

## **Hill City Capital LP**

**8 Elm Ct.  
Cohasset, MA 02025**

**August 2020**

This “**Brochure**” provides information about the qualifications and business practices of Hill City Capital LP. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Michael Richards, by email at **richards@hillcitycapital.com**. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Hill City Capital LP is registered as an Investment Adviser with the SEC. Registration as an Investment Adviser does not imply any level of skill or training.

Additional information about Hill City Capital LP is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

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This Brochure is Hill City Capital LP's update to our initial Form ADV Part 2A, which was submitted with our application for registration with the SEC. This brochure contains an updated Business Address as of August 1<sup>st</sup>, 2020.

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**Item 4: Advisory Business**

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Hill City Capital LP (hereinafter “**Hill City Capital**”, “**Hill City**”, “**we**”, “**us**”, “**our**”, “**Investment Manager**” or the “**Firm**”) is organized as a Delaware limited partnership with a principal place of business in Cohasset, Massachusetts. Hill City Capital is controlled by its general partner, Hill City GP LLC, a Delaware limited liability company. Herbert Frazier (the “Portfolio Manager”) is the managing member of Hill City GP LLC.

This Brochure also covers Hill City Capital GP LLC (the “**Fund General Partner**”), which is a limited liability company organized under the laws of the state of Delaware. The Fund General Partner is an affiliate of Hill City Capital and serves as the general partner of certain of the Funds (as defined below).

Hill City serves as the investment adviser, with discretionary trading authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum to accredited investors, as defined under the Securities Act of 1933, as amended, and qualified purchasers, as defined under the Investment Company Act of 1940, as amended. We do not tailor our advisory services to the individual needs of any particular investor.

Hill City Capital currently manages the following private, pooled investment vehicles on a discretionary basis:

- Hill City Capital Offshore Fund Ltd., a Cayman Islands exempted company (the “**Offshore Fund**”);
- Hill City Capital Onshore Fund LP, a Delaware limited partnership (the “**Onshore Fund**” and, together with the Offshore Fund, the “**Feeder Funds**”); and
- Hill City Capital Master Fund LP, a Cayman Islands exempted limited partnership (the “**Master Fund**”).

The general partner of the Onshore Fund and the Master Fund is the Fund General Partner.

The Master Fund and the Feeder Funds are herein collectively referred to as the “**Fund**” or “**Client**”.

The Onshore Fund’s “**Limited Partners**” and the Offshore Fund’s “**Shareholders**” are hereafter collectively referred to as the “**Investor**” or “**Investors**” where appropriate.

Our investment decisions and advice with respect to the Fund are subject to each Fund’s investment objectives and guidelines, as set forth in its respective “**Offering Documents**.”

We do not participate in any Wrap Fee Programs at this time.

As of June 1<sup>st</sup>, 2020, Hill City has \$117,227,296 in regulatory assets under management, all managed on a discretionary basis.

The descriptions set forth in this Brochure of specific advisory services that we offer to our clients, and investment strategies pursued and investments made by us on behalf of our clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each client’s

investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. Investors should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any client will be achieved.

### **Item 5: Fees and Compensation**

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The fees applicable to the Fund are set forth in detail in the corresponding Fund's Offering Documents. A brief summary of such fees is provided below.

#### ***Management Fee***

Hill City Capital is paid an investment management fee ("**Management Fee**") for management services for each fiscal quarter. The Management Fee will be payable quarterly in advance in an amount equal to 0.375% (approximately 1.50% annualized) of the net asset value of each Investor's capital account as of the beginning of the then-current calendar quarter, computed prior to the payment or accrual of any Management Fee or Incentive Allocation (as defined below).

The capital account of an Investor admitted other than on the first business day of a calendar quarter (and the capital account of an Investor that makes an additional capital contribution on a day other than the first business day of a calendar quarter) will be subject to a pro rata portion of the Management Fee charged for such quarter based upon the portion of the quarter for which it is an Investor. No portion of the Management Fee will be refunded if an Investor is permitted to withdraw on a date other than the end of a calendar quarter.

Hill City Capital, in its sole discretion, may elect to reduce, waive or calculate differently the Management Fee with respect to any Investor. However, no such waiver, reduction or rebate will adversely impact any other Investor or cause them to bear a higher portion of the Management Fee than they would bear absent such waiver, reduction or rebate.

#### ***Incentive Allocation***

Generally, at the end of each fiscal year (or other accounting period when a calculation of the Incentive Allocation is required) of the Master Fund, the General Partner will have reallocated to its capital account in the Master Fund an amount equal to a portion of the Net Increase attributable to each Investor's capital account maintained for its Interests for such fiscal year, provided that no Incentive Allocation shall be made for a given fiscal year (or other accounting period), from such Investor unless the Net Increase equals or exceeds the Hurdle Amount (as defined below) for the applicable fiscal year (or other accounting period). The "Hurdle Amount" for each fiscal year (or other accounting period) shall be the amount equal to the return that would have accrued had an Investor's capital contribution achieved a five percent (5%) annual rate of return. The Incentive Allocation will generally be 20%.

The Fund General Partner, in its sole discretion, may elect to reduce, waive or calculate differently the Incentive Allocation with respect to any Investor. However, no such waiver, reduction or rebate will adversely impact any other Investor or cause them to bear a higher portion of the Incentive Allocation than they would bear absent such waiver, reduction or rebate.

***Payment of Fees***

Fees and compensation paid to Hill City or its affiliates by the Fund are generally deducted from the assets of such clients. As discussed above, Management Fees are generally deducted on a quarterly basis and the Incentive Allocation is generally deducted on an annual basis.

***Other Types of Fees or Expenses***

Hill City is authorized to incur and pay in the name and on behalf of the Fund all expenses which they deem necessary or advisable.

The Firm is responsible for and shall pay, or cause to be paid, all of their own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, furniture, fixtures, equipment, office supplies, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, personnel of the Firm.

Each Feeder Fund bears its own operating expenses and other expenses and its pro rata share of the Master Fund's expenses, including, but not limited to, the Management Fee; investment-related expenses (*e.g.*, brokerage commissions and transaction costs, clearing and settlement charges, custodial fees, interest expense, consulting, investment banking and any other professional fees or compensation relating to particular investments or contemplated investments, and research-related expenses, including, without limitation, investment consultants, and news and quotation equipment and services (including fees for data and software providers)); expenses related to risk management provided by third parties; third-party valuation services; investment-, operations- and trading-related software, including trade order management software (*i.e.*, software used to route trade orders); expenses related to connectivity with risk and trade processing systems; expenses relating to reports provided to Investors; legal and compliance expenses (which include, without limitation, responding to formal and informal inquiries, indemnification expenses and expenses associated with regulatory filings relating to the Fund and for their respective portfolios); insurance costs incurred in connection with the Fund's business (including, without limitation, acquiring and maintaining D&O and/or E&O insurance for the Offshore Fund's and the Master Fund's directors and Hill City, the Fund General Partner and their respective affiliates); accounting, audit and tax preparation expenses; organizational expenses; expenses relating to the offer and sale of the interests/shares in the Feeder Funds including legal and related fees and expenses in negotiating agreements and other documents; fees and expenses relating to proxy voting research, reporting, execution and recordkeeping services; taxes; fees and expenses of the administrator (including for certain middle-office services), the directors of the Offshore Fund and the Master Fund and the anti-money laundering officers of the Offshore Fund and the Master Fund; expenses related to the maintenance of the Offshore Fund's and the Master Fund's registered office; extraordinary expenses (including, without limitation, fees and expenses incurred in connection with the reorganization, dissolution, winding-up or termination of the Fund or any trading vehicle); and other similar expenses related to the Fund as determined by the General Partner or the board of directors, as applicable, in its sole discretion. Generally, all expenses borne by the Fund, other than the Management Fee and any expenses that the Fund General Partner or the Firm determines should be allocated to a particular Investor (*e.g.*, investor-related taxes), will be shared by all of the investors in the Fund on a pro rata basis in accordance with their partnership percentages or share balance.

The Firm may, in its sole and absolute discretion, bear any of the Fund's expenses described above; provided, that if the Firm bears any such expenses, it will not be required to continue to bear such expenses and may thereafter cause the Fund to bear such expenses. To the extent that any such expenses are provided or paid for by the Fund General Partner (in excess of its ratable share) or the Firm, the applicable Fund will reimburse the Fund General Partner and/or the Firm, as the case may be, for such expenses.

If any of the above expenses are incurred jointly for the account of a Fund and any other investment funds, client accounts and proprietary accounts sponsored or managed by the Fund General Partner, the Firm or their affiliates (each, an **"Other Account"**), such expenses will be allocated among the applicable Fund(s) and such Other Accounts based on the relative assets under management, or in such other manner as the Fund General Partner or the Firm considers fair and reasonable.

There will be no sales charges payable to the Fund, the Fund General Partner or the Firm in connection with the offering of interests in the Feeder Funds.

### ***Additional Compensation and Conflicts of Interest***

Neither Hill City nor any of its supervised persons accepts compensation (e.g., brokerage commissions) for the sale of securities or other investment products.

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

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We and our affiliates accept performance-based compensation from every Client as noted in Item 5. As a result, we and our affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients, but not from other clients.

### **Item 7: Types of Clients**

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Hill City provides investment management services to the Funds, as described in Item 4, its only clients. Investors in the Funds may consist of U.S. and Non-U.S. institutional investors, charitable foundations, endowments, pension plans, funds of funds, private or family-owned investment entities, trusts and individuals. Investors in the Funds must meet certain qualification requirements under applicable federal securities and commodities laws as set forth in each Fund's Confidential Offering Materials. The Funds' stated minimum initial investment is \$5,000,000. Minimum investment amounts may be waived by Hill City in its sole discretion.

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

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The descriptions set forth in this Brochure of specific advisory services that we offer to Clients, and investment strategies pursued, and investments made by us on behalf of our Clients, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies we pursue are speculative and entail substantial risks. Investors should be prepared

to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

### ***Methods of Analysis and Investment Strategies***

The investment objective of the Fund is to generate attractive absolute net returns for Investors, as measured over multiple years while minimizing the probability of permanent loss of capital. The Fund will pursue a long-biased, long / short equity strategy to construct a portfolio of primarily public equity securities. The Fund's investment strategy is characterized by a concentrated portfolio, a long-duration investment horizon, a rigorous fundamental investment process and active engagement with management.

Hill City believes that to achieve its objective, its investment process must be differentiated, transparent and highly disciplined. While Hill City will look to focus on sectors and companies in which it has deep expertise, it does not expect to earn excess returns unless it rejects the consensus view. Hill City judges the attractiveness of investments by its degree of variant perception and its understanding of why it exists. These differentiated opinions arise when it takes a contrarian view, or when it believes the market underestimates the magnitude of fundamental headwinds or tailwinds. This necessitates an internal, proprietary research process that is disconnected from the diligence of the sell-side community and other investors.

Hill City makes investment decisions on the basis of fundamental security analysis. Such analysis is premised on research into industries in which the company operates, as well as the capital structure, financial statements and management of the company. Hill City conducts such research by reference to, among other things, regulatory filings by issuers, data provided by regulatory agencies, discussions and meetings with executives and industry experts, periodicals and on-line news sources, third-party research and independent data providers. Through such research, Hill City forms judgments about the industry's structure and challenges, the company's competitive advantage within that industry, the company's operations and management expertise, financial strength, valuation and outlook. These findings are then compared to the consensus view.

The Fund intends to invest in global equities, with a primary geographical focus on North America and other Developed Markets. The Fund may also take positions in other securities, derivatives and financial instruments as part of the investment process. Hill City may invest the Fund's assets in privately placed unregistered securities that do not have a readily ascertainable market value or other illiquid securities which may be valued but are not freely transferable.

There can be no assurance that a Fund's investment objective will be achieved, and certain trading practices (e.g., the use of leverage, short sales, the concentration of investments, and use of commodities or derivatives) may, in some circumstances, increase any adverse impact to which the Fund may be subject.

### ***Risk of Loss***

An investment in the Fund may be deemed to be a speculative investment and is not intended as a complete investment program. The Fund is designed only for sophisticated persons who are able to bear the risk of an investment in the Fund. The following does not purport to be a summary of all of the risks associated with an investment in the Fund. Rather, the following



describes certain specific risks to which the Fund (and, therefore, the Investors) is subject and with respect to which the General Partner and the Investment Manager strongly encourage potential investors to carefully consider and to consult regarding the same with their professional advisors, as they deem necessary.

***Investment and Trading Risks.*** An investment in the Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Fund's investment program will be successful or that the Fund will achieve its objective. The Investment Manager will invest substantially all of the Fund's assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which the Fund expects to invest may experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Fund.

***Equity Securities Generally.*** The Fund intends to invest in equity securities and equity-related securities of public and private companies in the U.S. and other countries. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from the Investment Manager's expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move. The Fund also may be exposed to risks that issuers will not fulfil contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering or otherwise qualifying restricted securities for public resale.

***Equity Price Risk.*** The Fund's investment portfolio will include long and short positions in equity securities. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, geographic markets, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by the Fund.

***Undervalued Equity Securities.*** The Fund's investment strategy focuses on investing in companies that the Investment Manager believes are undervalued, particularly from a longer-term perspective. Opportunities in undervalued equity securities arise from market inefficiencies or due to a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired, particularly given the Investment Manager's desire to identify securities that are undervalued based on longer-term projections. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

***Convertible Securities and Investments in Equity-Related Convertible Securities.*** The Fund may invest a portion of its capital in convertible securities and equity-related convertible securities. Convertible securities are equities, bonds, debentures, preferred stocks or other securities that may be converted into or exchanged for a specified fixed or variable amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest that is generally

paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is influenced principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund will be required, depending on the terms of the security, to permit the issuer to redeem the security, convert it into the underlying common stock, or sell it to a third party. Any of these actions could have an adverse effect on the Fund's ability to meet its investment objective.

***Investments in Preferred Stock.*** The Fund may invest in the preferred shares of certain companies. Preferred shares may pay dividends at a specific rate and generally have preference over common stock in the payment of dividends in a liquidation of assets but rank after debt securities. Unlike interest payments on debt securities, dividends on preferred shares are generally payable at the discretion of the board of directors of the issuer. The market prices of preferred shares are subject to changes in interest rates and are more sensitive to changes in the issuer's creditworthiness than are the prices of debt securities.

***Regulatory Restrictions.*** The investment strategies pursued by the Fund may be affected by U.S. state and federal laws governing the beneficial ownership of securities in public companies, which may inhibit the Fund's ability to freely acquire and dispose of certain securities. Should the Fund be affected by such rules and regulations, it may not be able to transact in ways that would realize value for the Fund. In addition, any changes to government regulations could make some or all forms of corporate governance strategies unlawful or impractical. Accordingly, such changes, if any, could have an adverse effect on the ability of the Fund to achieve its investment objective.

***Control Issues.*** Although the Investment Manager may seek protective provisions, including, possibly, board representation, in connection with certain of its public and private investments, to the extent the Fund takes minority positions in companies in which it invests, the Investment Manager may not be in a position to exercise control over the management

of such companies, and, accordingly, may have a limited ability to protect its position in such companies.

***Reduced Liquidity due to Inside Information.*** From time to time the Investment Manager or its affiliates, or members of a group of investors or managers with which the Investment Manager is acting, may work with the management team of a company in which the Fund has invested or proposes to invest in order to design an alternate strategic plan and assist them in its execution, and may secure the appointment of persons selected by the Investment Manager or other members of the group to the company's management team or board of directors. In the course of such activities, the Investment Manager may come into possession of material, non-public information concerning such company, and the possession of such information may limit the ability of the Investment Manager to cause the Fund to buy or sell the securities issued by such company. Therefore, the Fund may be required to refrain from buying or selling such securities at times when the Investment Manager might otherwise wish to cause the Fund to buy or sell such securities.

***Short Sales.*** The Investment Manager may engage in short sales as part of hedging transactions or when it believes securities are overvalued. Short sales are sales of securities the Fund borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and the Fund will be able to make a profit by purchasing the securities at a later date at the lower prices. The Fund will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to market events in recent years, including the imposition of restrictions on short selling certain securities and reporting requirements. The Fund's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Fund. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect the Fund's ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Fund may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Fund may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Fund is subject to strict delivery requirements.

The inability of the Fund to deliver securities within the required time frame may subject the Fund to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Fund to unintended costs and losses. Certain action or inaction by third parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Fund's ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to the Fund.

The European Union ("EU") Regulation on Short Selling and Certain Aspects of Credit Default Swaps (the "SSR") applies directly to all member states of the EU. The SSR applies to short sales of, and short positions relating to: (a) the issued share capital of companies whose shares are admitted to trading on a regulated market or multilateral-trading facility in the EU (unless the principal trading venue for the relevant shares is located in a country outside the EU) ("EU listed shares"); and (b) debt instruments issued by an EU sovereign issuer ("EU sovereign debt"). The SSR imposes certain private and public disclosure obligations in respect of short positions in EU listed shares and EU sovereign debt which apply to all natural or legal persons, irrespective of regulatory status, located inside and outside the EU. The SSR also contains prohibitions on uncovered short sales of EU listed shares and EU sovereign debt in certain circumstances. In addition, the SSR prohibits uncovered positions in CDS referencing EU sovereign debt issuers. National regulators, and in certain circumstances the European Securities and Markets Authority ("ESMA"), are able to take certain additional emergency measures (including complete bans on short-selling activities) if certain conditions are met. The SSR may prevent the Investment Manager from fully expressing negative views in relation to EU listed shares and/or EU sovereign debt and may also, inter alia, restrict the ability of the Investment Manager to hedge certain risks through EU sovereign CDS. Accordingly, the ability of the Investment Manager to implement the investment approach and to fulfil the investment objective of the Fund may be constrained.

***Use of Leverage.*** The Investment Manager expects to use leverage in connection with the Fund's portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases returns to the Investors if the Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to the Investors if the Fund fails to earn as much on such incremental investments as it pays for such funds. In the event that the Fund leverages its portfolio, fluctuations in the market value of the Fund's portfolio will have a significant effect in relation to the Fund's capital and the risk of loss and the possibility of gain will each be increased. In addition, when the Fund utilizes leverage, the level of interest rates generally, and the rates at which the Fund can borrow, will be an expense of the Fund and therefore affect the operating results of the Fund. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of the Fund's portfolio.

The Fund may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call" pursuant to which the Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

***American Depositary Receipts and Global Depositary Receipts.*** The Fund may invest a portion of the Fund's assets in ADRs and GDRs (as each term is defined below). American Depositary Receipts ("ADRs") are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by foreign issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. Global Depositary Receipts ("GDRs") are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a foreign company's publicly traded securities that are traded on foreign stock exchanges or foreign over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

***Exchange Traded Funds.*** The Fund may buy and sell short shares of exchange traded funds ("ETFs") and other similar instruments. These transactions may be used to adjust the Fund's exposure to the general market or industry sectors and to manage the Fund's risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments.

***Limited Diversification; No Formal Diversification Requirements.*** The Fund may, from time to time, be focused on investing in companies in certain industries. Accordingly, such concentration could have a material adverse effect on the Fund including if any of the industries in which the Fund invests experiences adverse news. The Investment Manager has full discretion to allocate capital among strategies and may determine to concentrate such capital in particular strategies from time to time or not allocate capital to particular strategies. Such investment concentrations may increase volatility and cause the Fund to incur greater losses than would be the case if the Investment Manager implemented a more diversified portfolio. Even when the Investment Manager is seeking to diversify the Fund's portfolio, certain risks may be correlated in unanticipated ways, resulting in unintended risk exposure. This limited diversity could expose the Fund to significantly greater volatility than in a more diversified portfolio.

***Small-Cap and Mid-Cap Risks.*** The Fund may trade equities of small- and mid-capitalization companies. While, in the Investment Manager's opinion, the securities of small- and mid-cap issuers may offer the potential for greater capital appreciation than investment in securities of larger-cap issuers, securities of small- and mid-capitalization issuers may also present greater risks. For example, some small- and mid-cap issuers have limited product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses and

earnings. Their securities may be thinly traded, may be followed by fewer investment analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-cap issuers. In addition, due to thin trading in many smaller capitalization stocks, an investment in such stocks may be characterized by reduced liquidity. Further, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is potentially higher than for larger, "blue-chip" companies. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, corporate developments, and market rumors than are the market prices of larger-cap issuers. Transaction costs in securities of small- and mid-cap issuers may be higher than in those of large-cap issuers. There may be less information about small and mid-cap companies than larger cap companies.

***Illiquid Securities; Designated Investments.*** The Fund may invest in securities that constitute Designated Investments, and Investors at the date of such designation, will participate on a pro rata basis in such Designated Investments. Such Designated Investments may have to be held for a substantial period of time before they can be liquidated, if at all. Market prices for such Designated Investments may be volatile and may not be ascertainable. The resale of restricted and illiquid securities often may have higher brokerage charges. Designated Investments may represent capital not available for withdrawal by Investors.

***Private Equity.*** Private equity investments in which the Fund may invest involve a high degree of business and financial risk and can result in substantial or complete losses. Many portfolio companies may be operating at a loss or with substantial variations in operating results from period to period. These companies may need substantial additional capital to support expansion or to achieve or maintain competitive positions. These companies may face intense competition, including competition from companies with much greater financial resources, much more extensive development, production, marketing and service capabilities, and a much larger number of qualified managerial and technical personnel. Any such company may fail.

***Purchasing Securities of Initial Public Offering.*** From time to time the Fund may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for the Fund to trade these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. The Fund may trade securities that are "new issues," as defined by Rule 5130. Rule 5130 and Rule 5131 restrict certain persons from participating in "new issues". The Offering Document provides a mechanism for the purchase of new issues that excludes participation in such investment by any Investor that is deemed restricted.

***Investments in Restricted Investments.*** The Fund may invest its assets in restricted securities or securities that are subject to certain liquidity restrictions, including, without limitation, lock-up periods. These securities may be subject to legal or contractual restrictions on resale and transfer and, therefore, may be illiquid and subject to wide fluctuations in value. Such securities may be held by the Fund until the occurrence of certain events or for an extended period, as determined by the Investment Manager. The resale of restricted and illiquid securities may be difficult to value and oftentimes may have higher brokerage charges.

**Foreign Securities.** The Fund may invest in securities of non-U.S. issuers. The Fund's investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the U.S. and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of the Fund's assets denominated in that currency and thereby impact the Fund's total return on such assets. The Fund may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities may involve risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Fund assets and any effects of foreign social, economic or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for the Fund to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of the Fund's trades affected in such markets.

In addition, changes or modifications in existing judicial decisions or in the current positions of the IRS, either taken administratively or as contained in published revenue rulings and revenue procedures (which changes or modifications may apply with retroactive effect), and the passage of new legislation, could lead to unfavorable treatment of certain non-U.S. investments which could adversely impact the Fund's portfolio.

**Currencies.** The Fund may invest portions of its assets in instruments denominated in non-U.S. currencies or instruments, the prices of which are determined with reference to currencies other than the U.S. dollar, including, without limitation, options on non-U.S. currencies. The Fund, however, values its securities and other assets in U.S. dollars. The Investment Manager may or may not seek to hedge all or any portion of the foreign currency exposure of the Fund. To the extent unhedged, the value of the assets of the Fund will fluctuate with U.S. dollar exchange rates as well as the price changes of the positions of the Fund in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Fund makes its investments will reduce the effect of increases and magnify the effect of decreases in the prices of the securities and other financial instruments owned by the Fund in the local markets of such other currencies. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on the non-U.S. dollar securities and other financial instruments owned by the Fund.

**Hedging.** The Fund may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and

hedging strategies will be successful, as such success will depend on, among other factors, the Investment Manager's ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Fund's hedging strategies may also be subject to the Investment Manager's ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the hedge ineffective. It may be more difficult to hedge a position in a smaller cap issuer than a larger-cap issuer. The Fund's portfolio is not expected to be completely hedged at all times and at various times the Investment Manager may elect to be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, the Fund's assets may not be adequately protected from market volatility and other conditions.

**Other Derivative Investments.** Derivative instruments or "derivatives" include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose the Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

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 the Investment Manager from promptly liquidating unfavorable positions and subject the Fund to substantial losses.

The Investment Manager is exempt from registration with the CFTC as a CPO pursuant to Rule 4.13(a)(3) under the CEA. Unlike a registered commodity pool operator, the Investment Manager is not required to deliver a disclosure document and a certified report to participants in the Fund. The Investment Manager has also claimed an exemption from registration with the CFTC as a CTA pursuant to Rule 4.14(a)(8) under the CEA.

**Options.** The Fund may invest, from time to time, in options. In addition, the Fund may write and sell covered and uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the



option. Options written by the Fund may be wholly or partially covered (meaning that the Fund holds an offsetting position) or uncovered. Options on specific investments may be used by the Fund to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by the Fund without requiring a sale of the investments.

Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter ("OTC") options that the Fund may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The OTC market for options is relatively illiquid, particularly for relatively small transactions.

Use of put and call options may result in losses to the Fund, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation the Fund can realize on their investments or cause the Fund to hold an investment it might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by the Fund to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by the Fund. The use of uncovered option writing techniques may entail greater risks of potential loss to the Fund than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in the Fund realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

**Swap Transactions.** The Fund may enter into swap agreements with respect to securities, indexes of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "swap" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, or indices. The gross returns to be exchanged or "swapped" between the parties are generally calculated with respect to a "notional amount". Whether the Fund's use of swap agreements will be successful will depend on the Investment Manager's ability to select appropriate transactions for the Fund. Swap transactions may be highly illiquid. Moreover, the Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect the Fund's ability to terminate existing swap transactions or to realize amounts to be received

under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Total return swaps are another form of swap transaction that the Fund may utilize in its investment program. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short, and the total return receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to the Fund's portfolio because, in addition, to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap agreement.

In addition, the Fund may enter into credit default swap transactions. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables, including, for example, the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views. The Fund may also enter into credit default swap transactions, even if the credit outlook is positive, if the Investment Manager believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

**Money Market Instruments.** The Investment Manager may invest, for defensive purposes or otherwise, all or a portion of the Fund's assets in high quality fixed-income securities, money-market instruments, and money-market mutual funds, or hold cash or cash equivalents in such amounts as the Investment Manager deems appropriate under the circumstances. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

**Cash Holdings.** The Fund may hold substantial cash balances which will vary depending on the Investment Manager's view of available investment opportunities. During times in which substantial capital is held in cash or cash equivalents, such capital may not be subject to the same returns as the rest of the Fund's portfolio.

**Loans of Portfolio Securities.** The Fund may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of the Fund's assets. By doing so, the Fund attempts to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Fund could experience delays in recovering the securities it lent. To the extent that the value of the securities the Fund lent has increased, the Fund could experience a loss if such securities are not recovered.

**Change in Investment Strategies.** The investment strategies, approaches and techniques discussed herein may evolve over time due to, among other things, market developments and trends, the emergence of new or enhanced investment products, changing industry practice

and/or technological innovation. As a result, these investment strategies, approaches and techniques may not reflect the investment strategies, approaches and techniques actually employed by the Fund. Nevertheless, the investments made on behalf of the Fund will be consistent with the Fund's investment objective.

**Competition.** The securities industry and the varied strategies engaged in by the Investment Manager are extremely competitive and each involves a degree of risk. The Fund competes with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

**General Economic and Market Conditions.** The success of the Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Fund's investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Fund's profitability or result in losses. The Fund may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets—the larger the positions, the greater the potential for loss.

The Fund may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to the Fund from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to the Fund. Market disruptions may from time to time cause dramatic losses for the Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

**Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act.** The global financial markets have in recent years gone through pervasive and fundamental disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, certain of these interventions have been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which aims to reform various aspects of the U.S. financial markets, covers a broad range of market participants including investment advisers (registered and unregistered) such as the Investment Manager. The Dodd-Frank Act may directly affect the Investment Manager by mandating additional new reporting requirements, including, but not limited to, position information, use of leverage and counterparty and credit risk exposure. Until the SEC implements all the new reporting requirements, the full burden of such reporting obligations will not be known.

The Dodd-Frank Act may also affect the Fund in a number of other ways. Pursuant to the Dodd-Frank Act, banks and other financial firms (like the Fund and the Investment Manager) may be designated as “Systemically Important Financial Institutions” or “SIFIs”. Any bank or financial firm so designated will be subject to regulation by the Federal Reserve Board. In the area of derivatives, the Dodd-Frank Act provides for the registration and comprehensive regulation of “major swap participants”. Although the General Partner and the Investment Manager believe they are unlikely to be classified as SIFIs and are not subject to the requirements for “major swap participants,” the consequences of being so classified could be substantial and adverse. In addition, the cost of derivative transactions may substantially increase as result of the Dodd-Frank Act as additional margin, capital and collateral obligations are implemented.

**Counterparty Risk.** Some of the markets in which the Fund may affect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of “exchange-based” markets are subject. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Fund is not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Fund to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

Pursuant to the Dodd-Frank Act, some derivatives transactions will be subject to mandatory clearing and will also be subject to the margin requirements set forth by the clearinghouse. The additional margin, capital and collateral obligations may increase the cost of derivatives transactions and thereby potentially decrease the profitability of certain positions.

**Broker Risk.** The Fund’s assets may be held in one or more accounts maintained for the Fund by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to the Fund’s assets may be subject to substantial variations, limitations and uncertainties. For instance, in certain jurisdictions brokers could have title to the Fund’s assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on the Fund and its assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of the Fund’s assets or in a significant delay in the Fund having access to those assets.

**MiFID II.** The EU Markets in Financial Instruments Directive (Directive 2014/65/EU) and Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014) (together, “MiFID II”) governs the provision of investment services and activities in relation to, as well as the organized trading of, financial instruments such as shares, bonds, units in collective investment schemes and derivatives. MiFID II was required to be implemented in EU member states as of January 3, 2018. Although the Fund is not organized in the EU, and is not authorized or regulated by any EU member state financial services regulator, certain aspects of MiFID II may have an impact on the Fund. MiFID II imposes certain restrictions as to the trading of shares and derivatives, which could apply to transactions made by or with the Fund. Subject to certain conditions and exceptions, the Fund may be unable to trade shares or derivatives with affected counterparties other than as provided by MiFID II. MiFID II also applies position limits to the size of a net position that a person can hold at all times in commodity derivatives traded on EU trading venues and in “economically equivalent” OTC derivatives.

More generally, EU regulated firms that have trading relationships with the Fund may be obliged by MiFID II to impose certain requirements on the Fund, or they may seek to do so contractually, with a view to satisfying their own compliance obligations. It is difficult to predict the full impact of MiFID II on the Fund. Prospective investors should also be aware that there may be costs (whether direct or indirect) of compliance with MiFID II.

**European Market Infrastructure Regulation.** In addition to MiFID II, the European Market Infrastructure Regulation (“EMIR”) introduced certain requirements in respect of derivative contracts, which apply to varying degrees to entities established in the EU, regardless of whether they are transacting with counterparties established in the EU or outside of the EU. As such, where the Fund transacts with EU counterparties, they will likely require the transaction to be EMIR-compliant, with the result that the Fund becomes subject to additional obligations and/or costs that may not otherwise have applied.

Broadly, EMIR’s requirements in respect of derivative contracts are: (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts; and (iii) reporting and record-keeping requirements in respect of all derivative contracts. The application of these requirements is dependent on the classification of the counterparties as financial counterparties (“FCs”), non-financial counterparties above the clearing threshold (“NFC+s”) or non-financial counterparties below the clearing threshold (“NFC-s”) and trading systems with programming logic errors.

Prospective investors should be aware that there may be ongoing costs (whether direct or indirect) of compliance with EMIR, and that EMIR may adversely affect the Fund’s ability to engage in certain transactions in derivatives.

**Valuation.** Valuations of the Fund’s securities and other investments, such as options, may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of the Fund could be adversely affected. Certain of the Fund’s investments may not be listed on established exchanges, which may make a determination of the fair market value of such securities difficult to accurately determine. Furthermore, even for listed securities, the Investment Manager, in consultation with the General Partner, may determine that the listed prices of the securities as determined in accordance with the valuation procedures set forth in the Offering Document do not reflect the actual value of the securities and the Investment Manager may make such appropriate and reasonable

modifications thereto to reflect the value of the securities, including to reflect liquidity conditions or other factors affecting such value. Third party pricing information may at times not be available regarding certain securities. Valuation determinations made by the Investment Manager, in consultation with the General Partner, which will be conclusive and binding, may affect the amount of the Management Fee and Performance Allocation.

***Systems and Operational Risks.*** The Fund depends on the Investment Manager to develop and implement appropriate systems for the Fund's activities. The Fund relies heavily and on a daily basis on financial, accounting and other data processing systems to execute, clear and settle transactions and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of the Fund's activities. In addition, the Fund relies on information systems to store sensitive information about the Fund, the Investment Manager, their affiliates and the Investors. Certain of the Fund's and the Investment Manager's activities will be dependent upon systems operated by third parties, including prime brokers, the Administrator, market counterparties and other service providers, and the Investment Manager may not be in a position to adequately verify the risks or reliability of such third-party systems. Failures in the systems employed by the Investment Manager, prime brokers, the Administrator, counterparties, exchanges and similar clearance and settlement facilities and other parties could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated or accounted for. Disruptions in the Fund's operations or breach of the Fund's information systems may cause the Fund's to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory penalties or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on the Fund and the Investors' investments therein.

***Cybersecurity Risk.*** With the increased use of technologies such as the Internet to conduct business, the Fund is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Investment Manager's and other service providers (including, but not limited to, Fund accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the Fund's ability to value its securities or other investments, impediments to trading, the inability of Investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which the Fund invests, counterparties with which the Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for Investors) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While the Fund's service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, the Fund cannot control the cyber security plans and

systems put in place by its service providers or any other third parties whose operations may affect the Fund or its Investors. The Fund and its Investors could be negatively impacted as a result.

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**Item 9: Disciplinary Information**

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To the best of our knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective investor's evaluation of our advisory business or the integrity of our management.

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**Item 10: Other Financial Industry Activities and Affiliations**

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Neither we nor our management persons are registered as broker-dealers, and neither of us has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

We and our management persons are not registered as, and do not have any application to register as, futures commission merchants, commodity pool operators, commodity trading advisors or associated persons of the foregoing entities.

We do not recommend or select other investment advisers for our Clients.

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

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***Code of Ethics***

Hill City has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Fund and Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics' Employee Personal Investment Policy (described below); and
- Employees should not take inappropriate advantage of their position at the Firm.

Employees are generally discouraged from maintaining personal brokerage accounts for the purpose of trading "**Reportable Securities**" (as defined in the Code of Ethics, and which includes a wide variety of investments such as stocks, bonds, fixed income, options, warrants, futures, and derivatives). Employees must obtain pre-approval from the CCO for all trades in Reportable Securities. Employees are prohibited from participating in Initial Public Offerings ("**IPOs**"). Employees are also prohibited from personally, or on behalf of a Client, purchasing or selling securities that appear on the Firm's Restricted List. Employees are not required,

however, to obtain pre-clearance for personal investments in certain other asset classes and goods, including certain investments in residential real estate and mutual funds, whether or not our Clients have invested in the same or similar assets.

Employees must obtain pre-approval from the CCO before: (i) engaging in any outside business activities; or (ii) making any private investments.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor, upon request, to be viewed on the premises. Investors may make such a request by contacting us at the address or telephone number listed on the first page of this document.

***Securities in which Hill City Capital or a Related Person Has a Material Financial Interest***

***Cross Transactions***

Investment advisers that manage accounts for multiple clients also have a number of obligations and limitations regarding their ability to effect transfers of securities from one client to another (each such transfer, a “**Cross Trade**”). We manage a single master-feeder fund structure, and therefore generally only execute trades or make investments on behalf of a single master fund.

To the extent that we determine that it would be in the best interests of certain clients to engage in a Cross Trade (which can happen for a variety of reasons, including tax purposes, liquidity purposes, to rebalance client portfolios, or to reduce transaction costs that may arise in an open market transaction), we will follow a policy whereby we determine that the trade is in the best interests of both of the clients involved and take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those clients.

***Principal Transactions***

To the extent that Cross Trades may be viewed as principal transactions (as such term is used under the “Advisers Act) due to the ownership interest in a Fund by the Fund General Partner or otherwise, Hill City or its personnel, for the avoidance of doubt, we will comply with the requirements of Section 206(3) of the Advisers Act for any principal transactions. To the extent that we engage in any such transactions, we will obtain written approval from all impacted Investors.

In no event will any principal transaction, Cross Trade, related-party transaction or other transaction or relationship involving actual conflicts of interest, be entered into unless it complies with applicable law.

***Investing in Securities that Hill City Capital or a Related Person Recommends to Clients***

To the extent that we, or any of our affiliates or employees transact in or hold securities that are also held by Clients, Hill City, its affiliates and its employees may give advice or take action for their own accounts that may differ from, conflict with or be adverse to advice given or action taken for our clients. These activities may adversely affect the prices and availability of other securities held by or potentially considered for purchase by our Clients.

We and/or our affiliates may, from time to time, offer one or more Investors, investors in other Clients, and/or other third-party investors the opportunity to co-invest with the Fund in particular investments. We and our affiliates are not obligated to arrange co-investment



opportunities, no Investor will be obligated to participate in such an opportunity, and we may offer co-investment opportunities only to certain of the persons referenced above in our sole discretion. We and our affiliates have sole discretion as to the amount (if any) of a co-investment opportunity that will be allocated to a particular Investor and may allocate co-investment opportunities instead to investors in other Client vehicles or to third parties. If we determine that an investment opportunity is too large for the Fund, we and our affiliates may, but will not be obligated to, make proprietary investments therein. We or our affiliates may receive fees and/or allocations from co-investors, which may differ as among co-investors and also may differ from the fees and/or allocations borne by the Fund. Other terms and rights applicable to such co-investors (including without limitation, withdrawal rights, information rights and the terms related to the particular structure of any co-investment vehicle) may also differ from the terms and rights applicable to Investors as well as among co-investors.

### ***Conflicts of Interest Created by Contemporaneous Trading***

Investment advisers that manage accounts for multiple clients have a number of obligations governing their allocation of orders and their ability to aggregate trades across clients. We manage a single master-feeder fund structure, and therefore generally only execute trades or make investments on behalf of a single master fund. To the extent that in the future we have multiple clients that are both investing in the same securities, we will allocate investment opportunities to those clients on a fair and equitable basis, to the extent practical and in accordance with Clients' applicable investment strategies, over a period of time. Investment opportunities will generally be allocated among those Clients for which participation in the respective opportunity is considered appropriate.

### **Item 12: Brokerage Practices**

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Hill City is authorized to determine the broker-dealer to be used for executing securities transaction for the Fund. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates; therefore, the Fund may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Fund. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

### ***Best Execution***

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a Client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration relevant factors, including, but not limited to, price quotes; the size of the transaction; the nature of the market for the security; the timing of the transaction; the difficulty of execution; the broker or dealer's expertise in the relevant market or sector; the extent to which the broker or dealer makes a market in the security or has access to such market; the broker or dealer's skill in positioning the relevant market; the broker or dealer's facilities, reliability, promptness and financial stability; the broker or dealer's reputation for diligence and integrity (including in correcting errors); confidentiality considerations; the quality and usefulness of research

products and services and investment ideas presented by the broker or dealer; and other factors deemed appropriate by the Firm.

***Soft Dollars***

The use of brokerage commissions to obtain research and brokerage products and services creates a conflict of interest between the Investment Manager and the Fund. This may result in the Fund paying higher brokerage commissions than might be paid if transactions were effected through brokers that do not provide such services. To the extent that the Investment Manager is able to acquire these research and brokerage products and services without expending its own resources or at reduced prices, the Investment Manager's use of "soft-dollars" would tend to increase its profitability. Such research and brokerage products and services may also be used by the Investment Manager in its other investment activities, and therefore, the Fund may not, in any particular instance, be the direct or indirect beneficiary of the research and brokerage products and services provided. In addition, the availability of these non-monetary benefits may influence the Investment Manager to select one broker rather than another to perform services for the Fund. Although the Investment Manager does not anticipate that it will generate a significant amount of "soft dollars", to the extent it does, it is anticipated that the use of commissions or "soft dollars" to pay for research and brokerage products and services will fall within the safe harbor created by Section 28(e) of the Exchange Act.

***Brokerage for Client Referrals***

Neither Hill City nor any related person receives client referrals from any broker-dealer or third party. However, subject to best execution, we may consider, among other things, capital introduction and marketing assistance with respect to Investors in the Fund in selecting or recommending broker-dealers for the Fund.

***Directed Brokerage***

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

**Item 13: Review of Accounts**

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Hill City and its investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Fund to ensure that they conform with the investment objectives and guidelines that are stated in the Offering Documents of the Fund's. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

***Account Reporting***

We perform various periodic reviews of each Client's portfolio. Such reviews are conducted by our officers. A review of a Client account may be triggered by any unusual activity or special circumstance.

Directly or through a third-party administrator, Hill City expects to make the information described below available to all continuing investors in the Fund:

- Monthly unaudited account statements;
- Schedule K-1 (where applicable) as soon as practicable after the fiscal year-end; and
- Audited Fund financial statements.

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**Item 14: Client Referrals and Other Compensation**

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We do not receive economic benefits from non-clients for providing investment advice and other advisory services. Neither we nor any of our related persons, directly or indirectly, compensate any person who is not a supervised person for client referrals.

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**Item 15: Custody**

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Hill City does not maintain direct custody or possession of any of the Fund's assets, but Hill City is deemed to have custody of Client's funds in its legal capacity as a related person to the General Partner.

Hill City is subject to Rule 206(4)-2 (often referred to as the "Custody Rule") under the Advisers Act. Accordingly, Hill City has engaged an independent accounting firm registered with, and subject to inspection by, the Public Company Oversight Board (PCAOB) to perform an annual audit of each Fund. Upon completion of the relevant Fund's annual audit, we will ensure that the Fund's audited financials are distributed to Investors within 120 days of such Fund's fiscal year end. In addition, Hill City has engaged "qualified custodians" (as defined in the Custody Rule) to hold the assets of the Funds that must be held with a qualified custodian pursuant to the Custody Rule. These qualified custodians do not send statements to investors in the Funds.

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**Item 16: Investment Discretion**

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Hill City has full discretionary investment authority with respect to the Fund, including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities. Our investment decisions and advice with respect to each Fund are subject to each Fund's investment objectives and guidelines, as set forth in its Offering Documents. We, or one of our affiliates, have entered into an investment management agreement, or similar agreement, with each Fund, pursuant to which we (or any applicable affiliate) has been granted discretionary trading authority.

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**Item 17: Voting Client Securities**

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In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the "proxy voting rule"), we have adopted proxy voting policies and procedures. The general policy is to vote all proxy proposals, amendments, consents or resolutions (each, a "**Proxy**" and collectively, "**Proxies**") in a prudent and diligent manner that will serve the applicable Client's best interests and is in line with the Client's investment objectives.

We may take into account all relevant factors, as determined by us in our discretion, including, without limitation:

- the impact on the value of the securities or instruments owned by the relevant Client and the returns on those securities;
- the anticipated associated costs and benefits;
- the continued or increased availability of portfolio information; and
- industry and business practices.

Generally, Clients may not direct our vote in a particular solicitation.

Conflicts of interest may arise between the interests of our Clients and us or our affiliates. If we determine that we may have, or be perceived to have, a conflict of interest when voting Proxies, we will vote in accordance with our Proxy voting policies and procedures. Clients may obtain a copy of our Proxy voting policies and our Proxy voting record upon request.

#### **Item 18: Financial Information**

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We are not required to include a balance sheet for our most recent fiscal year, are not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to Clients and have not been the subject of a bankruptcy petition at any time during the past ten years.