

Similarly, where the Adviser invests in securities issued by companies that operate in certain regulated industries or in certain emerging or international markets, or are subject to corporate or regulatory ownership restrictions, there may be limits on the aggregate amount that the Adviser can invest. For instance, the Adviser may be restricted from investing an amount that would require the grant of a license or other regulatory or corporate consent, or if doing so would violate the Adviser's internal policies. As a result, the Adviser on behalf of its clients may limit purchases, sell existing investments, or otherwise restrict or limit the exercise of rights (including voting rights) when the Adviser, in its sole discretion, deems it appropriate in light of potential regulatory or other restrictions on ownership or other consequences resulting from reaching investment thresholds or investment restrictions.

In those circumstances where ownership thresholds or limitations must be observed, the Adviser seek to equitably allocate limited investment opportunities among its Client Funds over time. If the Client Funds' holdings of an issuer exceed an applicable threshold and the Adviser is unable to obtain relief to enable the continued holding of such investments, it may be necessary to sell down these positions to meet the applicable limitations, possibly during deteriorating market conditions and/or at a loss to the client. Please see further discussion of allocation of investment opportunities under Item 12 ("Brokerage Practices"). Other ownership thresholds may trigger reporting requirements to governmental and regulatory authorities, and such reports may entail the disclosure of the identity of the Adviser's client or its intended strategy with respect to such security or asset.

Conflicts Related to Voting and Exercise of Proxies

The Adviser generally manages proxy voting on behalf of the Client Funds in accordance with its fiduciary obligations. Nonetheless, the Adviser will, from time to time, have conflicts with respect to the exercise of proxies, consents and similar rights. For example, the Adviser or its affiliates may receive service fees from companies whose management is soliciting proxies or the Adviser may have business or personal relationships with participants in proxy contests, corporate directors or candidates for directorships. In addition, the Adviser will at times restrict or otherwise limit its governance or voting rights with respect to a Client Fund's investment in order to avoid certain regulatory consequences that could result in additional costs and disclosure obligations for, or impose restrictions on, the Adviser, its affiliates and/or other Client Funds. This could have a negative impact on the clients whose voting rights are limited. Please refer to Item 17 ("Voting Client Securities") for additional detail on the Adviser's proxy voting policy.

Item 12 – Brokerage Practices

The Adviser serves as general partner or managing member of the Client Funds. The Adviser delegates to its affiliate, K2/D&S, the investment management or investment advisory role to the Client Funds. The following summary describes the brokerage practices of the Adviser and K2/D&S. References to “the Adviser” also refer to K2/D&S, as investment manager of the Client Funds.

In cases where it has discretionary authority, the Adviser has the authority to determine when a Client Fund invests in, or withdraws from, an Investment Fund and the amount of such investment or withdrawal without obtaining specific consent from investors. For those Client Funds which primarily invest in Investment Funds, securities execution decisions within the Investment Funds are made by the Underlying Managers, who themselves arrange for the placement of buy and sell orders and the execution of portfolio transactions on behalf of those Investment Funds.

The Adviser engages in direct trading and determines the broker/dealer and/or futures commission merchant to be used by certain Client Funds and the commission rates or spread to be paid to such broker/dealer or futures commission merchant as applicable. Direct trading occurs as previously described in the beta and alpha replication, risk mitigation programs, hedge fund replication strategy and with respect to the catastrophe bond fund. In addition, in very limited circumstances, if an Investment Fund has distributed securities to a Client Fund instead of cash in satisfaction of all or part of a redemption or withdrawal from the Investment Fund, the Adviser would select a broker to effect the sale of such securities without obtaining consent from investors. The Adviser may, in other specific circumstances, select a broker to effect a transaction on behalf of a Single Investor Fund if instructed to do so by the investor in that Fund. In making such selection, the Adviser considers the commission charged by such broker and such broker’s ability to timely execute the requested transaction. The Adviser does not use or generate “soft dollars” with respect to Client Fund transactions. The Adviser selects brokers based upon best execution, without regard to whether a broker provides research or other services (although a broker may provide research despite this policy). Certain Client Funds are sub-advised by unrelated third parties, which may utilize soft dollars. Such use of soft dollars by these third parties is generally done in accordance with Section 28(e) of the Securities Exchange Act of 1934.

In the event the Adviser is required to exercise discretion in selecting a broker for a Client Fund, investors in a Client Fund generally do not have the right to direct brokerage with respect to such Client Fund’s transactions.

With respect to the Platform Funds, each Master Fund utilizes a range of executing brokers, introducing brokers, prime brokers, dealers, custodians, tri-party custodians, banks and other financial institutions, counterparties and/or futures commission merchants and clearing firms (collectively, “brokers”) to execute and clear transactions for such Master Fund. Generally, the sub-advisor for a Master Fund may recommend the brokers to be utilized by such Master Fund subject to the approval of the Adviser and may execute with various executing brokers (subject to the Adviser’s approval); however, the

sub-advisor will not establish any prime brokerage, futures and options clearing or ISDA arrangements for the Master Fund without the Adviser's consent. One or more brokers may be affiliates of a platform service provider. Generally, in each Platform Fund sub-advisory agreement, the applicable sub-advisor agrees not to accept any "soft dollar" services that fall outside of the "safe harbor" for fiduciaries' use of "soft dollar" services established by Section 28(e) under the Securities Exchange Act of 1934, as amended.

Trade Allocation

If the Adviser determines that more than one Client Fund should purchase or sell interests or shares in the same Investment Fund at the same time, the Adviser will use its best efforts to allocate these purchases and sales equitably among the applicable Client Funds after consideration of certain factors, including the following: investment objectives and restrictions, cash available for investment in each account, investment focus and other investment considerations, relative risk position, existing portfolio composition and applicable industry, sector, or capitalization weightings, and such other reasonable factors that the Adviser, in its discretion, may consider appropriate.

Adviser has a fiduciary obligation to use its best efforts to ensure that no Client Fund is treated unfairly in relation to any other Client Fund in the allocation of securities or the order of the execution of transactions over time (in individual instances some degree of differential treatment may be desirable and/or a practical necessity). Adviser will not allocate trades based on a Client Fund's performance or fee structure.

In the case where there is limited capacity to invest in an Investment Fund, or a limit on the amount of a position that may be sold or on the amount that may be redeemed from a particular Investment Fund at any point or over time, it is the Adviser's policy to use its best efforts to allocate, on a *pro rata* basis, capacity, sales or redemptions to all appropriate Client Fund accounts based on, in the case of contributions, the amount of cash available for investment by appropriate Client Funds, and, in the case of redemptions or sales, on the amount of securities or other interests owned by all appropriate Client Funds; provided, however, that the Adviser's allocation policy allows for allocations to be made on other than a *pro rata* basis taking into consideration the factors described above. Capacity may also be limited if the Adviser determines to place a ceiling on the amount of total capital it wishes to invest in a particular Investment Fund (including Platform Funds), or if the Underlying Manager of the Investment Fund restricts the amount that Client Funds may invest in the Investment Fund at any point in time or over time. Appropriateness is determined by reference to the considerations listed above.

Trade Aggregation

Generally, all Client Fund trades executed on the same day in the same security for accounts under the management of the Adviser's portfolio management team will be aggregated in a single order (sometimes called "block trading") unless aggregation is inefficient or is restricted by client direction, type of account or other limitation. All accounts that participate in a block transaction will participate on a *pro*

rata, relative order size, percentage, or other objective basis. Potential conflicts of interest exist with respect to the aggregation and allocation of client transactions. For example, the Adviser could be viewed as allocating securities that it anticipates will increase in value to certain favored clients, especially those that pay a performance-based fee.

There may be instances where purchase or sale orders, or both, are placed simultaneously on behalf of the Adviser's accounts and by accounts advised by the Adviser's affiliates. In these instances, the Adviser may aggregate the order in a block trade for execution in accordance with established procedures. Generally, for each participating account, the block transactions are averaged as to price and allocated as to amount in accordance with daily purchase or sale orders actually placed for the account. Orders may be aggregated to facilitate best execution, as well as to aid in negotiating more favorable brokerage commissions beneficial to all accounts.

From time to time, aggregation will not be possible because a security or other instrument is thinly traded or otherwise not able to be aggregated and allocated among all clients seeking the investment opportunity, and clients may be limited in, or precluded from, participating in an aggregated trade. Also, an issuer in which clients wish to invest may have threshold limitations on aggregate ownership interests arising from legal or regulatory requirements or company ownership restrictions (e.g., poison pills or other restrictions in organizational documents), which may have the effect of limiting the potential size of the investment opportunity and thus the ability of clients to participate in the opportunity.

Item 13 – Review of Accounts

The Adviser serves as general partner or managing member of the Client Funds. The Adviser delegates to its affiliate, K2/D&S, the investment management or investment advisory role to the Client Funds. The following summary describes the brokerage practices of the Adviser and K2/D&S. References to "the Adviser" also refer to K2/D&S, as investment manager of the Client Funds.

With respect to a Client Fund that invests in Investment Funds, the composition of a Client Fund's portfolio is monitored regularly, on a monthly basis or more frequently as the Adviser may determine, by members of the Adviser's investment research and management team, including in the case of the Registered Funds, their respective portfolio managers. In addition, this group regularly discusses different aspects of the investment process, including performance and possible reallocations of portfolios. Portfolio monitoring is conducted by the Adviser's investment research and management team on an ongoing basis generally through on-site visits to Underlying Managers' offices, electronic communications and telephone conversations with the principals and support staff of the Underlying Managers and reviews of the investment objectives and strategies, risks undertaken, and overall performance of such portfolios. The Adviser's operational due diligence team conducts initial and periodic due diligence reviews of the Underlying Managers' operations and the Adviser's risk team also regularly

monitors the composition and attributes of Client Fund portfolios through third party risk analytics. The Adviser's financial accounting team oversees the accounting and administration of the Client Funds and maintains regular contact with other professionals at the Underlying Managers and third party administrators. To the extent that the Adviser's ability to conduct on-site visits at a manager's office is limited or restricted by certain circumstances, for example, during a pandemic, the Adviser may determine to conduct such interviews or meetings by telephone or video conference during such period and resume on-site visits within a reasonable time of the cessation of such limitations or restrictions.

With respect to the Platform Funds, where the Adviser has appointed a sub-advisor with respect to all or a portion of the respective fund's assets, the Adviser monitors on an ongoing basis the investment activities of each sub-advisor through its receipt of holdings level and risk reports in undertaking risk management and oversight of the sub-advisor's adherence to investment guidelines established by the Adviser in consultation with the relevant sub-advisor. Additionally, the Adviser may engage a platform or risk service provider to assist in the monitoring of investment guidelines and providing of certain risk measurement and analytics services.

With respect to the Client Funds that engage in hedge fund replication or other beta replication strategies, and risk premia, the Adviser's investment research and management team is primarily responsible for monitoring the portfolios and the various quantitative models for signal changes. With respect to Client Funds that engage in alpha replication, the Adviser's investment research and management team is responsible for monitoring the portfolios and managing each portfolio in a manner consistent with its investment program. Additionally, certain members of the Adviser's investment research and management team designated in the Adviser's procedures are responsible for monitoring the catastrophe bond fund's portfolio and implementing its investment program on an ongoing basis. The Adviser's risk team is also responsible for monitoring the portfolios and conducting risk analysis prior to transactions being placed in the portfolios.

Select members of the investment research and management team and other senior investment professionals, are responsible for reviewing and authorizing hedge fund investments in the fund of funds portfolios. Transactions in the Adviser's direct trading strategies, including the hedge fund replication, beta replication, risk premia and/or risk mitigation strategies (including the CRO Component), alpha replication and catastrophe bond strategies, may be authorized by senior investment professionals responsible for managing each of these strategies as designated in the Adviser's procedures.

Investors in the Client Funds are generally provided with monthly or quarterly reports, depending on the terms of such Client Fund, regarding their investments in the Client Fund, including beginning and ending balances as well as a description of the account activity. On a monthly basis, investors in the Client Funds generally receive a firm-wide investment commentary and/or review of performance. Annually, as noted in Item 15, below, investors in the Client Funds for which the Adviser has custody receive audited financial statements of the Client Fund in which they invest and tax reporting information, if applicable.

In special circumstances and upon request, the Adviser may provide an investor with a report in a special or specific format or with specific content that may not generally be available to other investors.

Item 14 – Client Referrals and Other Compensation

The Adviser does not receive any economic benefit from a third party for providing investment advice or other advisory services to the Client Funds.

In certain instances, the Adviser or K2/D&S relies on properly registered third-party distributors or affiliates, including FTFSC, for the distribution of Fund interests or shares and/or identifying candidates for whom a Single Investor Fund based on a specific individual mandate may be suitable. To the extent required, such arrangements would be governed by the policy on use of solicitors and client referrals adopted by the Adviser and entered into in accordance with Rule 206(4)-3 under the Advisers Act and other applicable law. FTFSC generally has the right to assign its placement agent duties to another placement agent that may or may not be affiliated with Franklin Resources. Neither FTFSC nor any placement agent affiliated with Franklin Resources will receive compensation for its services as a placement agent for a Client Fund.

A third party distributor is typically compensated by way of a retrocession that is specified in the applicable selling or referral agreement. Retrocession is a term used to describe an on-going fee payable by the Adviser to the third party distributor so long as such assets placed by the third party distributor remain invested in the Funds for which the Adviser serves as general partner or managing member or for which K2/D&S is the investment manager. The Adviser or K2/D&S, as applicable, may pay all or part of its management fee or performance-based compensation to third party distributors for assisting in the placement of interests in Funds or for providing seed capital to Funds. In other instances, a Fund may pay a distribution fee to a distributor with respect to one or more classes of shares, as described in the applicable offering documents.

Item 15 – Custody

As general partner or managing member of the Client Funds, the Adviser will be deemed to have custody of certain of the Client Funds' assets for purposes of the Advisers Act. Cash, cash management instruments and other direct Client Fund investments are maintained with a qualified custodian. The Client Funds' interests in Investment Funds are not required to be maintained with a qualified custodian.

The Adviser relies on the provisions of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, with respect to Client Funds for which the Adviser has custody. These Client Funds are audited each year by an independent public accountant that is both registered with and inspected by the Public Company Accounting Oversight Board. The Adviser reasonably believes that audited financial statements for each such Client Fund will be provided to investors in that Client Fund within 180 days of the end of

that Client Fund's fiscal year in the case of Client Funds that are "fund of funds" and within 120 days of the end of that Client Fund's fiscal year for all other Client Funds.

Item 16 – Investment Discretion

The Adviser has discretionary authority for all Funds for which it serves as general partner or managing member. The Adviser usually receives discretionary authority from the Funds pursuant to a limited partnership agreement or limited liability company operating agreement with each Fund. The Adviser, however, delegates investment management of each Client Fund's assets to K2/D&S through an investment management agreement entered into between the Client Fund and K2/D&S. In the case of a Platform Fund, the Adviser delegates to the sub-advisor investment discretion over substantially all of the Master Fund's assets, although for certain Platform Funds, K2/D&S may retain investment discretion over a portion of a Master Fund's assets to perform cash management.

In all cases, discretionary authority is exercised in a manner consistent with the stated investment objectives for the particular Client Fund, as set forth in the Client Fund's governing documents or K2/D&S' advisory agreement with such Client Fund. When selecting investments and determining amounts, K2/D&S observes the investment policies, limitations and restrictions of the Client Funds it advises.

With respect to Client Funds that the investment manager manages on a discretionary basis, the Adviser has discretionary authority to supervise and direct the investment of the assets under its management, without obtaining prior specific client consent for each transaction. However, this investment discretion is granted by written authority of the client in the investment management agreement between the client and the Adviser and is subject to such limitations as a client may impose by notice in writing. Under its discretionary authority, K2/D&S may determine to allocate to or redeem from Investment Funds or purchase or sell securities or enter into derivatives transactions in accordance with the client's investment objectives, and restrictions, internal policies and applicable law and practice, without prior consultation or consent before a transaction is effected.

The Adviser may, in its sole discretion, accept one or more categories of investment restrictions, including, ESG Investment Restrictions, requested in writing by clients or agreed to in writing by sub-advisors. Unless otherwise agreed to with a client, the Adviser's compliance with such restrictions will be based on good faith efforts and may be satisfied by utilizing a third party service to screen issuers against such restrictions, or, in its sole discretion, other market data as well as internal research.

From time to time, the Adviser or K2/D&S may cause a Client Fund to invest in an unaffiliated fund where the Underlying Manager submits a shareholder proposal to the issuer of, or otherwise engage in shareholder activism with respect to, securities presently held in one or more Client Funds when the Adviser or K2/D&S believes that such shareholder proposal or activism has the potential to enhance the value of such issuer's securities or generally benefit shareholders. The Adviser or K2/D&S may also

consider such factors including but not limited to costs when considering whether to engage in such activities.

The Adviser or K2/D&S may, in its sole discretion, accept the initial funding of client accounts with one or more securities-in-kind (“SIK”). Subject to the terms of the investment management agreement and applicable law, the Adviser or K2/D&S will use good faith efforts to liquidate any SIK that the Adviser or K2/D&S does not elect to keep as part of such accounts, and shall not be liable for any investment losses or market risk associated with such liquidation.

Participation in Legal Proceedings

With respect to pooled or collective investment vehicles that the Adviser manages, advises, or sub-advises (collectively, referred to as “Funds” in this section), the Adviser, through its delegates (which include, without limitation, personnel of an affiliate, a law firm, custodian or other claim filing service), uses good faith efforts to file proofs of claim on behalf of the Funds in class action lawsuit settlements or judgments and regulatory recovery funds pending in the U.S. and Canada, involving issuers of securities presently or formerly held in the Funds’ portfolios, or related parties of such issuers, of which the Adviser learns and for which the Funds are eligible during the term of the investment management agreement (the “Claim Service”). Infrequently, such United States and Canadian class action lawsuits may require investors affirmatively to “opt in” to the class and may subject investors to public identification and to participation in discovery (“Opt-In Actions”). The Adviser has complete discretion to determine, on a case-by-case basis, whether to file proofs of claim and any other required documentation for the Funds in any Opt-In Actions of which the Adviser learns and shall not be required, or be liable for any failure, to do so.

While the Claim Service is focused on recovery opportunities in the United States and Canada (the jurisdictions in which class action lawsuits and regulatory recovery funds predominate), it is possible that, as class action laws in legal systems in jurisdictions outside of the United States and Canada continue to evolve, the Adviser may learn of recovery opportunities in those other jurisdictions that similarly require only the filing of a proof of claim or its equivalent to recover (“Foreign Actions”). The Adviser does not assume any obligation to identify, research, or file proofs of claim in, any Foreign Actions. In the event that the Adviser does learn of any Foreign Actions, the Adviser has complete discretion to determine, on a case-by-case basis, whether to file proofs of claim for the Funds in such Foreign Actions.

In addition, from time to time, the Adviser will recommend that one or more of the Funds pursue litigation against an issuer or related parties (whether, for example, by opting out of an existing class action lawsuit, participating in a representative action in a foreign jurisdiction, or otherwise). The Adviser or the Funds it advises will also, from time to time, participate in bankruptcy proceedings involving issuers of securities presently or formerly held in the Funds’ portfolios, or related parties of such issuers, and join official and ad hoc committees of creditors or other stakeholders. Similarly, the Adviser’s affiliates will, from time to time, recommend that the Funds they manage participate in litigation, bankruptcy proceedings or committees of creditors or other stakeholders. Neither the Adviser nor the Adviser’s

affiliates will provide notice of, or the opportunity to participate in, any litigation against an issuer or related parties to the Adviser's Separate Account/Third-Party Fund Clients (defined below).

Separate Account/Third-Party Fund Clients. With respect to separate accounts and third party pooled or collective investment vehicles that the Adviser sub-advises (collectively, "Separate Account/Third-Party Fund Clients"), unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may, without undertaking any obligation to do so, (i) provide the Claim Service, (ii) file proofs of claim in Foreign Actions, and (iii) file any required documentation in any Opt-In Actions, as described above. Foreign Actions do not include any other type of collective action outside of the United States and Canada, such as representative actions. Those other actions require individual analysis as to whether participation is in a client's best interest and often require participants to agree to funding agreements or to pay the costs of the litigation directly, to enter into agreements with representative organizations, to commit to participation in discovery, and may require participants to be identified publicly as plaintiffs in the action. The Adviser does not assume any obligation to identify or take any action with respect to such offshore collective or representative actions for its Separate Account/Third-Party Fund Clients.

Further, unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may, participate in any bankruptcy proceedings involving issuers of securities presently or formerly held by Separate Account/Third-Party Fund Client accounts or related parties of such issuers. Without limiting the foregoing, unless otherwise specifically agreed, the Adviser shall not be required, or be liable for any failure to, but may in its discretion: (i) file proofs of claim in bankruptcy proceedings, (ii) notify Separate Account/Third-Party Fund Clients of any applicable deadlines or other events relating to bankruptcy proceedings, or (iii) participate in any committees of creditors or other stakeholders on behalf of Separate Account/Third-Party Fund Clients.

In connection with the Claim Service and the Adviser's involvement in bankruptcy proceedings on behalf of Separate Account/Third-Party Fund Clients, where applicable, the Adviser may disclose information about a Separate Account/Third-Party Fund Client or the client's account, whether by including such information in any proofs of claim or otherwise disclosing such information in any related manner. By filing a proof of claim on behalf of a Separate Account/Third-Party Fund Client, the Adviser will, from time to time, waive the Separate Account/Third-Party Fund Client's right to pursue separate litigation with respect to the subject matter of the class action lawsuit or regulatory recovery fund, or the right to a jury trial in a bankruptcy proceeding, as applicable. Where the Adviser does provide the Claim Service or agrees to participate in bankruptcy proceedings on behalf of Separate Account/Third-Party Fund Clients, the Adviser may (subject to the investment management agreement), at any time, terminate provision of such services by giving notice of such termination to the Separate Account/ Third-Party Fund Client (by any method the Adviser chooses, including electronic mail), and such services will, if not sooner terminated, automatically terminate upon the termination of the governing investment advisory or management agreement.

In addition, with respect to all Client Funds, Client Funds that are currently or were formerly investors in, or were otherwise involved with, investments that are the subject of a legal action will, under certain circumstances, be parties to the particular legal action with the result that a Client Fund may participate in an action in which not all Client Funds with similar investments participate. In these instances, non-participating Client Funds will benefit from the results of such action without becoming or otherwise being subject to the associated fees, costs, expenses and liabilities.

Item 17 – Voting Client Securities

The Adviser has implemented policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 under the Advisers Act. With respect to the Client Funds for which the Adviser has proxy voting authority, proxy voting decisions will be made pursuant to the Adviser's proxy voting policy, which is summarized below.

When the Adviser has proxy voting authority with respect to a Client Fund, no investor in that Client Fund has the ability to direct the Adviser's voting of proxies for the applicable Client Fund.

Directly Trading – Proxies for Equity Securities

For equity securities for Client Funds that engage in direct trading, the Adviser has delegated their administrative duties with respect to voting proxies for client equity securities to the proxy group within Franklin Templeton Companies, LLC (the "Proxy Group"), an affiliate and wholly-owned subsidiary of Franklin Resources.

All proxies received by the Proxy Group will be voted based upon the Adviser's instructions and/or policies. To assist it in analyzing proxies, the Adviser subscribes to one or more unaffiliated third party corporate governance research services that provide in-depth analyses of shareholder meeting agendas, vote recommendations, recordkeeping and vote disclosure services (each, a "Proxy Service"). Although Proxy Service analyses are thoroughly reviewed and considered in making a final voting decision, the Adviser does not consider recommendations from a Proxy Service or any other third party to be determinative of an Adviser's ultimate decision. Rather, the Adviser exercises its independent judgment in making voting decisions.

Proxies for Fund of Funds

With respect to the fund of funds portfolios, the Adviser does not anticipate owning any equity securities granting it or its Client Funds the right to vote proxies on a regular basis; however, the Adviser maintains proxy procedures for consideration and voting on proposals from underlying funds. The Adviser will assess each proxy vote according to the matter the proxy vote relates. Each underlying fund proposal will be considered on its own merits, and an independent determination made whether to consent or oppose the proposal. The Adviser's proxy policies and procedures are reasonably designed to ensure that proxies are voted in the best interest of the Adviser's clients, after taking into consideration

all relevant facts and circumstances at the time of the vote, and in accordance with the Adviser's fiduciary duties and applicable regulations.

Delegated Proxy Voting Responsibility to a Sub-Advisor

When the Adviser has proxy voting authority with respect to a Client Fund, no investor in that Client Fund has the ability to direct the Adviser's voting of proxies for the applicable Client Fund. In the case of the Platform Funds, the Adviser or an affiliate has delegated to each sub-advisor the responsibility to vote all proxies in accordance with the respective sub-advisor's proxy voting policies. To the extent the trading authority for an account has been delegated to an unaffiliated investment manager, proxy voting authority is typically delegated to such unaffiliated investment manager.

Conflicts of Interest

Any actual or apparent conflict of interest between the interests of the Adviser and its Client Funds are resolved in a manner that is consistent with the best interests of the Adviser's Client Funds and in a manner not affected by such actual or apparent conflict of interest. Investors may obtain a copy of the Adviser's voting policies and procedures and information regarding how the Adviser voted proxies with respect to securities in the Client Fund(s) in which that investor holds shares or interests by addressing such request to the Adviser's Investor Relations Group at 203-504-1407 or K2InvestorRelations@FranklinTempleton.com.

Item 18 – Financial Information

The Adviser has no financial condition that impairs its ability to meet contractual and fiduciary commitments to its clients and has not been the subject of a bankruptcy proceeding.